



EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

May 22, 2009

Report of the Eighth European Meeting of Employee Ownership

Brussels, 18 May 2009

Employee ownership and the financial crisis

What is the picture of employee ownership in Europe on the threshold of the financial crisis? This was the main theme of the Eighth European Meeting of Employee Ownership in Brussels on May 18, 2009.

The financial crisis brings new impulses for employee ownership development. Firstly, restructuring and rescuing distressed companies are usually a major field for employee ownership solutions. Secondly depressed assets bring new opportunities for investors, including employee owners. Finally, employee ownership should more effectively be associated to the governance and management of European companies, shifting the focus from shorter to the long-term vision.

The new "Economic Survey of Employee Ownership in European Countries in 2008" was published during the meeting, giving the exact picture of employee ownership on the threshold of the financial crisis.

What is the feeling amongst employee owners? What about ownership? share ownership? employee ownership? Relics of the past or new opportunities? What about the future? A roundtable gathered witnesses from some typical companies regarding employee ownership in various countries.

Which changes at policy level? Germany was just voting a new legislation for employee share ownership some weeks ago. The Italian Senate discusses a new project... This is also the context of the EFES' Manifesto for the 2009 European Parliament Elections. What for Europe?

Opening

Pascale Nieuwland from the Netherlands Participation Institute opened the meeting together with Marc Mathieu as Secretary General of the European Federation of Employee Share Ownership. Marc Mathieu addressed the EFES' warmest thanks to the Netherlands Participation Institute which sponsored the meeting together with the Brussels-Capital Region, to Pascale Nieuwland and her colleagues Marjon Westerhof and Renate Hanoch, all attending this meeting.

This year, we have to open this meeting with some good and some bad news from our team. President Cees Vos, also a Director of the Netherlands Participation Institute couldn't be present this year, just recovering from a difficult heart operation.



Cees Vos



Pierre Vanrijkel



Marie-Madeleine with Janos Lukacs

Our thoughts are also going to our Honorary President Pierre Vanrijkel and to his beloved wife Marie-Madeleine who deceased on March 4. Most of us knew Marie-Madeleine for years, she helped much and she took part to most our European Meetings since we started in 1998. We all share Pierre's sadness.

Cees Vos being absent, we asked Henk Kool to introduce the meeting. Henk Kool intervened as a leading political figure in The Netherlands, as the Vice-Mayor of the City of The Hague and knowing very well about employee ownership, being formerly a Director of the Netherlands Participation Institute.

Henk Kool underlined the idea that the present crisis offers new opportunities for employee ownership. What we all need now to solve the crisis are trust and more sustainability, Henk Kool said, this is typically what employee ownership could bring.

Economic Survey of Employee Ownership in European Countries in 2008

You can heard everything about this crisis, Marc Mathieu said, even it is the end of the world. The end of share-based capitalism, the end of ownership, the end of employee share ownership ???

Some days ago you could find a title in the famous French financial newspaper "La Tribune": "*L'actionariat salarié freiné par la crise*" (employee ownership cut down by the crisis). It was based on a research by Hewitt Associates concluding that "*L'actionariat salarié résiste à la crise*" (employee ownership resists to the crisis), which is not the same !?! Hewitt showed that 46% of companies in its panel are preparing new employee share plans to be launched in the near future – "not bad". Even very good, considering that 37% of all large European companies launched new employee share plans in 2007/8, compared to 27% in 2006/7!

What is it exactly? The new "Economic Survey of Employee Ownership in European Countries in 2008" gives the exact picture of employee ownership on the threshold of the financial crisis.

The new Annual Survey for year 2008 shows that employee ownership declined a bit on the threshold of the financial crisis, from 283.3 to 240.2 billion Euro (-15.2%). However, this was still much more than the 206.2 billion one year before. As a percentage, employees' share

stabilized on 2.63% in the capital ownership structure. Considering recent trends, employee ownership is going to double within the next 5-10 years, from 9.1 million employee owners now to 16 millions, from 28.2% of all employees in large European companies now to 40-50%, and capitalisation held by employees going to raise from 2.63% now to 4-5%.

We can describe employee ownership across Europe as a democratisation process, Marc Mathieu said. Look at all these indicators:

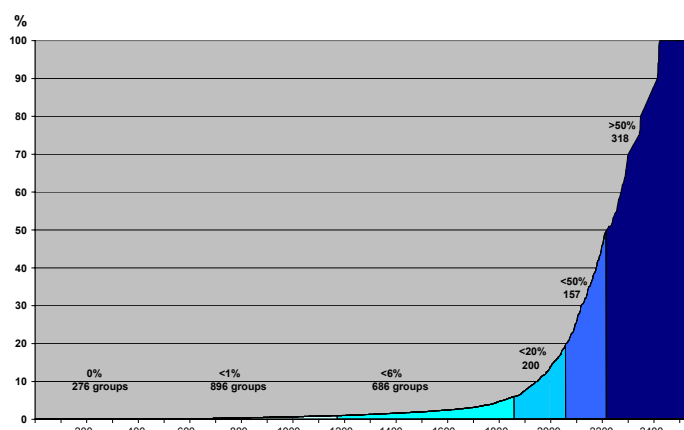
- Number of companies: You began with a small number of companies having employee ownership and it is now 85%.
- Companies having share plans
- Companies having broad based plans
- Number of countries
- Number of employee owners
- % employee owners / all employees
- Capitalisation held by employees

Look at Europe on a map, employee ownership within large companies developed in five waves through all European countries - be a (good) legislation or not.

52% of all large European companies had "broad based" plans for all employees in 2008, compared to 50% in 2007 and 46% in 2006.

However, top executives have still the lion's share in several countries compared to other employees. This can be showed through a "democratisation ratio of employee ownership".

It is a responsibility for all of us, governments, political representatives and social actors, or to facilitate or to make obstacle to this continuous democratisation process in the future, Marc Mathieu concluded.



On the other hand, look at all large European companies, ranked from 0% to 100% held by employees. You can see, it is a continuum, all situations exist. As a conclusion, you have to understand that it is not the nature of employee ownership nor to be small neither a minority. And you don't have any "magic" number (50%+1).

Finally, 27% of all large European companies have a

"strategic" or "determining" or "controlling" employee ownership, and it is still 19% when considering listed groups only. These are high numbers, and they are growing.

Witnesses from typical companies – The feeling about employee ownership across Europe

What is the feeling amongst employee owners? What about ownership? share ownership? employee ownership? Relics of the past or new opportunities? What about the future? A roundtable gathered witnesses from some typical companies regarding employee ownership in various countries. Trust in companies and the future and even "business as usual" appeared to be the most widespread feelings.

Voestalpine (Austria) installed employee ownership as a strategic point in the context of privatisation. We are now busy with internationalising our scheme, with four pilot countries, Max Stelzer told. Major condition: Voting shares to be bundled. We have still to point out the lack of true expertise in such internationalisation. We need trust, as Henk Kool mentioned. Internationalising our employee ownership scheme was just delayed for six month. On the

other hand, we didn't have any interruption in Austria, 25% of all employees invested each 1.000 Euro in the scheme in 2008.

Vivendi (France) as a big communication group seems less affected by the crisis. Employee share ownership was a key element in our culture for a long time, Dominique Welcomme said, with share offers dedicated to employees at least once a year, and two thirds of all employees being shareholders. They recently came back with leveraged schemes, meaning lower risk. Distrust about stock exchanges, trust in the company, this is the picture we have now.

In the United Kingdom we agree that employee share plans have to be more widely encouraged, Julie Richardson said. Considering SAYE and SIP plans, the most common employee share plans in the UK, blockage periods could be reduced from 5 to 3 years and savings limits could be increased. On the other hand, many people are retiring from older plans for entering rather in more recent plans, at lower risks. Another question is about underwater options for executives, these people have still to be encouraged, we have to find the way.

Mondragon (Spain) decided to face the crisis through a globalisation strategy. We analysed the crisis as a structural one, as well as the globalisation, José Mari Luzarraga said. We have now 103.000 employees across the world, on which 34% abroad in 2008 compared to 9% in 1999. On the other hand, 70% of all employees were members of the cooperatives in 1999, increasing to 82% in 2008. Our research showed that our internationalisation and development abroad didn't affect employment at home in the Bask Country or in Spain, which we are still privileging.

Another very important decision was recently to change Eroski (supermarkets) from public or limited companies to workers cooperatives.

Due to the crisis, employment is decreasing in traditional branches, which we decided to face through new innovation tools and new start-ups, as well as restructuring, more flexibility and even wage cuts.

Veidekke (Norway) is the fourth building company in Scandinavia. We began in 1936 and employee ownership or co-ownership is a key element here for 40 years now, told Kai Krüger Henriksen. We have 6.300 employees on which 3.488 employee shareholders in 2008, sharing 18% of the company. Thanks to annual employee share plans, we buy here for the long term and we are not too much affected by the crisis, even when prices fell by 50% on stock exchange. In 2009, our share price is already recovering, and our employee share plan 2008 (in November, "after the crisis") was even more successful than the 2007 one.



The European Employee Top 100 rankings in 2008

When analysing the rankings in 2008 compared to 2007, you have to note the severe decline of all banking and financial companies, while most industrials are raising.

This is the conclusion of the shift we are collectively organising in the world, between industrials and financials, through the present crisis.

Political roundtable – Significant progress in several countries. What now for Europe?

The new Slovenian legislation was voted in 2008. Of course it is a bit too early to get conclusions, Zvone Zupan said, but we can well see companies using the law, preferably through its monetary scheme at this time.

In Italy discussions took recently place in the Senate told Guido Antolini, and some days ago we learned that the Italian Government called for acceleration.

In Germany the new legislation was in force since April 1 this year. Tax benefits increase from 135 to 360 Euro annually, Jens Lowitzsch said. They also introduced a new "German Special Fund for Employee Participation", targeting SMEs. Of course it is too early to evaluate things but we can have doubts about the feasibility of such fund and we are still pleading for a "European ESOP" model which should be a major tool for business transmission to employees.

The EFES' Manifesto for the European Election already got more than 70 answers from candidates and other political leaders, which seems encouraging, Marc Mathieu said. However, most answers are coming from the left wing and from the centre, Greens and liberals, while little support came from the European People's Party until now, which seems quite difficult to understand.

Philine Scholze intervened as the Spokesperson for The European Greens Group. She expressed the full support from the Greens to encourage employee ownership in Europe as a tool for sustainability. She also underlined that social partners should be more involved.



Ieke van den Burg was a Member of the Socialist Group in the European Parliament for ten years. She regretted that the attention paid to employee ownership was lost in recent years. She recently addressed written questions to the European Commission and they answered that they are not interested anymore. On the other hand, she also insists on the need to involve social partners. As a conclusion, hopefully we will have a new and more ambitious European Commission after the 2009 elections.

All presentations and documents of the meeting as well as pictures are available on page: [http://www.efesonline.org/2009/Eighth European Meeting/Presentation.htm](http://www.efesonline.org/2009/Eighth%20European%20Meeting/Presentation.htm)

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