

**Insolvency and Employee Buyouts: Spain Pioneers a Sustainable Model of
Democratic Corporate Governance**

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Abstract

In the economic downturn of the 1970s and 1980s in Europe workers engaged in sit ins, work ins and worker buyouts to save their jobs. Hundreds were successful and thousands of jobs were saved. Spain was at the forefront of this strategy and introduced legislation in 1986 to enshrine the worker self managed company, *Sociedades Laborales*, as a strategy for corporate restructuring. This article reports on the research in Spain conducted into company failure due to insolvency and the subsequent rescue by an employee centred equity buyout. Seven firms in the metals industry are examined where workers rescued insolvent factories using the *Sociedades Laborales* democratic model. The research showed that sustainable democratic corporate governance was possible based on worker self management and this was achieved by the workers making choices to overcome the conundrum of democratic governance and market efficiency.

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