

TOWARDS A RIGHT TO SHAPE AI

INTERNATIONAL
HIGH-LEVEL EXPERT
COMMITTEE ON
DEMOCRACY
AT WORK

5 KEY PROPOSALS



INSTITUTE FOR
Ethics in AI



Accelerator
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This booklet is part of the *Reimagining the future of work - towards a right to shape AI* conference



Executive Summary

To face the challenges posed by the rise of AI in the workplace, here is an overview of **five key policy proposals** presented in the Report ***Two Promises to Those Who Work: Voice and Ownership***.¹

This Report was commissioned by the Second Vice-Presidency and the Ministry of Labour and Social Economy of Spain from the International High-level Expert Committee on Democracy at Work, regarding Article 129.2 of the Spanish Constitution, and released in February 2026.

DW1. Workers' Co-decision Right to Shape and Consent to AI Deployment

This tool proposes granting workers the collective right to shape, validate (or veto) the introduction of Artificial Intelligence (AI) systems in the workplace.

Purpose: To ensure worker participation remains meaningful as AI transforms work processes, recruitment, and personnel management.

It aims to move governance away from purely cost-cutting motives toward a "High Road" strategy that prioritizes pro-worker technological choices that enhance innovation and ensure workers' have the ability to govern the future of their labor investment.

DW2. Worker Representation in Strategic Decision-Making at Corporate Level

In alignment with established best practices across the European Union, this proposal mandates statutory board representation for labor investors. Firms with 50 to 1,000 employees must allot one-third of board seats to worker representatives (viz. Sweden), while larger firms (1,000+) must achieve full parity (one-half of seats) (viz. Germany). These representatives are elected by the workforce and hold the same legal rights and duties as other directors.

Purpose: To align corporate strategy with the ethical intuitions of those who invest their labor in the firm. This is especially critical in an era of AI development and deployment, as businesses must seek to align firm strategy and behavior with ethical norms, harnessing the views and tacit knowledge of the labor investors becomes a key imperative, and should be put in a position to reorient the corporate purpose, and the nature of products and services delivered.

¹ See: Isabelle Ferreras, Jeremias Adams-Prassl, Julie Battilana, Antonio Baylos Grau, Benjamin Braun, Isabel Gemma Fajardo-García, Francisca María Ferrando García, Sergio González, Begega, Daniel Innerarity, Sara Lafuente Hernández, Erinch Sahan, Vicente Salas Fumás, Eurne Terradillos Ormaetxea (2026) ***Two Promises to Those Who Work: Voice and Ownership***. *Final Report of the International High-Level Expert Committee on Democracy at Work established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain*. Madrid: Ministerio de Trabajo y Economía Social. Open access : www.ReportonDemocracyatWork.org

DW3. Corporate Obligation to Identify all Labor Investors across the Global Value Chain, toward Including Them in the Representation Structure

This tool mandates that lead firms identify and disclose all workers across their global value chains who contribute to the firm's performance, especially critical in the global AI value chain, with a view at including them in the representation structure of the firm.

Purpose: To dismantle the "hidden" nature of data work (especially in the Global South) and prevent firms from externalizing social costs through outsourcing or gigification. It aims to move away from the commodification of labor as per the ILO Constitution.

DW4. The Corporate Democratic Development Index, Powering a Bonus/Malus Incentive-based Policy Framework to Accelerate the Democratic Transition of Every Firm

This policy framework to be used by public authorities uses a dynamic incentive-based "race to the top" structure to steer every firm toward democratization.

Purpose: To reorient every corporate structure from "shareholder primacy" toward a regenerative model recognizing labor investors as citizens. It uses all the State capacities (fiscal policy, subsidies, public procurement, etc.) to reward democratic firms and disincentivize those generating negative externalities.

DW5. New Sovereign and Citizen-led Investment Funds to Generate Economic – and Digital – Sovereignty

This tool proposes a dedicated EU-level funding capacity to support gradual, democratic employee ownership transitions, including in the AI and digital industry, to foster digital sovereignty.

Purpose: Dual purpose mechanism: **To foster digital sovereignty by supporting the growth, and keeping AI firms responsive to societal ethics rather than anchored in foreign capital interests,** and to address the "succession challenge" facing SMEs as owners retire, preventing firms from being absorbed by extractive private equity actors.

DWI. Workers' Co-decision Right to Shape and Consent to AI Deployment at Work. (via Representatives, Works Councils at national and EU level)²

The right to shape and consent to AI deployment at work: Given the magnitude of the changes under way with the introduction of AI Systems and their direct impact on workers' labour investment, **a right to shape and consent** to these governing tools will be exercised by the Works Council. It is a right to shape, validate, or veto all decisions related to the introduction and deployment of Artificial Intelligence (AI) systems that interact with the content of work, and work processes.

A. Purpose

At national level, Reinforcement of the Competencies of the Works Council: The Legislator Should Strengthen the Competencies of the Existing Works Councils (*Comités de Empresa*)

Given the magnitude of the stakes, and **given that AI systems represent new mechanisms for governing workers' life** (at work and beyond), a new right is proposed to be exercised by workers' representatives, or by the Works Council if it exists (in Spain, when firms have more than 50 employees): **the collective codecision right to shape and consent to the introduction of AI systems in the workplace**, in all matters affecting work or work organization (among others aspects, recruitment and selection procedures, personnel management (including direction, monitoring, productivity, and evaluation), customer relations, service provision, production, **and in any other field that concerns or is linked to working life**.

At the European Union level, more than 1000 of the largest companies present across the European Union recognise a channel for worker representation: the European Works Council. It is composed of worker delegates elected by their colleagues on lists presented by labour unions present in the relevant countries or plants. The European Works Council enjoys **consultation and information rights**, and meets annually with top management of the company at the EU level. Established by an EU Directive in 1994, it is the most advanced system of workers' access to voice at the European company-level. The European Works Council Directive applies to companies with 1,000 or more employees, and at least 150 in two or more Member States, and covers more than 10 million workers across the EU.

² See II.B.2. section from Full Report: Ferreras Isabelle et alii (2026) **Two Promises to Those Who Work: Voice and Ownership**. Final Report of the *International High-Level Expert Committee on Democracy at Work established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain*. Madrid: Ministerio de Trabajo y Economía Social. Open access: <https://reportondemocracyatwork.org/en/the-report/>

This proposal seeks to deepen the role of European Works Council (EWC) through expanding the role of EWCs to include **co-decision power on matters related to Artificial Intelligence (AI) systems**. Whilst EWCs already enjoy full rights of consultation and information as regards the deployment of AI systems, given their significance in shaping modern work places, such an expansion is essential to ensure that **worker participation (and workers' access to voice at work) remains meaningful** in an era marked by the rapid acceleration of technological innovation, driven by the rapid adoption of artificial intelligence.

Genuine participation must go beyond mere information and consultation rights. Any serious reform of the EWC Directive must grant workers **actual decision-making rights**, enabling democratic governance over technological pathways that directly govern workers' worklife, shape their roles and transform the value of their personal investment in work –in particular, through transforming the value of their skills. These decisions are currently too often driven solely by cost-cutting and productivity goals, in the hands of profit-driven organizations controlled by the interests of capital investors.

While the recent revision of the EWC Directive has strengthened information and consultation rights, these mechanisms **still fall short of granting workers meaningful** say over strategic corporate decisions—especially those with long-term implications for the workforce, such as restructuring, relocation, or the deployment of new technologies.

The current framework lacks the necessary tools and leverage to shape how digitalisation, automation, and AI integration unfold across multinational firms. Yet, these technologies raise complex ethical, economic, and social questions. They are reshaping workplace power dynamics and carry significant implications for **privacy, surveillance, job security, and skills development**.

Transformative technologies — mechanical, digital or algorithmic — are becoming increasingly interconnected. AI systems are at the core of these transformations, despite being the most recent and least stable technology. All stakeholders acknowledge the risks associated with their unpredictability. This justifies particular attention - and a concomitant increase in the quality of governance.

B. Mechanism

It is proposed to establish a **co-decision procedure** on all decisions related to the introduction and deployment of Artificial Intelligence (AI) systems the primary goal of which is to shape the content of work, and work processes. Under this mechanism, both the **company board** and the **European Works Council** would share decision-making authority. Decisions would require approval from both bodies, using a **dual majority rule** i.e. a majority within each is required to validate the decision (See Ferreras 2017, on the principle of Economic Bicameralism).

The European Works Council shall therefore have **the right to scrutinise, shape and validate, and if necessary, veto the introduction and deployment of AI systems** in the workplace, when these concern: in particular, recruitment and selection procedures, personnel management (including recruitment, selection, direction, monitoring, productivity, and evaluation), customer relations, service provision, production, and any other field that concerns or is linked to working life.

In order to support its work, and inform its deliberations, the European Works Council shall have the **right to request the support of an expert** in AI-related matters subject to consultation.

In order to help EWC delegates to exercise their mandate in the best interest of the company's mission and workers, the company shall be obliged to cover the remuneration of two experts per year, for a reasonable number of hours, for the adequate clarification of the Council's deliberations: one of the experts shall be specialized in Artificial Intelligence (AI) matters and the other shall be designated at the Committee's discretion (for instance, on issues related to the interaction between the business and its environmental impact regarding the nine planetary boundaries shaping the evolution of the earth-system).

C. Potential Benefits

Enhancing the EWC's mandate in this area would deliver multiple benefits and address the current **power imbalance** in European corporate governance, where **financial investor interests dominate** and **labour investors remain structurally absent from strategic** decisions.

This proposal would:

- **Foster trust and legitimacy**, particularly during periods of disruptive technological change or corporate restructuring, by involving workers proactively in solution-oriented governance. This **would also significantly ease the introduction of responsible technologies at work, as well as reducing the risk of conflict and litigation, and building trust.** (see Full Report, Challenge 3 on the A.I. Governance Crisis)
- **Encourage firms to pursue a ‘High Road’ strategy**—one that prioritizes labor investment and investment in technology in a way that promotes shared prosperity, creates well-paid jobs, and enhances overall productivity. This strategy relies on the **active identification and prioritization of pro-worker technological choices** within corporate strategy. Adopting the ‘High Road’ is a key element of the **vision for a new industrial policy adapted to the AI era.** (see Full Report, Challenge 2 on the Competitiveness and Innovation Crisis)

D. Implementation Considerations

At the EU level, the revised European Works Council Directive is expected to be formally adopted by **late 2025 or early 2026**. Integration of this proposal into the current reform is unlikely but not impossible, given the trilogue agreement reached in **May 2025** between the European Council, Commission, and Parliament.

However, **Spain could play a leading role** in initiating a second phase of EWC reform, and including it during the transposition of the Directive in national law. Advancing into this direction would represent a **significant achievement** in reinforcing democratic governance within European firms and ensuring that AI is conducive of shared prosperity.

This proposal builds upon and extends existing reforms already undertaken by Member States. For example, the **German Works Council Modernization Act (2021)** grants Works Councils the right to consult an external expert when the **introduction or application of AI** is under discussion.

Companion measure: Right to the assistance of **Experts on two new critical themes: AI and Planetary Boundaries. The Committee recommends that, given the critical urgency of these two matters, the deliberations of Works Councils be empowered with the assistance of experts.** The recognition of a right to be assisted by an expert in the AI matters at the company's expense is identified as key to provide for the adequate level of information in order for Committee members to participate effectively in deliberations. A second expert is recommended to advise the Works Council on the consequences of the actions of the firm on the immediate environment, and the planet in general, in order to increase knowledge and understanding on the impact of the firm's behaviour over the nine planetary boundaries described in Part I of this report. This proposal is also put forth at the transnational level in the context of the competencies of the European Works Councils.

DW2. Worker Representation in Strategic Decision-Making at Corporate Level³

A. Purpose

The primary objective of this proposal is to effectively promote various forms of participation in the firm by granting workers a meaningful voice in strategic corporate governance. Currently, corporate decision-making is dominated by "shareholder primacy," which excludes "labor investors"—those who invest their person and effort, their physical and mental health — from the governing, strategic decisions taken at the level of the organization that governs their life, at work and beyond.

Fundamentally, this policy proposal seeks to operationalize the democratic principle of the 'consent of the governed' within the economic sphere (Ferrerias 2017). It aims to ensure that labor investors—the workers whose lives are effectively commanded by corporate decisions—possess the political rights necessary to effectively consent to and weigh upon the strategic choices that govern their existence. By establishing an institutional channel for worker voice at corporate decision-making level, the proposal addresses the current 'autocratic reality' of the workplace, transforming workers from mere resources into «citizens» of the firm.

³ See II.A. section from Full Report: Ferreras Isabelle et alii (2026) **Two Promises to Those Who Work: Voice and Ownership**. Final Report of the *International High-Level Expert Committee on Democracy at Work established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain*. Madrid: Ministerio de Trabajo y Economía Social. Open access: <https://reportondemocracyatwork.org/en/the-report/>

This initiative aims to:

Rebalance Power Asymmetries: Address the structural disadvantage where mobile capital dictates strategic paths—such as offshoring or automation—without the consent of anchored labor and local communities, who are exposed to huge risks without matching rights to protect them.

Promote "High Road" Competitiveness: Shift firms away from short-term cost-cutting toward long-term strategies that prioritize job quality, skill investment, and sustainable innovation, and align corporate strategy with the ethical intuitions of those who invest their labor in the firm and whom know best about the firm's business. This is especially important in an era of AI development and deployment as businesses should seek to align firm' strategy and behavior with ethical values.

Institutionalize Economic Citizenship: Recognize workers as free and equal members of the firm's "demos," granting them political rights to govern the organization alongside capital investors.

B. Mechanism

The proposal introduces mandatory statutory thresholds for worker representation on company boards (Board-Level Employee Representation), tailored to firm size and based of best practices across the European Union, and pushing beyond (see prop. 3 and 4):

Representation Thresholds:

- **Firms with 50 to 1,000 employees:** Mandatory **one-third (1/3)** of board seats to worker representatives (viz Sweden).
- **Firms with more than 1,000 employees:** Mandatory **one-half (1/2)** of board seats to worker representatives (aka *Montan-Mitbestimmung*, or full parity) (viz Germany).

Structural Options: Firms may choose, via collective agreement, to organize this representation by directly including worker representatives on an existing board, or by giving the Works Council a voting weight equivalent to the board's weight.

Election and Status: Representatives are to be elected by the workforce and enjoy the same rights, obligations, and legal status as other board directors, including access to strategic information and committee participation.

Integrated Governance: To ensure effectiveness, according to best-practices in Germany, these board-level rights must be coordinated with reinforced Works Council competencies at the operational level.

C. Potential Benefits

Extending voice to the strategic level provides significant advantages for both the firm and society:

Unlocking Innovation and Productivity: Workers possess "tacit knowledge" of day-to-day operations that is essential for identifying efficiencies and successfully deploying new technologies.

Social Stability and Trust: Involving workers proactively in solution-oriented governance reduces the risk of conflict, litigation, and "democratic fatigue".

Internalizing Externalities: Worker representatives are more likely to prioritize long-term environmental sustainability and territorial resilience over the short-term extraction of share value.

Predistributive Equality: Increased participation correlates with reduced internal pay disparities (CEO-to-worker ratios) and a fairer distribution of productivity gains.

D. Implementation Considerations

Implementation should be gradual and supported by a dynamic policy framework:

Legal Alignment: Reforms to company law and the Workers' Statute are required to mandate these thresholds and protect the status of worker directors.

Coordination with Union Mechanisms: To counteract corporatist tendencies and ensure the integrity of the broader industrial relations system, the mandate for worker directors is anchored in a model of **institutional articulation**. The exercise of strategic voice at the corporate level is designed to function as follows:

- **Trade Union Embedment:** Board-level employee representatives should ideally be integrated into existing **most representative union organizations** to ensure that their strategic mandate is informed by a broader socio-political perspective rather than narrow firm-level interests.
- **Multi-Level Coordination:** These roles must be closely coordinated with existing practices of **collective labor rights** and protected labor law, seeking active alignment with union strategies that extend **trans-sectorally** and across entire industries.
- **Principle of Non-Substitution:** Strategic board-level participation should operate as a **complementary channel of representation**; it is strictly intended to bolster—rather than replace or weaken—the regulatory function and autonomous efficacy of **sectoral collective bargaining**.
- **Dual-Channel Synergy:** By linking strategic board-level voice with the external expertise and industrial power of unions, the policy ensures a synergy between **internal codetermination** and **external collective action**, safeguarding, or strengthening labor's position across the economy.

Dynamic Trajectory: Beyond legal minimums, firms are encouraged to progress using the **Corporate Democratic Development Index (CDDI)**, which uses a 6-level scoring scale to measure access to voice.

Incentive Mechanisms: Governments can steer greater progress through a **bonus/malus system**, tying corporate tax rates, public subsidies, and procurement access to a firm's level of democratization.

Training Infrastructure: Public authorities must provide resources for training worker representatives, union leaders, and managers to develop the specific skills required for participatory governance.

Monitoring: An **Observatory on Access to Voice and Ownership** should be established to measure progress, identify structural obstacles, and foster science-based policymaking.

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DW 3. Corporate Obligation to Identify all Labor Investors across the Global Value Chain, toward Including Them into the Representation Structure⁴

*The obligation to accurately **identify all labor investors is a critical prerequisite for a redistributive approach that aligns the global, digital economy with international human rights standards.** In the specific context of the AI value chain, this mechanism serves to counter the "hidden" nature of data work by mandating that lead firms—typically located in the Global North—**disclose the vast workforce of annotators, data cleaners, moderators, trainers, etc. -usually located in the Global South- whose labor is essential to technological performance, and treat them as labor investors** as they recognize their formal employees. By transforming these individuals from invisible, "fissured" resources into recognized labor investors, the tool establishes a formal "demos" that needs **to be recognized and represented at the strategic decision-making level (See DW2), and prevents firms from externalizing the social costs of production.***

*This transparency is not merely a matter of equity ; it is **a strategic necessity for an ethical innovation path.** By acknowledging the contribution of workers at every stage of the value chain, firms can harness the collective "tacit knowledge" required for the safe and ethical development and deployment of AI systems. Ultimately, this mechanism ensures that the wealth generated by digital innovation is shared equitably where it is created, rather than accumulating solely in the hands of a financial elite. By moving away from the commodification of labor—consistent with the ILO Constitution and Article 1 of the UDHR—the identification of labor investors enables **a transition toward a decolonial global economy that upholds human dignity on a global scale, and feeds ties of solidarity and redistribution across the globe.***

⁴ See II.B. section from Full Report: Ferreras Isabelle et alii (2026) **Two Promises to Those Who Work: Voice and Ownership.** Final Report of the *International High-Level Expert Committee on Democracy at Work* established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain. Madrid: Ministerio de Trabajo y Economía Social. Open access: <https://reportondemocracyatwork.org/en/the-report/>

A. Purpose

Firms are “real entities” (Gindis 2009) that are best understood as “political entities,” combining capital and labor investment in the pursuit of a joint endeavor –i.e. setting goals for themselves (i.e. delivering a service, producing a good, solving a pressing problem, etc.) (Ferrerias 2017). Hence, firms pursue these goals through the combination of these two classes of investments.

While standard business organizations restrict the enjoyment of political rights to govern the firm to those who have injected capital (via the corporation, usually), the Spanish Constitution identifies two promises for every worker: access to voice and to ownership. **Indeed, those who invest their labor – the “labor investors” of the firm (Ferrerias 2012, 2022) - are as necessary as the capital investors for the firm to exist while they take risks as well as the covid pandemic has reminded us (Ferrerias, Battilana, Méda ed. 2022). Granting them access to voice and ownership is thus a logical and decent move which can build trust, and in fact: labor productivity and innovation capabilities (Battilana & Ferrerias, 2021).**

Identifying who exactly can legitimately enjoy the dual commitment upheld by the Constitution, i.e. access to voice and to ownership, is an endeavour in and of itself. As corporations standardly practise “Reductio ad Corporationem” (Ferrerias 2017), through all sorts of “fissuring” practices (Weil 2014), **workers are “hidden” through the various legal workings of the global value networks, i.e. the “value chains:” outsourced, formally tasked with working for other employers or downright absorbed into gig- and platform- work ecosystems worldwide (Casilli 2025; Tubaro, Casilli, Cornet, Le Ludec, Cierpe 2025).** Indeed, firms tend to get organized around the corporate structure that organizes the relationships of the capital investors vis-a-vis themselves (Robé 1999), and shed responsibilities vis-a-vis labor investors outside of their realm of action, resorting to commercial relationships with subcontractors, etc.

B. Mechanism

It must be acknowledged that **identifying the labor investors in the firm**, that is: who are the relevant workers to be granted access to voice and ownership at the firm level, remains an open-ended endeavor.

All those who invest their labor in the performance that is necessary for the firm to sell its product or its service and who are governed in return by the rules and decisions of the firm should be considered labor investors, or *workers*, according to the universalistic word used by Article 129.2 of the Spanish Constitution, that is: not *employee* (in Castellano: *empleados*), not wage worker (in Castellano: *asalariados*), which means, whatever their actual legal status.

The labor investors are thus those who are governed by the decisions of the firm in return for their investment in delivering its service or production (Ferrerias 2017), and they should logically be granted access to voice and ownership of a portion of the wealth that they are contributing to creating.

The International Labor Organization has recently started to look at this challenge, on the footsteps of the EU *Corporate Sustainability Due Diligence Directive (CSDDD)*. This directive contains the obligation to proceed with a complete **mapping of the risks involved with the global value chains of companies operating within the continent**. Some type of **disclosure obligation for firms** to identify these workers should be considered, while many of them are left hidden through the legal workings of the value chain, as they are outsourced, formally tasked to working for other employers or squarely platformized. This disclosure should become a standard **reporting obligation on the sides of corporations that will have to reveal about their current state regarding their labor investors, and their access to voice and ownership**.

Regardless of their size or legal structure and to supplement current metrics, such as ESG reporting criteria, reporting about this labor dimension of the *constitutional* state of the firm should become good business practice in order to disclose to public authorities and potential capital investors the formal rules and bylaws that govern an organization, focusing on:

- the constituency of the firm: who are its labor investors across legal status and jurisdictions;
- what kind of access to voice do they get (i.e. access to direct participation or representation in information mechanisms, from consultation, codecision to full consent or veto right);
- what kind of access to ownership do they get (i.e. access to capital shares of the corporate structure).

C. Potential Benefits

The main benefits include:

Enabling Constitutional Compliance: This reporting mechanism directly addresses the long-unfulfilled mandate of Article 129.2 of the Spanish Constitution by identifying the "labor investors" who are intended to benefit from access to voice and ownership, thereby creating the necessary data for targeted policy and legal action.

Increased Transparency and Accountability: By requiring firms to disclose the true extent of their "labor investors" and their participatory rights, the mechanism combats "fissuring" practices and externalization of responsibility. This fosters greater corporate accountability towards all who contribute to the firm's value, going beyond traditional employee definitions.

Informed Policymaking and Investment Decisions: The data generated would provide public authorities with an accurate picture of the democratic state of firms, allowing for the design of more effective incentive schemes and regulations. It would also inform potential capital investors who seek to align their investments with democratic and sustainable practices, supplementing existing ESG metrics.

Strengthening Social Dialogue and Trust: By making visible the "hidden" workers and their actual (or lack of) access to voice and ownership, the reporting obligation can become a powerful tool for unions and civil society to advocate for improved conditions and greater participation. This transparency can build trust within firms and across the economy by acknowledging the contributions and risks taken by all labor investors.

D. Implementation Considerations

Difficulty of defining "Labor Investor" Universally and Operationally: The proposal broadens the definition of "worker" beyond traditional "employees" or "wage workers" to include anyone investing labor in the firm's performance who is governed by its rules. Operationalizing this definition to accurately identify all "labor investors" across complex, fissured, and globalized value chains (outsourced, platformized, gigified workers) will be immensely difficult and could lead to significant definitional disputes and legal challenges.

2 attention points should be considered:

- The **proportionality dimension** is also critical to consider the proper ways through which an outsourced part-time labor investors can count and be represented among the larger constituency of labor investors by a relevant union organization.
- The category of labor investor seeks to **capture all those who invest labor** in the joint endeavour that is the firm in order for the firm to sell its product or service while in return they are being governed by its rules. In some industries, beyond employees and workers, unpaid content providers (i.e. social media industry), user-data producers (i.e. AI industry), or service-enabling patients (i.e. health industry) should certainly count as labor investors are (Ferrerias 2017). Hence a proper deliberation on who should count, next to the obvious cases, as labor investors, which opens a path to voice and ownership, should be organized at the transnational level when looking at the case of global transnational corporations, and relevant industry and firm level.

Legal and Cross-Jurisdictional Complexity: Implementing this reporting obligation can only be experimental at first and will necessitate a careful cross analysis under the supervision of the **National Observatory on Access to Voice and Ownership** (see Proposal Chapter II.B.1.(6)). It will necessitate navigating complex existing labor, commercial, and international laws. For firms operating across borders or relying heavily on international supply chains, identifying and consistently reporting on "labor investors" under varying legal statuses and jurisdictions will be a challenge that the EU *Corporate Sustainability Reporting Directive (CSRD)* and the *Corporate Sustainability Due Diligence Directive (CSDDD)* can substantially alleviate.

Data Collection and Verification: Gathering comprehensive and verifiable data on all "labor investors" (especially those outside direct employment contracts) and their precise access to voice and ownership across diverse legal statuses and organizational structures will be a massive undertaking for firms. It will require new internal reporting systems under the supervision of the institutions of labor relations existing for core employees (typically, Works Council), alongside robust external verification mechanisms set up by the Ministry of Labor in order to prevent superficial compliance.

Resistance from firms and Industries: Many firms, particularly those that heavily rely on outsourcing, fissioning, and platform models to manage labor costs and responsibilities, are likely to resist such a broad and demanding reporting obligation. They may argue it imposes excessive costs, invades commercial privacy, or creates an unmanageable administrative burden (while labor investors, if they are, are paid for their work at some point and can thus easily be reported about if the good faith is present), potentially leading to lobbying efforts against the proposal.

However, it is not unthinkable as the EU Platform Work Directive shows: this **Directive has created a new obligation for platforms to report all workers to tax authorities.** This means particularly those who are not, formally, their employees (Marzo 2025).

Artificial Intelligence for Administrative Simplification: The goal of administrative simplification (or fight against the so-called administrative burden faced by firms) has been central to the debate on the legitimacy of the above-mentioned EU directives. Indeed, **the fear that their embedded reporting requirements represent an excessively heavy workload for businesses** has reignited the long-standing critique regarding the administrative burden imposed by the State over private actors. In this respect, the development of automated reporting tools based on Artificial Intelligence (AI) has proven its worth, considerably reducing the workload. **AI can analyze a company's internal documents, requiring only a fraction of human attention for final validation,** instead of mobilizing a vast network of internal informants. Such an operational tool is already in use.⁵ **To businesses that fear the costs induced by the new reporting obligations, public authorities could just advise, or even support, a technological update in the reporting area.**

⁵ See for instance the AI-powered ESG reporting tool: <https://www.wequity.app/company>.

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DW4. The Corporate Democratic Development Index, Powering a Bonus/Malus Incentive Policy Framework to Accelerate the Democratic Transition of Every Firm⁶

*This policy framework is designed as a dynamic, **behavior-guiding incentive framework intended to steer every firm, regardless of its starting point, along a trajectory of democratization.** Its primary motivation is to transition the economy from a model of "shareholder primacy"—where power and wealth are concentrated—toward a regenerative model that recognizes "labor investors" as citizens with rights to voice and ownership. The motivation behind this structure is to **create a market-wide "race to the top"**. As the majority of firms make progress and improve their scores, public authorities can move the "neutral point" of the bonus/malus scale forward. This ensures that the incentive framework remains a permanent driver of evolution, pushing even the most advanced firms to seek further democratization and regenerative practices.*

A new instrument is proposed to measure the state and progress of each firm in the deployment of the dual promise – access to voice and access to ownership - made to every worker. It is a simple instrument that enables a clear monitoring of not only the presence of workers in strategic decision-making bodies and their share in the firm's capital, but a concurrent measure of progress on those two dimensions.

A. Purpose

In order to facilitate the democratization of companies, we propose the introduction of an incentive-based policy framework, applicable to all companies. The policy framework will encourage companies to move toward greater levels of internal democratization. If the law sets regulatory obligations, the bonus would encourage companies to go further in terms of democracy, and the penalty would disincentivize companies that do not go beyond the regulatory obligation (especially if this level is relatively unambitious).

⁶ See sections II.B. and II.B.2. from Full Report: Ferreras Isabelle et alii (2026) **Two Promises to Those Who Work: Voice and Ownership**. Final Report of the *International High-Level Expert Committee on Democracy at Work established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain*. Madrid: Ministerio de Trabajo y Economía Social. Open access: <https://reportondemocracyatwork.org/en/the-report/>

This incentive-based tax objective, with its qualitative focus on transforming intra-production relations between capital and labour, appears to complement the quantitative **approach that has enabled Spain to be a pioneer in setting a proper frame for companies** through increasing taxes on large companies, having introduced a temporary tax on excess profits in 2023, an extraordinary tax on banks since 2022, and, in accordance with the 2021 OECD agreement implemented in Europe at the end of 2023, a minimum rate of 15% on all taxable profits of multinationals.

The Spanish tax system, as any tax system today, already has different levels of corporate tax. The corporate tax rate in Spain is currently 25%, with a small rebate for micro-SMEs, which benefit from a rate of 23%, and an even greater rebate reserved for emerging companies, *startups*, and newly created companies, which enjoy a tax rate of 15%. In other words, attributing different rates to different companies according to various criteria identified by the State is standard in fiscal policy. In this vein, the Committee recommends that the **State consider changing the incentive criteria** for firms so that they are **aligned with the values of access to voice and to ownership. A bonus/malus system would ensure that the public budget would remain balanced, as the malus rate applied to the firms which are not progressing and generate negative externalities will help fund the necessary intervention of public authorities to redress such harms, while the good firms would become more economically successful, helping them to further progressing into their internal democratization.**

A more favourable tax rate for companies that have adopted more democratic statutes and/or granted new decision-making rights to their employees would facilitate legislative changes towards a genuine democratization of the company. In addition, **this bonus/malus approach, which does not yet exist in any country, could make the country attractive to the more democratic foreign companies. Conversely, the introduction of a less favourable tax rate for the least democratic companies would encourage them to transform the organizational structure of large companies and their subsidiaries producing in the country. The production units of undemocratic companies that would decide to close their doors in the country as a result of this tax disincentive would represent an opportunity for worker buyout, especially if the law provides for a right of first refusal for employees** (a right of first refusal for employees allows them to buy the company's shares or a portion of the business before a third-party offer is accepted). This policy framework could even have a knock-on effect in other (European) countries in terms of legislation and taxation, especially if it is supported by complementary measures at the EU level.

B. Mechanism

Measuring corporate democracy

In order to determine the level of democratic development of the company, we rely on the **Corporate Democracy Development Index**⁷, anchored in two scales: a voice scale that assesses legal status and reflects the functioning of governing bodies in terms of how they allow labor investors to influence strategic decisions (including the appointment of managers), measuring the representative presence of workers in the company's strategic body ; and an ownership scale which measures the level of employee participation in ownership, with a view to a possible transfer of shares to employees. Using these two scales measuring access to voice and ownership, we can implement a bonus/penalty system that combines tax incentives and disincentives with progressive tax brackets and threshold and intermediate and democratic thresholds that make companies eligible for public aid/tax cuts.

As with other taxes, the democratic bonus/penalty would be calculated on the basis of an annual declaration by companies, which would have to be validated by the works council or the workers' representation. In the event of non-validation, it would be up to the administration and the social partners to consider the recourse formula.

Each company will be given a rating which will situate its achievements along the two scales. All incentives and support provided by the public authorities, as access to public procurement, will be pegged to the dual rating reached by the firm. The final rating category for a firm will be determined by a simple combination of the two ratings, given that there are two scales and two ratings. The **combination**, as well as the **progression**, of the levels of participation in **both dimensions (decision-making and ownership)** within the same company **will be taken into account** by the public powers for the reinforcement of the established **promotion measures**.

⁷ For further methodological developments, see also Thibault Crismer's PhD doctoral work (PLS Paris Dauphine University): <https://ido-initiative.org>

Corporate Democratic Development Index based on the Two Participation Scoring Scales

Rating	The Voice Scale (V) Categories	Rating	The Ownership Scale (O) Categories
0	A company in which those who work hold 0 of the voting rights to 1 seat on the company board (by which we mean the committee in charge of the strategic decisions or legislative branch)	C	0% of shares held by the workers of the firm
1	A company in which workers hold from 2 seats to less than 1/3 of the voting rights on the company board	B	More than 0 to less than 2% of shares held by the workers
2	A company in which workers hold from 1/3 of the voting rights to less than 1/2 on the board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board to less than 1/2) (Codetermination)	Ba	Between 2% and less than 25% of shares are owned and/or administered by the workers
3	A company in which workers hold 1/2 of the voting rights on the company board (or the works council is equivalent to a college holding 50% of the votes on the company board (aka German Montan Codetermination))	A	Between 25% and less than 50% of the shares are owned and/or administered by the workers
4	A company in which the company board operates under a dual majority rule (codecision) , where at least one of the majorities is exercised by worker representatives organized as a college of voters or by the works council (aka Economic bicameralism).	Aa	50% of the shares are owned and/or administered by the workers
5	A company in which workers hold all the voting rights on the company board (aka workers' cooperative or a <i>laborist company/sociedad laboral</i>)	Aaa	More than 50% of the shares are owned and/or administered by workers, and all the rest is owned and/or administered by other workers or "steward owners"
Example	Voice Score (V) for a specific firm = 4		Ownership Score (O) for a specific firm = A
Corporate Democratic Development Total Rating for this specific firm = 4^V A^O = 4A			

On the Avenue of Voice, Rating 4: "Dual Majority" means that at least one of the voting majorities at the Board-level is exercised by workers' representatives or by the works council. In practice, it means that a majority is required not only from representatives of capital but from representatives of labor (they both enjoy a veto right) at the board level (i.e. Economic Bicameralism, see Ferreras 2017). Here, all decisions ranging from the appointment of the CEO to the business strategy or allocation of profits standardly approved by the Board has to receive a majority from the labor representatives as well. In the political history of democracy, it is considered as the threshold of democratic consent. It is thus of great relevance for firms moving toward the trajectory of larger access to voice for workers to reach the point where a true consent can be exercised by the labor investors. Rating 5: Worker cooperative or laborist company (*sociedad laboral*), i.e. firm governed by its workers independently of the portion of the shares they own.

On the Avenue of Ownership (i.e. the access to the means of production): seeing firms moving forward on the trajectory is particularly critical for all firms in need of a succession or transition plan. Here workers and citizens' funds should progressively buy back the entirety of the shares. The full transfer of shares to labor investors and citizens' funds will have the beneficial effect of freeing up capital to do what a firm is best at, including launching new or innovative projects. Above a majority holding, the owning of shares by workers could be complemented by "steward owners" who exercise their ownership right in ways that prioritize the company mission according to multi-dimensional metrics, rather than simply the maximum return on capital investment.

Scope: The reform would apply to 100% of companies, with a possible exemption on the voice scale/standards for small and medium-sized enterprises (SMEs); that is, firms with fewer than 50 employees.

Reporting mechanism and validation: The specific ratings of firms in terms of voice and ownership will need to be measured annually and validated by firms' worker representatives, via a works council or union delegation. AI reporting tools already exist to alleviate firms' reporting burden, and these could be employed to make sure reporting is a smooth and light process. Such a tool could be offered by the Government as a way to increase AI literacy; use in every firm could support the disclosure and reporting process for all non-financial information. An appeal structure housed at the Ministry of Labor would validate the firm's score if it is contested at the firm level.

C. Potential Benefits

Simulation of Different Implementation Scenarios of a Democratic Bonus-Malus System

We have estimated⁸ some of the potential macroeconomic and budgetary effects of implementing a democratic bonus-malus at the national level, using a post-Keynesian stock-flow consistency model. This model allows us to capture macroeconomic dynamics in a consistent manner by taking into account the interaction between flows and stocks. The model chosen is a reliable theoretical reference, as it is a simulation based on an open, financialized economy adapted to the situation in Spain. It is a fictional model originally designed with French data, with two economies of different sizes: **one country in the Eurozone and the rest of the Eurozone. The economic characteristics of Spain share most similarities with this model, and work particularly well for Spain, as the two economies of different sizes in this model fit particularly well the situation of Spain and the rest of the Eurozone.**

To provide tax incentives and disincentives for companies producing in Spain, we proposed a practical, ready-to-use democratic bonus/malus system based on taxable income, similar to corporate income tax, with bonuses in the form of reduced rates and maluses in the form of increased corporate tax rates. It should be noted that the current corporate tax rate in Spain is 25% (and 20% for cooperatives). Due to the many existing tax advantages to businesses, which have significantly reduced the corporate tax base, its effectiveness could be limited, hence the importance to accompany this measure with a reflection on these existing tax advantages. Furthermore, lowering corporate income tax below 15% would run counter to the international and European desire, from which the US has just distanced itself, to introduce a minimum tax rate of 15%. That is why we propose 15% as the minimum tax rate. Example of possible corporate tax rate tied to internal democratization:

⁸ This policy instrument has been prepared based on scholarly work conducted by Julien Pharo (PhD in Economics, Léreps, Toulouse and Clersé, University of Lille) and Vincent Duwicquet (PhD in Economics, Senior Lecturer in Economics (Clersé, University of Lille). See V. Duwicquet (2024) "Corporate taxation and macroeconomic dynamics in a monetary union: the French case," *JPKE*.

FIGURE II.9: Different Corporate Tax Rates (indicative, on the Voice Scale) See Report, p.348

Rating 0	Rating 1	Ratings 2 & 3	Rating 4	Rating 5
Corporate tax rate: 30%	Corporate tax rate: 27.5%	Corporate tax rate: 22%	Corporate tax rate: 17%	Corporate tax rate: 15%

D. Implementation Considerations

The introduction of a **democratic bonus-malus system** would support new regulations promoting the democratization of companies, while having potentially positive macroeconomic and budgetary effects. These expected macroeconomic effects also depend on the level of ambition of the legislation aimed at democratizing companies. Indeed, the more the legislation encourages companies to democratize, the stronger the effects will be. While the effects of a change in corporate tax rates, based on the degree of democracy of companies, seem significant, we can anticipate that the application of a bonus-malus on the added value of companies would have even more significant effects, especially since in scenario 3, this would allow subsidies to be paid to companies that reach the intermediate transition threshold. In the same way, the implementation of a tax on profits distributed in the form of dividends in addition to the democratic bonus-malus system, will strengthen the robustness of the behavioral assumptions about dividend distribution, and the effectiveness of this system, especially because this trajectory would contribute to the reduction of the deficit and public debt.

A crucial point lies in the possibility for a recourse, by workers' representatives or by the management, when the company's '**democratic development reporting declaration**' is not validated internally by a works council, or by a union delegate or is contested by the management. The actual possibilities for verification and control will depend on the robustness of the monitoring of the concrete indicators. The implementation of a democratic bonus-malus system could significantly influence the reporting of extra-financial information, that has developed over the past few years but which currently does not measure governance from a democratic perspective. Adding an obligation for companies to annually declare their democratic internal level through using the simple Corporate Democratic Development Index based on the Dual Participation Scoring Scale looks like an easy first step.

Regions would be able to go beyond the government's objective by introducing additional bonuses and penalties if they so wish. With the introduction of a bonus-malus system tied to the two Participation Scoring Scales, Spain would become a pioneer in Europe. By introducing an incentive tax system tied to the Corporate Democratic Development Index, Spain would also lead at the European level by encouraging national administrations to cooperate around a common goal: the democratization of companies across the European Union.

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Appendix: Macro-economic Simulation & Implementation

We considered four scenarios in which the majority companies do not belong to the same category and therefore behave differently depending on their rating on the Voice Scale in order to be able to make macroeconomic forecasts based on the effectiveness of the mechanism for transforming the type of majority company in Spain. *A priori*, most companies currently producing in Spain are Rating 0, and only a very small proportion (among the *Sociedades Cooperativas* of the social economy or even the *Sociedades Laborales*) reach the intermediate threshold of consent or even reality. We postulate that in each type of scenario, one category of company is strongly majority in order to visualize ideal types that allow us to consider the effects of a democratic incentive tax system accompanying a law aimed at democratizing companies in Spain. In the first two scenarios, where companies remain Rating 0 or Rating 1, we are considering taxations representing 1.6 points or 0.8 points of GDP respectively. In the next two scenarios where companies are Rating 2 or A Rating 4, we are considering tax cuts representing 0,8 points or 2,3 points of GDP respectively. We simulate three of the four scenarios in order to compare the macroeconomic developments following the joint implementation of the regulations and the democratic bonus-malus system with the **reference scenario**, which corresponds to the trend in 2023 (in red).

Scenario 1 (in blue): The majority of companies remain Rating 0 (as is currently the case): We assume that these companies pass on almost all of the penalties to wages (or even prices) in order to maintain their profit margins and offset the tax increase (Corporate tax increases from 25 to 30%, representing 1,6 points of GDP). However, the penalties do not affect their behavior in terms of dividend payments. In this case, it means that neither the democratic bonus/penalty nor the regulation (without sufficient legal obligations to ensure that a certain threshold is reached) really have any effect. This scenario seems completely unrealistic, but it does allow us to take into account possible criticisms of the system.

Scenario 2 (in orange): Majority companies have become Rating 1 thanks to the combined effect of regulation and the Democratic Bonus-Malus system. Corporate tax increases from 25 to 27,5%, representing 0,8 points of GDP. By assumption, these companies do not pass on the malus to wages but only to a small extent to prices which means that Rating 1 companies pay half as much in dividends as C Rating 0 companies and therefore invest more. In this scenario, the new regulations and the bonus-malus system oblige/encourage the vast majority of companies producing in Spain to reach the threshold of least coercion (Rating 1), which greatly reduces the share of Rating 0 companies and generates positive macroeconomic effects.

Scenario 3 (in green): The majority of companies have become Rating 2 thanks to the combined effect of the regulations and the Democratic Bonus-Malus system. Corporate tax decreases from 25 to 22%, representing 0.8 points of GDP. It is assumed that Rating 2 companies pass on 80% of their bonus to investment and pay virtually no dividends and reduce share buybacks. In this scenario, new regulations requiring companies with their parent company in Spain to reach the intermediate transition threshold, thereby prohibiting Spanish companies from being Rating 0 or Rating 1, and which may apply in part to foreign companies producing in Spain, as well as the bonus-malus system, push the vast majority of companies producing in Spain to reach the intermediate threshold. This has very positive macroeconomic effects.

Scenario 4 (untested): The majority of companies have become Rating 4 (or even Rating 5) thanks to the combined effect of the regulation and the Democratic Bonus-Malus. Assuming that Rating 4 and Rating 5 companies do not pay any dividends, do not buy back shares, and pass on all bonuses to salaries and investment.

The expected macroeconomic and budgetary effects of the democratic bonus-malus system

In the two most likely simulated scenarios (2 and 3), the democratic bonus/malus, accompanied by regulations promoting the democratization of companies in Spain, generates overall positive or even very positive macroeconomic effects: an increase in activity, investment (see Figure II.11), wages (see Figure II.12), and profits, as well as a decrease in unemployment (see Figure II.13) and even public debt (see Figure II.14). This graph shows that in the second scenario, due to the transformation of corporate behavior, the budgetary impact would be much more positive than in scenario 1 (where the penalties paid are higher), due to the increase in activity. And even in scenario 3, where public spending increases due to the payment of bonuses to more democratic companies, the budgetary impact is more positive than in the first scenario, due to the increase in activity, which is even stronger in scenario 3 than in scenario 2.

FIGURE II.11: Investment (Relative to the Baseline Scenario)

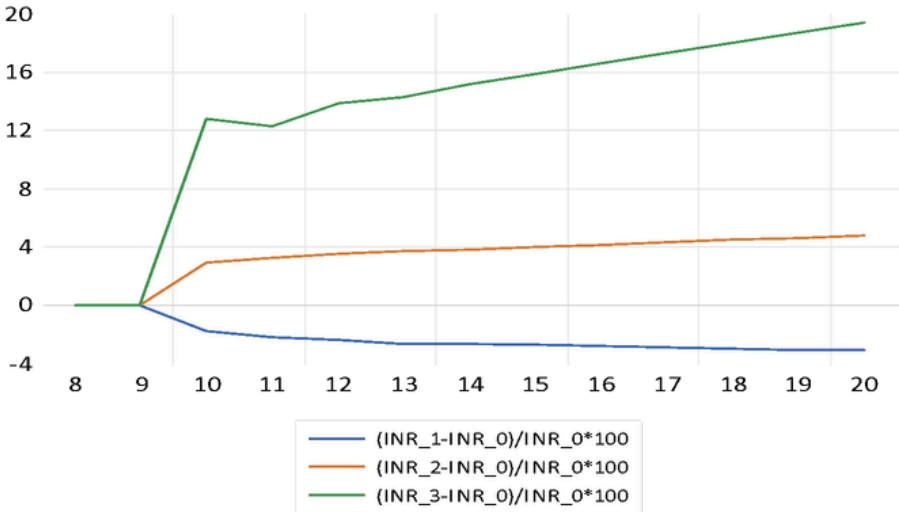


FIGURE II.12: Real Wages (relative to the Baseline Scenario)

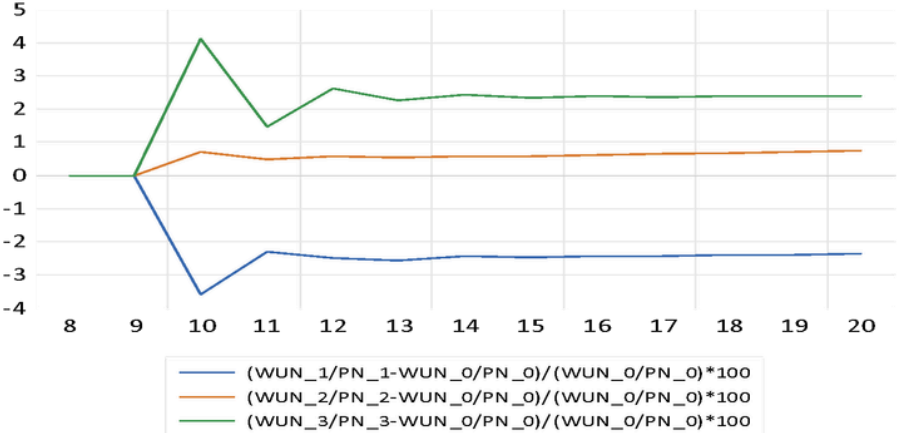


FIGURE II.13: Unemployment Rate (Relative to the Baseline Scenario)

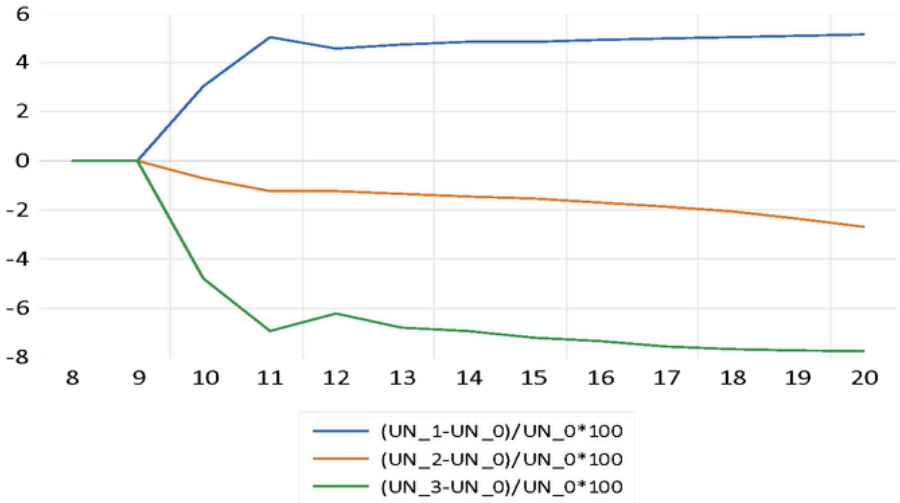
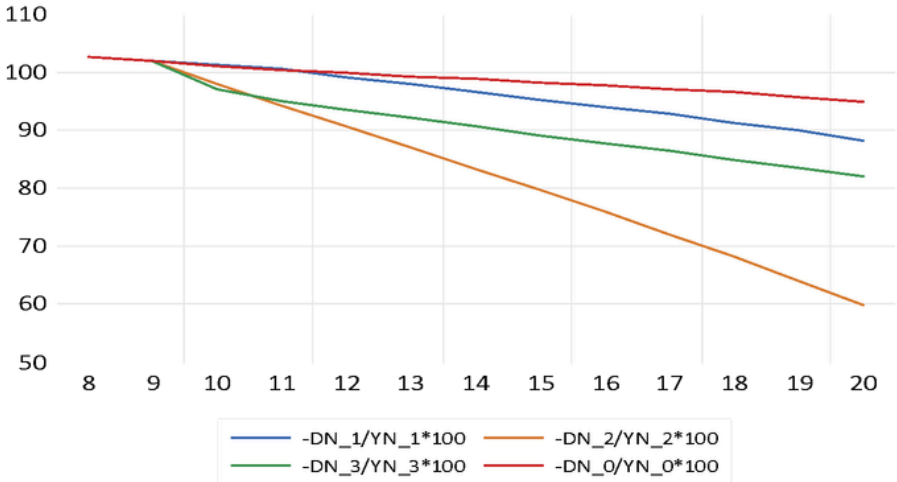


FIGURE II.14: Public Debt as a Percentage of GDP



Example of possible ambitious implementation timeline:

Leading with a new dynamic political paradigm aimed at encouraging all companies to make decisive progress in the access to voice, the Spanish government will:

2026: **with immediate effect: revision of the Spanish legal framework** in accordance with the promises made to Spanish workers in the Constitution.

- **Fiscal support for all companies that immediately implement the new standards.**
- All companies that begin to comply with best practices will receive immediate support in the form of a more favorable tax rate.

2029: **Companies that do not have a family business succession plan (not some equity fund)** must move forward with a plan to transition ownership to their workers, according to the scale of ownership.

- **All companies that exceed** (meet a higher level of representation for their number of employees) **receive support in the form of a more favorable tax rate** + support from the new citizen funds established by the government and autonomous authorities.
- Companies that do not meet the **new standards (thresholds*) will receive a tax penalty.**
- Progressively for the others (after 15 years after profitability), **the minimum standard will rise one point on the scale.** This is a matter of deliberation worth a Citizens' Assembly.
- All companies that exceed (meet a higher level of representation for their number of employees) receive **support** in the form of a more favorable tax rate.
- Companies that do not meet the **new standards will receive a tax penalty.**

2032: **After 6 years of practice (2026-2031):**

- **The minimum standard will rise one point on the scale.**

All companies that exceed (meet a higher representation level for their number of employees) receive **support** in the form of a more favorable tax rate.

- Companies that have not made progress since 2026 receive a **penalty.**

The vision is **for every firm** to move along the **dual Participation Scoring Scale** (see FIG II.5), and for the whole of the Spanish economy, in a matter of a few years, to set itself on a trajectory of regeneration and resilience through participation and shared ownership (see FIG II.6).

FIGURE II.5: The Trajectory of Firm Democratization

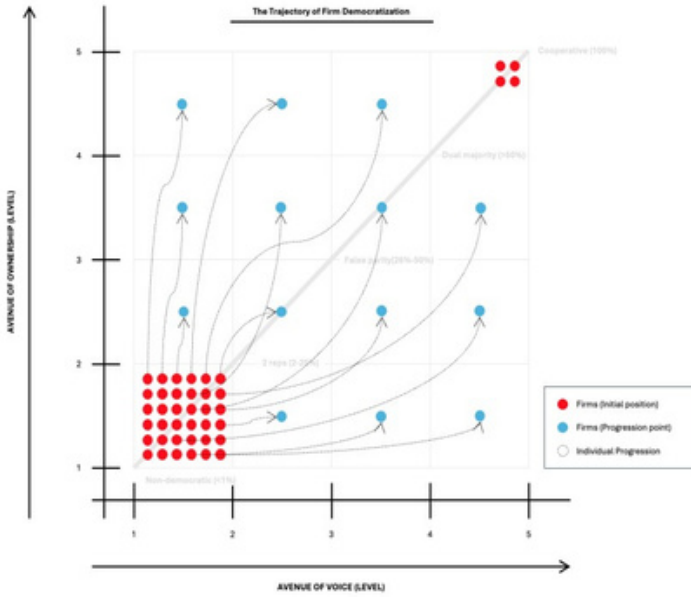
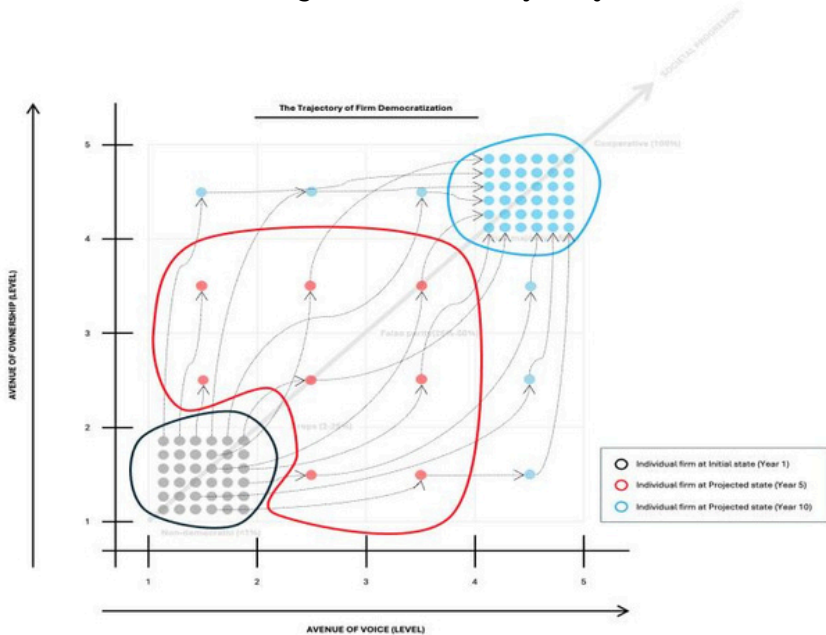


FIGURE II.6: Societal Progression on the Trajectory of Firm Democratization



DW5. New Sovereign and Citizen-led Investment Funds to Generate Economic – and Digital – Sovereignty⁹

We propose the creation of a dedicated **EU-level funding capacity** to support gradual and democratic employee ownership transitions across Member States, echoing action taken at regional and national level.

A. Purpose

*It is of particular relevance to the future of work that AI, and digital tools in general are not left in the hands of a few capital investors who control them. Sovereign and citizen-led investment funds represent a strategic opportunity to support innovative firms in the digital and AI industry while making them responsive to societal ethics rather than narrow shareholder interests. **This is of particular urgency given the highly capital-intensive nature of the emerging AI economy which, in the absence of labor-controlled capital pools, is bound to further concentrate economic power in the hands of capital investors.** By empowering labor investors through these funds, public powers can ensure that 'technology champions' contribute to economic and digital sovereignty, fostering a democratic and accountable innovation landscape, rather than fueling a concentrated race for market power among extractive financial actors, intensifying the wealth accumulation of a global financial elite.*

The **European Sovereign Fund for Workers' Access to Ownership** would address the critical financing gap currently hindering the widespread adoption of worker buyouts (WBOs), while establishing a framework that incentivizes participatory governance and safeguards the long-term viability of the enterprises concerned.

⁹ See II.B. section from Full Report: Ferreras Isabelle et alii (2026) **Two Promises to Those Who Work: Voice and Ownership**. Final Report of the *International High-Level Expert Committee on Democracy at Work* established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain. Madrid: Ministerio de Trabajo y Economía Social. Open access: <https://reportondemocracyatwork.org/en/the-report/>

With one-third of business owners set to retire in the next decade and up to 600,000 jobs at risk annually at EU level, Spain and other European countries need a plan to retain ownership of their productive assets and safeguard their economic sovereignty (fi compass, 2025). The European Sovereign Fund would **target the tens of thousands of SMEs facing the succession challenge, and the financial intermediaries that are or could become their partners in the succession planning.** Targeting viable or thriving SMEs facing the succession challenge that would be open to democratic employee ownership represents a departure from the traditional view of workers' buyouts and employee financial participation. In the past, worker buyouts have frequently and wrongly been seen as a tool to preserve employment when a firm is at risk of bankruptcy while no investor is willing to buy it. In this context, some of the firms acquired in these circumstances have naturally remained fragile rather than thriving. On the contrary, with adequate planning, **the Fund would amplify the needed transformation of mature SMEs into participatory firms.**

Employee financial participation has often been viewed through a restrictive managerial lens, as a means of increasing worker involvement in the success of the firm through reduced absenteeism and labour turnover, as well as increased employee funding. The ambition of this proposal is bigger as it is designed to support workers' access to ownership, and lead a **transformative approach to genuine participation in decision-making.** Workers cooperatives and Sociudades laborales are relevant corporate legal tools in the Spanish context, which could be leveraged for buying back shares on behalf of workers.

Additionally, an innovative ‘Cooperative ESOP’ model is being proposed in order to overcome two major limitations of existing models of ESOPs: their lack of participatory governance and their design based on full property transfers, while rewarding gradual conversions could have more potential., **The ‘Cooperative ESOP’ model replaces the trust structure with a democratically governed Employee Ownership Cooperative (EOC)** that is used as a vehicle to purchase shares of the operating company and holds ownership on behalf of employees (Ellerman and Gonza 2019; Gonza 2025). The cooperative then buys shares of the operating company, with the seller either agreeing to gradual financing, or imposing a full direct sale requiring the cooperative to obtain an external loan while using future profits to service the debt. The Coop ESOP follows a "second-degree" democratic governance: direct worker control at the cooperative level and proportional representation at the level of the operating company. The model reduces governance complexities, allowing for gradual onboarding of employees into governance, and increasing the chances of business owners deciding for the model. Membership of the EOC is based on labour, not capital contribution. The principle of 'one person, one vote' is followed when making decisions, and membership is a personal right based on work, not a property right that can be sold. Economic rights within the cooperative are based upon the labour contributions of the workers, using individual capital accounts (ICA).

Building on and scaling up this approach offers a promising way forward for ensuring both financial sustainability and democratic participation, while reinforcing the EU's strategic autonomy.

B. Mechanism

The **European Sovereign Fund for Workers' Access to Ownership** could be hosted by the European Investment Fund (EIF), whose central mission is to support Europe's small and medium-sized businesses (SMEs). The EIF has indeed some experience in providing financing to national intermediaries that support workers buyouts using financial products under the Social Investment and Skills Window of Invest EU and Invest EU Social Entrepreneurship Portfolio Guarantee Product.

Key features of the fund would include:

1. Support transitions to democratic governance. Financial support, such as low-interest loans and guarantees, would be provided on the condition that firms implement primary or secondary forms of democratic governance. Particular emphasis would be placed on models in which employees have genuine voting rights and representation, such as the Sociedad laboral in Spain, or the Cooperative ESOP framework. Preferential interest rates, extended repayment terms and higher guarantee coverage could be leveraged to incentivise genuine democratic governance, particularly when workers are given veto power over strategic decisions. This mechanism could be extended to other types of socially responsible succession mechanisms, such as steward ownership.

2. Support for gradual worker buyouts. The facility would support both gradual transitions and full, immediate conversions, since it is ultimately the seller who makes the decision in such voluntary successions. While some SME owners may prefer full and immediate sales, others may be more motivated by gradual conversions (i.e. over a period of 3, 5, 10 years) if they want to experiment with employee financial participation before selling their assets outright. This model also enables workers to acquire equity incrementally over time, avoiding the issue of weak employee financial capacity in the short term, and increasing their knowledge and ability to learn how to govern the firm and manage the business.

3. Financing mechanisms. The capabilities offered by the **European Sovereign Fund for Workers' Access to Ownership** would include low-interest loans and guarantee instruments, channeled through national development banks or accredited financial institutions. Repayments would be made over time through the operating company's profits (now being partly channeled to members of the cooperative or the *sociedad laboral*), ensuring sustainability and limiting financial risk for individual employees. The scheme would therefore not bring substantive direct financial means to employees in the short run (dividends).

4. Tax policy coordination. In collaboration with Member States, the EU Commission would explore and encourage **fiscal incentives** for owners to sell to employees rather than to private equity firms or competitors, as well as for employees to buy shares. These tax incentives would be adjusted to encourage genuine democratic governance, with the most significant incentives gradually being restricted to firms that adopt governance models enabling workers to influence strategic decisions through veto power (e.g. 50% of shares + 1 for workers or more).

5. Incentivize a macro regional approach to employee ownership. Employee Stock Ownership Plans (ESOPs) and worker buyouts are often considered tools for employee ownership and economic democracy at the firm level. While this represents a significant improvement on classic, non-participatory firms, where workers only exercise their information and consultation rights (at best), it still leaves them without any influence on economic trends at a regional or international level.

The European Sovereign Fund for Workers' Access to Ownership would encourage a regional approach to gradually build an 'ESOP beyond the firm-level' approach. The fund would incentivise intermediaries and firms that receive its support to contribute to the creation of Regional **Citizens Funds (See Chapter II.B.1. (3))** by allocating a fixed portion of their profits to purchasing shares in such a fund in their region. Additionally, Regional Citizens Funds could pool resources from public authorities, cooperative employee ownership trusts (Coop ESOPs), citizens, and private investors. These Regional Citizens Funds would invest in multiple firms and industries through workers' buyouts and by investing in new participatory start-ups and scale-ups. This gradual, bottom-up approach to building resources for the growth of certain types of firms is one of the success factors behind the strength of the cooperative sector in Spain, France and other countries. Here, it would be facilitated by an EU policy that would be a catalyst for the decentralisation of increased economic power for workers and regional entities.

C. Potential Benefits

By establishing this funding capacity, the EU would **address an immediate labour market and business continuity challenge, while also contributing to a broader strategy of economic sovereignty**, social cohesion in line with the dual promise made by the Spanish Constitution to workers via its article 129.2: i.e. access to voice and access to ownership. This initiative would demonstrate Europe's dedication to inclusive ownership structures and a robust, place-based, resilient, and citizen-centred economy.

Democratising European firms could indeed be the **answer to the problem of succession planning for European SMEs, which most observers recognise as a deep challenge**. With one third of SME owners set to retire within the next 10 years, the European Union is approaching a critical juncture. The ageing population of business owners is set to trigger a wave of SME successions, placing up to 600,000 jobs at risk each year. Traditional exit strategies include family transfers, mergers or private equity sales. However, family transfers are becoming less common, while mergers and private equity sales can have negative consequences for the European economy. In this context, employee ownership models such as worker buyouts (WBOs) and gradual employee stock ownership plans (ESOPs) to get to majority worker ownership present a credible alternative that safeguards continuity, employment and local economic value. The emerging Cooperative ESOP model further strengthens this approach by embedding democratic governance through cooperative structures.

Despite the proven benefits of such schemes in several Member States, they remain marginal due to inadequate financing tools and limited institutional backing. Setting up a dedicated EU-level funding capacity and policy framework to promote workers' access to ownership, will **contribute to safeguarding Europe's productive fabric and to Europe's broader goal of achieving economic sovereignty and resilience**. Without coordinated European support, the potential of worker buyouts (WBOs) will remain largely untapped. The absence of a robust EU-level financing and policy infrastructure will continue to hinder the scaling of democratic employee ownership.

The proposal would be most successful if a large number of Member States adopted laws that promoted such models. A recent step in this direction has been made: in August 2025, the Slovenian government adopted the Employee Ownership Cooperative Act (ESOP Law), which introduced a range of tax incentives to support companies and business owners using this model.

D. Implementation Considerations

Funding required in a 10-year time horizon. Although the political ambition needs to be significant, the initial funding required for the first years of operation is limited. The growth of worker buyouts (WBOs) in Europe and the uptake of the policy instrument will indeed be gradual, as they imply cultural changes as well. The growth of WBOs will depend on the scale of the incentive mechanisms put in place, as well as on the extent to which the other policy instruments suggested in this Report are implemented, including tax mechanism and unified incentive and conditionality framework for democratic corporate governance across all EU funding mechanisms and State Aids (See Part II.B.2.(5)). A ten-year time frame seems relevant to stabilize support instruments and gradually increase funding capacity. Support provided would also include grants for technical support that reduces risk in employee ownership conversions (at least to bridge the learning curve for expert organizations), as well as funds for advocacy.

Expertise: There is a large network of experts that could be mobilized across the EU to shape a powerful mechanism. The European Commission has consistently shown an interest in employee financial participation schemes, and multiplied initiatives since the 1990s, including the publication of regular PEPPER reports that relies on a network of national experts.

Technical Assistance and Guidelines: The EIF could provide technical support to SMEs, retiring entrepreneurs, groups of workers, and intermediary organisations involved in buyouts. It could also promote the development of **EU guidelines on worker buyouts**, including model legal structures, financing pathways, and governance standards.

The creation of a **funding tool for the transformation of mature SMEs into participatory firms** within EU funding institutions is a complementary strategy to current advocacy efforts and recommendations focusing on the use of existing social impact and social entrepreneurship schemes, including European Social Fund Plus (ESF+) programmes, built on the experience of the Employment and Social Innovation (EaSI) programme. However, their budget and scope are not fit for the scale of the SME succession challenge. Additionally, they could face cultural obstacles. A mainstream funding capacity within the EIF would ensure technical robustness and access to a network of financial intermediaries in all Member States. This would complement existing national schemes and attract private financing where appropriate.

As for technology champions in the AI industry: Specific funds could be allocated inside these *sovereign and citizen-led investment funds* to support innovative firms enabling the **digital sovereignty** of the people, through making them responsive to societal ethics rather than narrow shareholder interests. Due to the highly capital-intensive nature of the AI sector, this may require joining forces with existing public financial institutions, such as public banks or sovereign wealth funds. By empowering labor investors through these funds, public powers can **ensure that 'technology champions' contribute to economic and digital sovereignty, i.e. democratic resilience responsive to local realities, fostering a democratic and accountable innovation landscape, rather than fueling a concentrated race for market power among extractive financial actors, intensifying the wealth accumulation of a global financial elite.**

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The International High-level Expert Committee on Democracy at Work established by the Spanish Government: the Members

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