Latam ESOP
Viability Study

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Executive summary

- The LATAM ESOP Viability Study offers a comprehensive strategy to implement broad-based and inclusive employee ownership models in Latin America, tailored to align with the United Nations' Sustainable Development Goals (SDGs) of economic growth, poverty reduction, and inequality mitigation.

- Drawing from France's extensive experience with employee ownership and the innovative European ESOP model developed in Slovenia, the report provides actionable insights for adapting these practices to LATAM's unique legal and cultural contexts.

- The study emphasizes the importance of scalable, sustainable, and inclusive employee ownership, highlighting mechanisms like leveraged buyouts and gradual conversions to ensure generational continuity, broad participation, and alignment with SDG priorities.

- Latin American countries, exemplified by Argentina, face systemic challenges including high inflation, financial informality, and weak capital markets. Argentina especially faces deep challenges with the generational transition of business ownership in closely held companies. These issues strengthen the opportunities presented by employee ownership, provided regulatory and cultural barriers are addressed.

- Successful adoption of employee ownership models, such as ESOPs, requires a dual approach: incentivizing adoption through tax reliefs, dedicated financing, and technical assistance, while ensuring equity and sustainability through robust legal frameworks.

- The Initiative seeks to adapt the ESOP model for Latin America by leveraging proven methodologies from the US, UK, Canada, and Slovenia. The approach emphasizes piloting the ESOP model in the context of existing legal framework before enacting specialized legislation, ensuring practical insights and minimizing the risk of legislative misalignment. Initial steps include public and stakeholder-directed advocacy, creating an adoptable legal concept, conducting pilot projects, and subsequently developing regulatory and fiscal frameworks to support a scalable, abuse-resistant ESOP structure.

- Key principles of LATAM ESOP include structuring ownership through special-purpose entities like trusts or cooperatives, financing buyouts via profit-sharing and credit mechanisms, ensuring low transaction costs, and implementing democratic governance. Additionally, features like individual and collective capital accounts enhance sustainability, while non-transferable shares protect employee ownership.

Introduction: Situating the LATAM ESOP into the project objectives

The "LATAM ESOP Viability Study" is a Report prepared as part of the ADELANTE2 Initiative “New Frontiers for Employee Ownership in Latin America”. The initiative seeks to strengthen the capacity of strategic actors in Argentina, Colombia, Mexico, and Peru to advance the United Nation (UN)’s Sustainable Development Goals (SDGs) related to economic growth, reduction of poverty and inequality through the promotion of broad-based employee ownership. This effort involves collaboration between academic institutions, business representative organizations, non-profit organizations, and more. Drawing on France's rich experience with employee ownership (EO) and the innovative European ESOP model introduced in Slovenia, the initiative aims to adapt and implement these practices in the LATAM context. Specifically, with the support of the Institute for Economic Democracy (IED), which has been pioneering the implementation of Employee Stock Ownership Plans (ESOPs) in the European Union (EU), the project aims to create a specialised ESOP model tailored to LATAM countries’ unique legal and cultural environment. The output of the consultancy by IED is a comprehensive study that serves as a cornerstone for understanding and applying employee ownership principles to address key development challenges in LATAM countries, in line with the SDGs.

To achieve the Initiative’s objectives and ensure the promoted employee ownership models are effective at advancing the UN’s SDGs, certain criteria need to be met.

1. Firstly, **it is important that the promoted employee ownership models are broad-based and inclusive**, as to prevent that financial and decision-making participation is be limited to well-paid employees alone. Only when the vast majority of employees participates, employee ownership can effectively promote the UN’s SDGs.

2. Secondly, to ensure socio-economic benefits, **it is crucial that employee ownership is scaled substantially**. As shown by international practice, this can be achieved by granting legislative, institutional, and advocacy support to models of employee ownership that are intuitive, easy to implement and that address widespread needs, such as that of business succession. Employee ownership is most effectively scaled up through employee ownership models which can be easily implemented in mature businesses through employee buyouts, and whose diffusion is not driven exclusively by newly established businesses.

3. Finally, promoted employee ownership models need to be **sustainable and designed to anchor ownership among active employees in the business**. Disintegration of employee ownership should be actively prevented as to avoid speculative, short term-oriented practices.

The LATAM ESOP Viability Study defines the standards of inclusive, sustainable, and broad-based employee ownership and outlines a strategy for scaling up such kind of employee ownership in the LATAM context. The aim is to support and provide guidance to efforts to advance the UN’s SDGs through institutional and legislative support of employee ownership.

Employee Ownership Insights from Europe

Europe's rich experience with and long tradition of employee ownership can provide guidance to LATAM countries in their efforts to bring such model of ownership into the mainstream. In this regard, France and Slovenia stand out among EU Members States, for the scale of employee ownership and for the introduction of state-of-the-art employee ownership innovations respectively. Both countries can offer support in understanding models of employee equity participation that could be considered as referential models for LATAM countries.

France boasts a great variety of employee buyout models, and a strong tradition of supporting employee ownership promoted through fiscal incentives, dedicated financing instruments, as well as through services provided by specialized supportive organizations. The *FCPE* is the main investment vehicle of employee ownership in France. It takes different forms: *FCPE, FCPE simplifié* and *FCPE de reprise*[1]. Workers must invest personally into shares of the underlying company. For that reason, the *FCPE* rarely leads to significant ownership held by the workers. Generally, the share purchase plan is used to reward and motivate employees to stay with the company and improve its performance, rather than ensuring a sustainable employee ownership structure which anchors ownership long-term among the majority of active employees. Moreover, the model is not inherently broad-based, as it only requires for one-third of all employees to be included in the program. The model may create a distinction between the employees that can afford to put their income aside and invest in ownership, and those who cannot. The second model of employee buyouts is the one established through worker cooperatives, which in France are known as *Sociétés cooperatives et participatives (SCOPs)*. This involves the direct conversion of an operating company into a cooperative, whereby most shares should be held by the employees. With this buyout, the selling owner relinquishes full control of the company, which might deter some prospective sellers. Because of this, the operating company's assets cannot be used as collateral, meaning the employees need to use their own resources to finance the buyout. Moreover, the French cooperative model creates a capital structure where workers have no claim over the capital appreciation. This creates a skewed system of investment incentives, which are offset through an obligatory reinvestment rate.

The challenges associated with historical and contemporary models of employee ownership, which were also observed in the French employee ownership models, have informed some of the more recent attempts to create sustainable and socially responsible employee ownership which also positively affects business performance. One of such attempts is IED's generic European ESOP, a blueprint for the implementation of democratic and broad-based employee ownership in mature companies which is easily adaptable to different legal and cultural contexts.[2] The model is largely based on the US ESOP and the UK EOT model, introduced in 1974 and 2014 respectively, which today present

[1] A detailed description of the FCPE and case studies is provided by Thibault Mirabel (2024), Employee-buyout mutual ("FCPE de reprise") and employee ownership mutual ("FCPE simplifié") funds, PEPPER V report downloadable here: https://www.eurofound.europa.eu/sites/default/files/2024-05/pepper-v-report.pdf

[2] See a more detailed and technical discussion in a recently published PEPPER V Report., which introduces the European ESOP and summarizes the Slovenian pilot implementation.

the most successful employee ownership practice: in terms of the number of companies converted, of the number of employee-owners created, and of wealth generated for the workers of those companies. Additionally, decades of research in the field of ESOPs and EOTs show these models have significant positive effects on corporate performance, including the improvements in terms of productivity growth, crisis resiliency, decreased voluntary and involuntary fluctuation of workers, improved innovation etc.[3]

Similarly to the US ESOP and the UK EOT, the Slovenian ESOP is a model for leveraged employee buyouts through a special purpose vehicle which allows for a gradual conversion of a conventionally owned company into an employee-owned company. A certain number of shares (up to 100%) of the underlying company is transferred to a special purpose cooperative, which acts as the ownership vehicle (in the case of the US and UK models, it is a trust), and free cash flow of the underlying company is used to repay the seller. Being a leveraged buyout, the Slovenian ESOP solves the financing problem, as the employees don't have to commit their personal assets to carry out the buyout. Meanwhile, graduality tackles the issue of capital access – when the leverage financing must pay for only a share of company's net asset value, company's assets become a sufficient collateral for the lenders to the ESOP. Gradual conversion also simplifies the legal and organizational complexity that characterize conversion of the operating company itself.

The ESOP was first devised by Louis Kelso, an American political scientist and corporate and financial lawyer, who wanted to solve the inequality in access to debt – according to Kelso, one of the strongest perpetuators of economic inequality. Kelso argued that rather than tangible assets, workers can promise future labor to finance the acquisition debt in the employee buyout. This is how the idea of a leveraged worker buyout, where the purchase of shares is financed fully by the anticipated profits of the operating company, was born. Because personal investment is not required, the ESOP model creates equal opportunities for all employees to become owners, regardless of their income and wealth. A leveraged buyout is one of the basic conditions for a broad-based employee ownership.

One of the central features of the model is, as explained above, that profits are used to finance the debt acquired to build employee ownership. Instead of workers paying their personal money to buy shares, workers collectively receive part of the profits that pay the seller or the financier. In the ESOP model, where capital structure creates the individual capital accounts (see below), each worker has a claim over a share of that profit, which, in their name, pays for part of the shares allocated to that worker. The equity distribution among the workers in the ESOP model is regulated, meaning the maximum difference in the share profits each worker can receive to finance shares is limited by pay ratios within the firm, which prevents concentration of economic and governance rights with a certain group of employees. The ratio is enshrined by a so-called distribution key, which defines the portion of profits allocated to each employee.

The system of individual capital accounts (ICA) individualizes the capital appreciation claim for each of the workers in the firm. The ICAs can either be value-based (Mondragon cooperatives) or share-based (US ESOP). In the case of the value-based ICAs, each worker receives a portion of the retained profits directly as value assigned to their accounts, which can be interpreted as if the worker would be lending

[3] There are too many studies to summarize here. A good collection of research is accessible at the website https://www.nceo.org/employee-ownership-data/academic-research.

part of the profits back to the company and will be paid out in the future. In the case of the share-based ICAs, workers are allocated "internal" (phantom) shares to their accounts, which appreciate in value with the growth of the company (depending on valuation method used to estimate the share value). This ensures that there is no structural conflict between the investment and the consumption of profits – if profits are left in the company, workers keep the claim over those profits, either directly or indirectly through share appreciation.

The ESOP model creates a sustainable employee ownership structure since employee ownership is maintained through a special purpose vehicle (in the legal form of a trust, a cooperative, or some other legal entity)[4], which anchors shares with and distributes ownership rights to the active employees. New employees are automatically and gradually included in ownership, while departing employees cannot hold onto the shares after leaving the company but are automatically bought out from ownership. The system of roll-over ensures that the value on internal capital accounts is continuously paid off or that the shares on ICAs are continuously repurchased based on the FIFO method (first-in-first-out). The ESOP system ensures that the economic and governance rights are maintained with the current generation of workers and cannot leak outside with retirements or departures of worker-owners.

European ESOP case study: Inea d.o.o.

The national adaptation of the European ESOP is the Slovenian ESOP, which has been adopted by a few private businesses in the pilot implementation phase. One of the companies that the ESOP was implemented in was Inea d.o.o., a company where 100 workers are included as 100% owners of the business through a special purpose cooperative. The Institute for Economic Democracy conducted a workshop on the European ESOP for the Adelante2 consortium, which also visited Inea d.o.o. in Slovenia.

Founded in 1987, Inea specializes in industrial automation and energy management, with 90% of its production exported globally. Originally a spin-off from the Jožef Štefan Institute, the company transitioned from public to private ownership, maintaining employee ownership as a core value. Over time, however, challenges emerged, including the retirement of employee-owners and the increasing cost of share acquisition. Exactly due to reasons outlined above, the Inea went from an employee-owned company to manager-owned company in three decades. These factors highlighted the unsustainability of direct share ownership, necessitating a new approach to succession and ownership transfer offered by the European ESOP model

IED has worked with Inea for 4 years to implement a pilot ESOP project by 2023, when a cooperative named InESOP was established, which today holds 100% of capital value and voting and profit rights. Each individual employee may become a member of the cooperative after a probationary period of one year – after that period, a worker becomes a member in a cooperative and receives her individual capital account (ICA) to record the individuated value of capital claim. This mechanism mimics share ownership by giving employees a stake in the growth of the company (rather than only profit-sharing scheme),

[4] For a review of possibilities in terms of the legal entities, see PEPPER V Report (add link if available).

aligning the values of employees with ownership values. The ICA structure ensures generational sustainability, as ownership rights cease upon leaving the company.

Governance within the InESOP is democratic, adhering to a one-person, one-vote principle. Employees elect representatives to the cooperative's board and supervisory bodies, which vote on the mandates of the board members at the level of the operating company and oversee operations and strategic decisions. Younger employees have embraced the model, appreciating the shared responsibility and financial accessibility facilitated by collective ownership. Today, 100% of all employees that have been with Inea for at least a year are part of the membership of InESOP.

Inea's experience demonstrates the possibility to create and adopt the European ESOP model without a prior legislation as a showcase for policy makers. Indeed, in Slovenia, the pilot case of Inea plays an essential role in the political advocacy for ESOP legislation with the current government.

Summary of insights:

A full conversion through SCOP implies a loss of controlling share for the owner deciding to conduct an employee buyout, which may limit the applicability of the model, especially if business owners are not firm believers in the principles of economic democracy. Gradualism is important both for business owners and for workers, who must learn to become owners of an enterprise.

The non-leveraged nature of the employee equity participation models creates a division between workers who can afford to invest into shares and workers who cannot, and rarely leads to meaningful employee ownership.

It is important that the claim over capital value (or a share of capital value) is ensured by the capital structure of the employee ownership model. One of the long-standing debates about the historical challenges of employee-owned firms is the use of profits, and especially the claim over the retained profits. In the absence of the opportunity for external equity investment, the capital structures where workers lose any claim over the profits left in the company often lead to capitalization challenges.

One of the main sustainability challenges in the case of the employee-owned companies was the inability to preserve employee ownership through the fluctuation of workers in the firm. The capital structure that relies on direct shareholding is susceptible to problems like concentration of economic and governance rights in the hands of a few employees, including new workers as owners upon joining the company, and manging the generational change whereby a large portion of the workforce holding shares retires or otherwise leaves the company.

Employee Ownership: What is the employee ownership path for LATAM?

The socio-economic condition of LATAM countries: The case of Argentina

Argentina exemplifies well some of the most pressing socio-economic challenges faced by Latin America, given its history of political and economic instability and its continuous struggle with poverty and high levels of wealth inequality. Persistent high inflation has driven both individuals and companies to channel their savings outside the local financial system, resulting in a disproportionately small financial sector relative to GDP, even when compared to other Latin American countries. This phenomenon has resulted in the accumulation of significant financial wealth abroad, particularly in foreign currencies. Despite various efforts to foster small and medium enterprise (SME) finance, such as the establishment of the "SME Panel" on the Buenos Aires Stock Exchange, Argentina's capital market remains underdeveloped. The stagnation in income growth and pervasive social challenges, such as food insecurity and poverty, are also important structural weaknesses of the country's economy.

Labor organization in Argentina stands out as relatively robust when compared to other Latin American or Anglo-Saxon countries, shaped by a history of “state unionism” deeply tied to political affiliations, particularly the Peronist Party. The legacy carries both advantages and disadvantages for employee ownership. On the one hand, a narrative of conflict between capital and labor is very much present, which could potentially hinder collaboration between workers’ representative organizations and the business sector, which is essential for policies regulating employee ownership. However, if unions adopt a positive attitude towards employee ownership, their institutional strength could also play a favourable role. The high and growing rates of labor informality – where formal employment constitutes only 48% of the economically active population – are a major systemic challenge facing the country’s labor market, as well as a major obstacle for expanding regulated forms of employee ownership. This challenge is compounded by the trend of shifting from formal employment in traditional enterprises to entrepreneurship and self-organized labor models, reflecting broader regional dynamics.

SMEs are disproportionately vulnerable to economic shocks, further exacerbating issues such as succession planning – a problem that employee ownership models, such as ESOPs, aim to address. However, the instability of the business environment could also dissuade employees from participating in business ownership. This dynamic aligns with broader Latin American trends, where SMEs form the backbone of many economies but struggle to achieve sustainability amidst volatile economic conditions.

Argentina's rich cooperative tradition, rooted in the country’s history of European immigration, represents an untapped reservoir of social capital. The presence of highly efficient cooperatives in the central region of the country, along with the phenomenon of worker-led “recovered companies” that emerge during bankruptcy crises, highlights the potential for collective organizational models.

However, these traditions are under threat, as ongoing economic instability erodes the cooperative and union structures that have historically been their source of strength.

A study of 540 owners and members of the management of SMEs with more than ten employees in the Province of Córdoba revealed that over 72% of business owners are aged 50 or older, with 43% surpassing the age of 60. The survey also found that nearly half of these businesses lack a succession plan. This highlights the pressing need to tackle business succession in the region. It underscores the importance of public authorities fostering conditions conducive to socially responsible succession strategies - ensuring business continuity, minimizing disruptions during ownership transitions, and embedding companies within local communities. This would not only advance corporate social responsibility but also safeguard the long-term sustainability of local enterprises and the economy more broadly.

Argentina's socio-economic challenges provide a microcosm of the broader issues facing Latin America, where economic volatility, labor informality, and weak financial systems intersect with opportunities for collective action and innovation. The persistent gap between formal and informal economies, the struggle of SMEs to thrive in unstable environments, and the coexistence of labor and cooperative traditions with systemic instability are recurring themes across the region. These dynamics highlight the need for policy frameworks that not only address immediate economic vulnerabilities but also leverage existing social capital to foster sustainable, inclusive development. It is also clear that any labor, cooperative, and financial sector reforms must be thoughtfully designed as to ensure they fit the region’s needs.

To achieve this, we outline a blueprint for the adoption of the ESOP model based on carrots and sticks whose function is to scale up and at the same time regulate employee ownership in a way to ensure that ownership participation of employees delivers optimal social outcomes.

Employee Ownership Policy for LATAM

Broad-based employee ownership is a powerful development policy, but effective scaling up of employee-owned enterprises requires strong institutional support. Many countries around the world offer examples of policies that can help achieve these goals – including some the world's most developed economies, such as the US, UK, Canada, France, Italy, Spain, and others. This section examines these practices and proposes a high-level policy strategy that could help promote broad-based employee ownership in LATAM countries.

The state shapes market rules and manages the social consequences of market relations. Today, it is necessary to rethink the role of the state in the development of market institutions. The shift of the economy towards a plurality of ownership structures - especially towards internal and employee ownership - has a number of positive economic and social consequences. Based on our preliminary analysis of legislative efforts in the region and input from local experts, we conclude that LATAM countries lack a supportive institutional framework that would promote and support socially responsible ownership structures in the economy.

Based on international best practice in the promotion of broad-based employee ownership, we have identified several elements of institutional support that are critical to the healthy and effective

development of the employee ownership transitions – regulatory frameworks, tax incentives, support organisations and dedicated financial instruments. In this section we list and briefly explain the proposed policy measures.

Policy carrots: How to scale employee ownership in LATAM countries?

According to certain polls, in the UK, employee buyouts have been the second most popular option for exists of owners for two straight years, following family succession but ahead private equity acquisitions in 2024, with one EOT buyout per day on average. In the US, the ESOP model covers 14,7 million beneficiaries – employee-owners – in around 6500 companies, thousands of those 100% employee-owned. Other countries around the world are trying to follow the lead and achieve similar scale by adopting similar policy support measures – Canada passed ESOP legislation in 2024, Slovenia anticipates ESOP legislation in 2025, and Denmark and Ireland are following closely behind in the EU. The governments interested in growing the employee ownership sector in their countries, should consider different forms of institutional support, including both government policies and government supporting non-governmental and private tools to facilitate employee ownership transitions.

Tax incentives

Tax incentives for business owners who choose to sell their companies to employees play a crucial role in facilitating employee ownership. These incentives often include capital gains tax relief. In the UK, for example, business owners who sell at least 50% of their company to employees through an ESOP model receive a full exemption from capital gains tax. In the US, a similar exemption is granted if at least 30% of the business is sold and the proceeds reinvested in the US economy. In Slovenia, the proposed ESOP legislation for 2024 proposes a 5-percentage point reduction in capital gains tax for ESOP buy-outs, regardless of the proportion of the business sold to employees. These tax incentives level the playing field between employee buyouts and institutional buyers, making the former more attractive, as employee buyouts financed from company cash flows might otherwise not match the buyout prices that strategic buyers can offer.

Tax incentives also play an important role in the financing mechanism itself. For example, the ESOP model typically uses the operating company's profits to purchase shares. In this context, LATAM ESOP laws could emulate the US approach by offering a tax break on corporate income tax for contributions to the ESOP. This would mean that profits used to finance the ESOP buyout would reduce the company's taxable income, thereby lowering its overall corporate tax liability.

In addition, the proposal includes tax incentives such as deductions for interest on loans that support the creation or continuation of internal ownership within a cooperative framework. These incentives would make such financing arrangements more attractive to banks and thus to employee-owned enterprises. In the US in particular, such tax deductions for financing employee buy-outs were only removed once a dedicated financing infrastructure was well established.

However, the regulatory framework for these tax incentives needs to be carefully considered. It must ensure inclusiveness, sustainability, and equitable distribution within the ESOP model. Given the challenges of maintaining widespread employee ownership in a market economy, it's important to

have checks and balances in place. For example, if employee ownership is dissolved, limits on tax incentives should be enforced as to ensure broad socio-economic benefits of employee ownership.

Several measures can be taken to regulate potential selloffs of employee-owned enterprises. One approach is a tax clawback on corporate tax deductions, which could be triggered if the employee collective decides to sell the shares to an outside investor. Recent legislative proposals in Slovenia, for example, will require all corporate tax deductions from the previous ten years to be repaid from the proceeds of such a sale. In addition, some European countries, such as Italy and France, have established legal frameworks for cooperatives that require any proceeds from the sale or restructuring of a cooperative that exceed the individual contributions of the members to be donated to non-profit cooperative support organisations. This ensures that the benefits of employee ownership continue to support similar initiatives even after a cooperative has been dissolved.

Public procurement policies

Public procurement is also a powerful tool for promoting employee ownership. By including employee ownership as a criterion in public procurement, the government can raise the profile and viability of these enterprises. Giving preference to employee-owned enterprises in government procurement not only promotes a fairer distribution of wealth in the economy, but also encourages companies to adopt this model. This approach uses the considerable leverage of public spending to support wider social and economic objectives, such as increasing employee participation in profits and decision-making, which can increase productivity and engagement in the workplace.

To regulate the use of public funds, we recommend the inclusion of a legally recognised category of employee-owned enterprises in the procurement process, ensuring that these enterprises are verifiable and meet specific standards of employee ownership and equity. This could include criteria such as the percentage of the company owned by employees, the extent of employee access to ownership rights, and the distribution of economic and decision-making power among employees.

Technical expertise

Technical assistance is crucial to the successful promotion of employee ownership, particularly through the provision of legal expertise and organisational training. Legal experts play a key role in guiding companies through the complex process of restructuring to employee ownership, ensuring compliance with relevant legislation and optimising the structural design for long-term stability and growth. In addition, organisational expertise is needed to equip employees with the ownership skills and values they need to thrive. This includes training in decision-making, understanding financial statements and fostering a culture of collaboration and mutual accountability.

Based on international best practice, the most effective way to catalyse support is through a multi-level approach, from private organisations to government policy (e.g. private support organisations, local government, state government institutions and possibly federal government agencies). In Europe, the US and the UK, private, often not-for-profit, organisations have proved to be instrumental in providing technical support to enterprises but have also often played an important role in providing expertise in the preparation of national or local policies to support broad-based employee ownership. This level introduces 'technical expertise on the ground', i.e. organisations that provide direct support to companies interested in ESOP conversions. This support includes legal support for restructuring,

organisational support for ownership training and capacity building programmes, and support for financing and financial feasibility analysis.

Stakeholders have highlighted the low levels of financial literacy and ownership culture among employees in LATAM countries as a major obstacle to a successful widespread adoption of employee ownership. The support and creation of specialized agencies by the government and the provision of publicly available educational material could help improve the knowledge and skills necessary for the employees to become business owners.

Advocacy

Effective advocacy is essential to promote employee ownership by ensuring that stakeholders understand and appreciate its benefits. Clear, targeted information helps to dispel misconceptions and highlights the benefits, such as increased employee motivation and preservation of the company's heritage. Effective communication strategies include not only the dissemination of information, but also active engagement through dialogue and public campaigns.

A dedicated government agency could be established to promote and support employee ownership. The role of the government agency could range from providing capital, campaigning, training experts (train-the-trainer programmes) and providing other services that have been effective in facilitating employee ownership. Finally, support could be extended to sub-national levels of government, where relevant ministries, departments, federal agencies, and other institutions would support policies aimed at regulating, incentivising, and otherwise facilitating widespread employee ownership.

Dedicated financial instruments

Based on the recent study commissioned by the European Investment Bank and the European Commission[5], a clear market gap has been identified for financing employee buy-outs in countries with an underdeveloped employee ownership infrastructure. Commercial banks are generally reluctant to finance ownership restructuring towards employee ownership on favourable terms, while in most cases no other similar instruments are available. LATAM countries faces similar challenges. Even when the regulatory framework and tax incentives allow and encourage employee buyouts, there may not be enough dedicated capital available to finance transactions.

There are some exceptions. In France, Spain, Italy, the US, the UK, Canada, and some other countries, we can find examples of good practice where government and private institutions have successfully developed dedicated financing programmes for employee buyouts. Financial support has often succeeded in moving employee ownership from the margins of the economy to become a dominant tool for addressing ownership succession and other issues facing companies around the world. Financial support should be provided by both private and public institutions.

Public financing could be provided by publicly funded investment funds and business support organisations, a development bank, and other similar institutions. Financing could be direct or indirect. The sovereign wealth fund could provide medium to long-term loans specifically designed to support

[5] European Investment Bank and European Commission (2024, anticipated). ESF+ Study on Worker´s Buyout.

debt buy-back and facilitate ownership transitions to employee ownership models. The public financial instruments could also provide fund-level guarantees to private funds dedicated to financing employee buy-outs under well-defined conditions (e.g. regulated private returns on ESOP financing) and standards (e.g. employee ownership standards).

Public financing options to support employee ownership are increasingly recognised as valuable tools for economic development and wealth distribution. In the United States, recently proposed legislation, the Employee Equity Investment Act (EEIA), would play a critical role in promoting employee ownership by providing federal guarantees to investment funds that support ESOP buyouts. The Small Business Administration (SBA) already offers loans that can be used for employee buyouts, providing critical financing for the transition of companies to employee-owned structures.

Internationally, various programmes reflect similar commitments. In Italy, the government provides capital through a private investor, Cooperazione Finanza Impresa, to support broad-based employee buyouts. France offers a robust support mechanism for worker cooperatives, known as SCOPs, through specialised financing and grants to encourage employee buyouts. Spain's Pago Unico is another innovative policy that allows the unemployed to use their unemployment benefit as a lump sum to invest in becoming part of an employee-owned enterprise.

These public funds often operate by providing medium to long-term loans and may also provide guarantees to private funds dedicated to employee buy-outs. This strategic mix of public and private financing tools ensures broader coverage and support for companies transitioning to employee ownership, maintaining a sustainable business model while safeguarding the interests of workers.

Policy sticks: How to regulate employee ownership to ensure desired social outcomes?

The proposed policy for promoting broad-based employee ownership in LATAM countries highlights the critical importance of a well-designed regulatory framework to facilitate the successful implementation and sustainability of employee-owned enterprises. This framework should consist of specific legal statutes that define and support the establishment and operation of worker-owned cooperatives, clearly distinguishing them from traditional business models. The framework must provide comprehensive guidelines on how these cooperatives are established, operated, and governed, ensuring that they operate democratically, focus on worker welfare and involve workers in decision-making processes.

A robust legal framework provides the necessary legal certainty that promotes a stable operating environment for these enterprises. It outlines a clear legal process for transferring ownership to employees, thus ensuring business continuity and minimising legal uncertainties that could discourage current owners and potential employee-owners.

Inclusivity

The framework should require that a significant proportion of employees participate in the ownership of the company, ensuring income or wealth do are not limiting factors. In its broad-based and inclusive form, employee ownership is a powerful strategy for advancing SDGs, contributing to lower income and wealth inequality, aligning the interests of businesses with those of local communities and strengthens democratic culture among the working population.

Meaningful ownership

The framework should prevent the concentration of ownership in the hands of few workers by requiring high levels of employee participation and by imposing restrictions on the disposal of shares. This helps to maintain the integrity of the principle of employee ownership by ensuring that ownership benefits are shared fairly among all participating employees.

Fair distribution of ownership rights is essential to address systemic imbalances by preventing the concentration of ownership among elite groups, such as management and higher-paid employees. This condition is particularly relevant in contexts like that of LATAM, where socio-economic polarization is deeply entrenched. Equitable models of EO foster a sense of shared responsibility and solidarity among employees, which is essential for addressing widespread poverty and fostering economic stability.

Participatory EO models strengthen the capacity for collective decision-making and enhance organizational resilience. In regions with strong union traditions, such as Argentina, the integration of democratic principles into business governance provides a natural extension of these traditions, enabling workers to have an equal voice in shaping their companies. This democratization of economic structures aligns with SDG principles by promoting socially responsible corporate behavior and fostering innovation.

An effective way of ensuring inclusivity and preventing concentration of ownership is to establish employee ownership through a separate legal entity instead of awarding employees with direct share ownership. This feature, in tandem with internal rules regulating the distribution of ownership benefits among active employees, has proven effective in maintaining meaningful and equitable employee ownership around the world.

Sustainability

To prevent EO degeneration, ownership must remain tied to the status of active employment in the company, and individual employees must not be allowed to trade with shares. This prevents external takeovers and speculative practices that could undermine the sustainability of the employee ownership model. Establishing employee ownership through a separate legal entity, which holds the shares of the company on behalf of employees, can be an effective tool for ensuring the model's sustainability. The framework should also define the role of individual capital accounts, which are crucial for maintaining the financial health and sustainability of the model over time, as they establish a built-in incentive for reinvestment. The maintenance of employee ownership in the long-term should also be encouraged through dedicated tax measures, which award the transfer of ownership to employees and the maintenance of employee ownership, while at the same time discouraging selloffs to outside investors through measures such as the tax clawback.

Defining the LATAM ESOP model

The Initiative aims to develop a blueprint to adapt and implement the ESOP model in LATAM countries. In countries where ESOPs already exist, including the US, the UK, Canada, and Slovenia, the ESOP model was first introduced through a pilot implementation in businesses, which were subsequently used to inform legislation. To create a standardized ESOP model that could be implemented in LATAM countries, before any special legislation is put in place, it is recommended to first identify legal entities that could serve as special purpose ownership vehicles, assess their suitability for supporting an ESOP model, and, where possible, proceed with pilot implementations. Legislation should then be developed to offer regulatory certainty and fiscal incentives to a well-regulated model that prevents abuse of public resources.

Standardization of the ESOP model

To effectively adapt the ESOP model for implementation in LATAM countries, the structure should encompass several fundamental principles that ensure both equity and efficiency in how the ESOP operates. Paramount is the choice of the special purpose vehicle holding shares in the name of employees, which should serve several functions within the ESOP model.

ESOP Trust as a Legal Ownership Vehicle

The ESOP should be structured as a trust, a cooperative, or similar legal entity, holding a designated percentage of shares in the holding company. The special purpose ownership vehicle acts as the holder of shares and is already present in LATAM countries as a legal entity, ensuring legal compliance and clarity in ownership rights.

Financing Mechanism

ESOP buyout is financed through financial leverage, meaning that the underlying company is paying for shares purchased from the exiting owners. A special purpose vehicle should be able to receive profits from the operating company in tax optimal way (to minimize tax cost of the buyout financing); the most appropriate basis for the transfer of profits from the company to the ESOP vehicle before any dedicated legislation is put in place is generally profit sharing through dividends, which are used to cover the financial obligation of the ESOP vehicle, including the repayment of any debts incurred from purchasing shares and funding member exits.

Credit Options

Financial leverage implies that the ESOP buyout is financed through credit, which means any legal entity serving as the special purpose ownership vehicle should be able to take on debt. The credit can be provided by the seller (seller's credit), the company (issuing treasury/new shares to the ESOP), or an external financial institution (a commercial loan, credit by a private debt fund etc.). The acquisition debt is always paid off through the allocation of a share of profits, which finance the buyout.

Inclusive Ownership Criteria

The special purpose ownership vehicle should allow for ownership in the ESOP to be exclusive to employees of the company undergoing employee ownership conversion, granting ownership rights to

workers for the duration of their employment contract. An employee's membership in the ESOP should automatically cease upon their departure from the company, including in instances of death. This ensures that the benefits of the ESOP remain actively tied to current employment within the company. Accessing ownership rights should impose minimal or no financial burden on the employees, democratizing ownership opportunities across all levels of the organization.

Low Transaction Costs

The choice of the legal entity for the holding vehicle should be based on minimizing set-up and transaction costs, which are especially relevant in the process of membership fluctuation, where new workers are included in ownership through ESOP and departing workers are gradually bought off.

Profit Distribution

The special purpose vehicle must be capable of distributing profits to its members based on distribution criteria that is determined among the workers, preferably in a democratic way to ensure democratic accountability in ownership and build trust relationships among employees on different levels of the operations. This fosters a fair and equitable distribution system and provides good grounds for a healthy organizational culture.

Individual Capital Accounts

Each member should receive their own individual capital account in the ESOP, which holds shares in the name of the employee (as in the US ESOP model) or simply allocates a share of capital value (as in the Mondragon model). Capital accounts should appreciate based on the value of the company, without requiring further payments from the members. Capital accounts ensure an individualization over the capital value of the employee-owned company, preventing the skewed investment incentives found in collectivized ownership models but also ensuring that workers do not need to sell their shares on markets to receive their share of the capital value.

Collective account

A collective account is a feature of capital structure that helps to address challenges associated with repurchase obligations and long-term sustainability of employee ownership. Instead of allocating all retained earnings to individual accounts for employees, a portion of capital value is retained in a collective account (this is *not* a reserve fund that would consist of cash!). This collective pool of capital reduces the financial strain on the organization by limiting the total amount owed to individual employee accounts, effectively functioning as a form of self-insurance. By lowering the total value subject to individual claims, the collective account mitigates risks like cash flow shortages or financial instability that could arise from large-scale withdrawals.

Non-transferability of Shares

Shares on individual capital accounts the ESOP by members should be non-transferable to maintain ownership within the base of active employees and prevent external market fluctuations from affecting the company’s ownership structure.

Democratic Governance

ESOP model should ensure a second-tier participation, where representatives of workers vote on strategic issues on the shareholder assembly at the company level. In a democratic ESOP, workers have

equal voting rights at the level of the ESOP vehicle to select their representatives (usually a board of directors or the president of the ESOP) and to vote on the strategic issues. The elected or appointed ESOP representative should act according to the collective decisions of the members at the shareholders' level of the holding company.

Finding the first LATAM ESOP pilot?

In the initial phases, it is important to consider a few additional aspects, which are key to ensuring a successful pilot implementation of the ESOP model in LATAM countries. Specifically, these relate to workers' trust and information, as well as to the preparedness of the workers to the transition of businesses to broad-based employee ownership. Our sessions with stakeholders from Peru, Argentina and other LATAM countries underscored one cultural characteristic that particularly stands out as a deviation from the European context – the prevalence and acceptance of traditional hierarchies in Latin America, which are deeply entrenched and broadly accepted, even among the low- and moderate-income class population, due to the historical contingency of economic and geopolitical development in the area. This makes the trust-building, advocacy, and educational programs even more important than in the European context. It is thus essential to prioritize information and training activities as to provide absolute clarity regarding the scope of the buyout process. Additionally, graduality, participation, transparency, and fair evaluation of shares must represent the guiding principles of these transactions. It is important that all stakeholders are well informed about the model, but also that trainings focus on financial literacy, ownership culture, and soft skills that elsewhere have proved essential for the success of employee-owned businesses.

While the ESOP model allows flexibility in approach to broad-based employee buyout – say, starting with an owner selling only a few % points –, it is nevertheless important to start with at least 25% or 30% of the share if the desire is to achieve a psychological shift among the workers. A larger percentage above 25% provides a tangible financial benefit but also a possibility for voice and the right to decide on certain strategic decisions that require high majority at the assembly. All of this creates an atmosphere of trust and transparency, which is essential for the success of employee ownership conversion.

In the implementation phase, we must explore the role that unions can play in advocating and supporting pilot projects. This is important for providing reassurance regarding the security of the involved employees. The collaboration could also be established to give greater security and strength for the workers themselves in their collective bargaining contracts.

During the sessions in Colombia and Argentina a few people from the business community stepped forward and showed interest in adopting a model of employee equity participation. While there seems to be a principled concern about the ESOP model, our experience shows that after in-depth conversations with business owners, the ESOP model often becomes a preferred option due to its well-structured nature and pre-defined rules, which create a systemic approach to partial employee ownership that cannot be abused easily.

Acknowledgements

This report summarizes the LATAM ESOP viability study and was the result of the "New Frontiers for Employee Ownership in Latin America" Initiative, co-funded by the European Union through the ADELANTE2 Window. The report provided by the Institute for Economic Democracy is ultimately a result of collective efforts provided by all of the entities in the Partnership, including the Universidad Católica de Argentina (UCA), the Universidad Católica de Cordoba (UCC), Enterreno Social, Consejo Empresarial de Jalisco (CEMJAL), Pontificia Universidad Católica del Perú (PUCP), ITESO Universidad Jesuita de Guadalajara, University of Ljubljana, ESSCA, and IAE Aix Marseille Graduate School of Management. Finally, our appreciation to the representatives from the national, federal and regional governments, civil society, academia, and business sector who participated in our workshops and sessions all over the project.

LA LEGISLATURA DE LA PROVINCIA DE CÓRDOBA

DECLARA

Su Beneplácito al encuentro Académico Internacional "Nuevas Fronteras para la Participación Accionaria de los Trabajadores en América Latina"

FUNDAMENTOS

Sr. Presidente:

Me dirijo a la Legislatura de la Provincia de Córdoba con el propósito de solicitar la declaración de beneplácito por la realización del Encuentro Académico Internacional "Nuevas Fronteras para la Participación Accionaria de los Trabajadores en América Latina", que tendrá lugar los días 14 y 15 de noviembre en la Universidad Católica de Córdoba. Este evento es organizado en el marco de la Iniciativa de Cooperación Triangular que impulsa un innovador modelo de participación accionaria de base amplia (BBEO) en América Latina, con la colaboración de reconocidas instituciones académicas y sociales de Argentina, México, Perú, Colombia, Francia y Eslovenia?.

El Encuentro Académico Internacional ofrecerá una plataforma excepcional para el intercambio de conocimientos y experiencias a través de ponencias, talleres y mesas de diálogo. Contará con la participación de destacados expertos, investigadores, empresarios y académicos de diversos países, quienes explorarán las posibilidades de adaptar el modelo europeo de Employee Stock Ownership Plan (ESOP) al contexto latinoamericano. Este enfoque busca fortalecer la democracia económica y promover un desarrollo más inclusivo, alineado con los Objetivos de Desarrollo Sostenible (ODS), en particular los ODS 1, 8, 10 y 17.

El propósito de esta iniciativa es fomentar la inclusión social y económica mediante la democratización de la propiedad empresarial, permitiendo a los trabajadores convertirse en copropietarios de las empresas para las que trabajan. Este modelo ha demostrado ser efectivo en Europa para mejorar la productividad empresarial, aumentar la resiliencia en tiempos de crisis y reducir las desigualdades de

ingresos y riqueza. La posibilidad de adaptar este modelo a la realidad de América Latina representa una oportunidad transformadora para nuestra región?.

Es relevante destacar que este evento no solo será un espacio para el debate académico, sino también para la creación de estrategias innovadoras que puedan ser implementadas en Argentina y otros países latinoamericanos. Se espera que el encuentro fortalezca la colaboración entre sectores públicos y privados, así como entre instituciones académicas, permitiendo el diseño de políticas públicas que impulsen la participación accionaria y promuevan un crecimiento económico equitativo y sostenible?.

Por todo lo expuesto, considero de suma importancia que esta Honorable Legislatura exprese su beneplácito por la realización de este Encuentro Académico Internacional. La Universidad Católica de Córdoba, junto con otras prestigiosas instituciones de América Latina y Europa, está desempeñando un papel fundamental en el avance de modelos de desarrollo económico inclusivo que beneficiarán tanto a nuestra provincia como a la región en su conjunto.

Asimismo, extiendo una invitación a todos los miembros de esta Legislatura para que asistan a este evento, cuya presencia enriquecerá el diálogo y contribuirá al desarrollo de soluciones innovadoras para los desafíos que enfrenta nuestra economía.

Firmantes:

- Blangino, Juan Jose

Descargado el Jueves 14 de Noviembre de 2024 - 17:42 hs

UNIVERSIDAD CATÓLICA DE CÓRDOBA
JESUITAS

1- Sociedades Tipo

2. Bonos de Participación (LGS 19550)

3. Sociedad Laboral (Dto 1406/01)

4. Stock Options

5. Cooperativas (LC 20337)

Continuación de la fallida (art 48 LCQ)

3. Cooperativas (LC 20337 ´73)

85% distribuible

A partir ´21 3 asoc mínimos p/ coop tr (sino 10)

Rasgos Naturales de las COOP hoy demandado en el mercado:

CERCANIA COMPROMISO CONCIENCIA **COMUNIDAD**

El desafío para las COOP es “importar” prácticas/herramientas

de las empresas no solidarias

3. Cooperativas (LC 20337)

Caso Liebig

COOPERATIVA AGRÍCOLA DE LA COLONIA LIEBIG LTDA.

1	Las Marías - Taragui - La Merced - Union	19,1%
2	Liebig (Coop)	14,4%
3	Cbse	7,8%
4	Amanda	6,3%
5	Molinos - Nobleza	5,5%
6	Rosamonte	5,5%
7	Verdeflor	4,2%
8	Andresito (Coop)	3,7%
9	Cachamai	3,4%
10	Tranquera	2,8%

UNIVERSIDAD CATÓLICA DE CÓRDOBA
JESUITAS

Caso Fagor

Única Universidad Cooperativa del Mundo

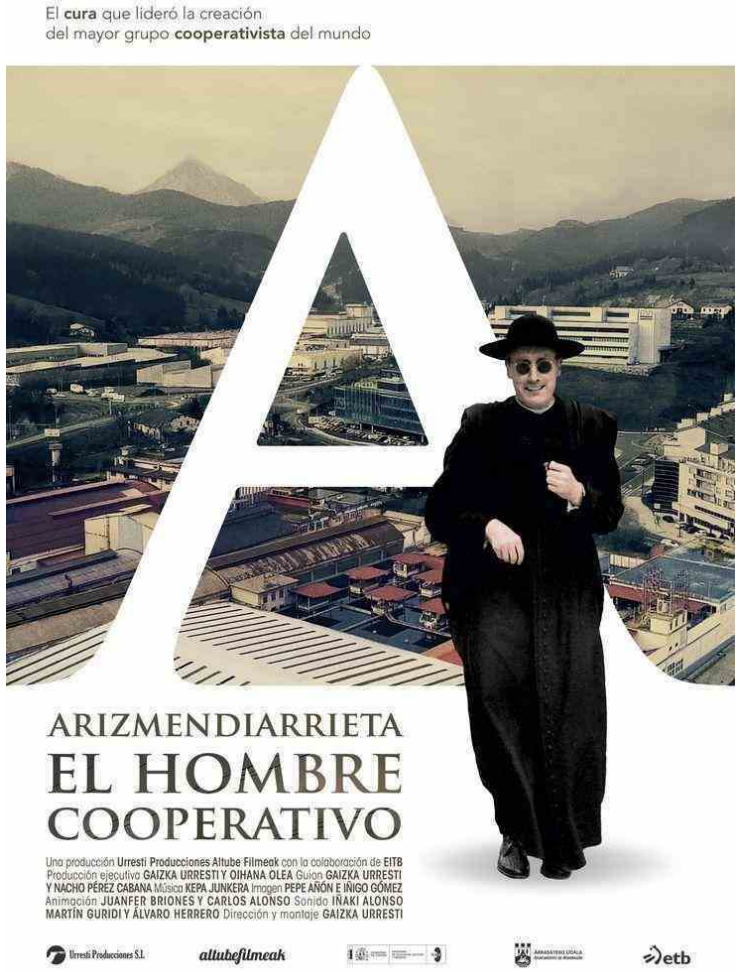
2022 Se apartan dos Coop

“Cooperativismo del bienestar”

HUMANITY AT WORK

Neutralidad política
“el trabajo nos ha unido, que la política no nos separe”

“Crecer y no poseer. Actuar y no ganar. Progresar y no dominar”



Estrategias de NO-MERCADO

Una estrategia extramercado reconocer la potencialidad social de la empresa

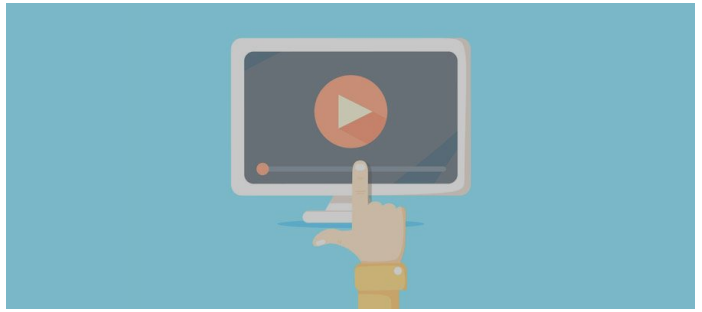
En una economía global la ventaja competitiva sostenida no se consigue solo abordando los aspectos de la empresa, sino también los sociales, políticos y ambientales

La estrategia de no mercado es la que las organizaciones desempeñan con stakeholders que no son los propios del mercado.

De acuerdo con la definición de Greenpeace, ***"Greenwashing"*** es el acto de confundir a los consumidores en relación con las prácticas medioambientales de una compañía o los beneficios que aporta para el medio ambiente un producto o servicio. Se trata de una práctica o estrategia de mercadeo que emplean algunas empresas con el fin de mostrar a la audienia que es una organización responsable y comprometida con el medio ambiente.

UNIVERSIDAD CATÓLICA DE CÓRDOBA
JESUITAS

Quizás el trabajo COOPERATIVO es una buena ESTRATEGIA



https://www.youtube.com/watch?v=CgBAo_JnUkk

Estrategia-Trab Coop