



*Belgian Presidency of the  
European Union Council 2010*

# TEN YEARS OF PUBLIC POLICIES FOR EMPLOYEE OWNERSHIP IN EUROPE -PAST, PRESENT, FUTURE

REPORT OF THE CONFERENCE  
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EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

WITH THE SUPPORT OF

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## INTRODUCTION

All documents and pictures of the conference as well as the EESC Opinion are available on <http://www.efesonline.org/2010/BelgianPresidencyoftheEU/EN.htm>

The financial crisis brought new political awareness of employee ownership. It is now widely regarded as the best option for contributing to healthier corporate governance, long-term vision and stability. At the moment employee-buyouts are multiplying for business transmission or rescue plans.

The European Federation of Employee Share Ownership (EFES) organised the conference for the Belgian Presidency of the European Union 2010 on November 26, 2010.

On the agenda were the development of employee ownership and the public policies over the coming ten years. Invited were representatives of the European institutions, governments, social partners, companies and experts. Apart from addressing the last decade, the speakers at the conference shed their light on the present time and took their audience a step into the future of employee share ownership.

In 2008, the EFES defined a "Political roadmap for employee ownership in Europe", in the framework of the French Presidency of the European Union.

Later the EFES proposals received positive political attention. Recently the EFES addressed its proposals to the new European Commissioners. The EFES encouraged them to take a wider vision of cross-disciplinary aspects of employee ownership within the European Commission.

In February 2010, the European Economic and Social Committee (EESC) decided to prepare an Own-initiative opinion on Employee Financial Participation. This Opinion was voted in the EESC's plenary session on October 21, 2010.

The EESC is the body that gives representatives of Europe's social partners and civil society a formal platform to express their points of views on European issues. It has a key role to play in the Union's decision-making process. The Opinion calls for a renewed initiative to support employee ownership and financial participation.



**BOTH EESC RAPPORTEURS  
ALEXANDER GRAF VON SCHWERIN  
AND MADI SHARMA  
INSISTED ON THE EESC'S REQUESTS.**

The EESC wishes to relaunch the debate on employee financial participation at a European level, in order to raise awareness and encourage the social partners and governments to take up the issue in more depth.

- **The EESC calls for a new European Council Recommendation concerning the promotion of employee ownership and proposals to deal with obstacles to cross-border employee share plans.**

- **Regarding large companies:** The document urges to promote the idea of a "European Model", based on the "Building Block Approach". Each country should make available "an optional simple, uniform incentive model, with the same tax-arrangements and incentives throughout the EU".
- **Regarding small and medium sized companies:** Each European country should strongly encourage business transmission to employees as the USA did since 1974 – this is the concept of a "European ESOP model" for SMEs.
- **Overall, the EESC asks for a designated budget line to support related activities by the EU budget.**



AS A CONCLUSION OF THE CONFERENCE, VICE-PRIME MINISTER DIDIER REYNDERS EXPRESSED THE SUPPORT OF THE BELGIAN PRESIDENCY OF THE EU, WHILE COMMISSIONERS LÁSZLÓ ANDOR AND MICHEL BARNIER EXPRESSED THE SAME SUPPORT FROM THE EUROPEAN COMMISSION.

## EMPLOYEE OWNERSHIP HOLDS A STRATEGIC POSITION

PIERRE VANRIJKEL, HONORARY PRESIDENT OF THE EFES,  
EMPLOYEE SHAREHOLDERS' ASSOCIATION OF ING, BELGIUM



The mission of the EFES is to promote and develop employee share ownership. Studies show that its development and that of financial participation vary per country, due to large differences in tax and legislation, said Mr. Vanrijkel in his welcome speech.

"The EFES, an European organization based in Brussels, works together with similar organizations from all over the world, amongst which organizations in the USA, Australia, Africa and Asia. In that way, we can reach some ten million people all over Europe".  
According to Mr. Vanrijkel this shows the importance and the need to work together in a firm cooperation.

Employee share ownership has developed strongly among large European companies. Of all large companies 83% have employee share plans now, compared to 40% ten years ago and only 10% in 1986. In most cases, such plans are designed

for all employees rather than just for a small number. This way, employee ownership is now in a strategic, determining or controlling position in over 27% of all large European companies. However, multinational plans have to face heavy obstacles, leading to sad discriminations among employees of various countries.

The worldwide financial crisis made us aware that a new political course in relation to employee ownership can help to overcome this dramatic situation, concluded Mr. Vanrijkel.

## A NEW EUROPE: THE FORK IN THE ROAD IS CLEAR

GUIDO ANTOLINI, PRESIDENT OF THE EFES, DIRCREDITO, ITALY



"In 2010 there has been a growing interest in the issue of employee share ownership and financial participation more generally. The events of that year have met with widespread interest for share ownership, even outside the circle of those closely acquainted with the issue", said Mr. Antolini.

"This is cause for satisfaction for those who have built relationships, spread information, listened and spoke to all possible institutional opportunities. The opinion of the EESC is the best evidence that employee share ownership is returning to occupy its place in the social-political debate".

According to Mr. Antolini the conference of the Belgian Presidency of the EU places the institutional seal on activities in 2010 and generates new ideas as how to interpret and govern a difficult future. The conference can also "steer the European Union to build a new Europe on the ruins of the old".

In Mr. Antolini's view Europe is embarking on the process of constructing a new interpretation of labour and social relations. "This is a long-term goal but important for those who have the younger generation at heart. We must leave them a future that is not a copy of our present, and that makes it possible for them to achieve their ideals. Employee share ownership has now rooted as a practice approved by workers and companies and is favoured in particular by young people as a collective instrument."

### BETTER CORPORATE GOVERNANCE

"All definitions of employee share ownership rely on better corporate governance, oriented towards sustainable results, and improved productivity".

Proper corporate governance is the result of the exercise of rights by those who are active parts of the company. In the Opinion of the Economic and Social Committee, employees' rights in their capacities as shareholders ought to be exercised.

"Otherwise it is impossible to see how employee share ownership could have the positive influence on governance that everyone attributes to it".

"Europe has come to a fork in the road regarding productivity. We can find productivity as an end to itself, which inevitably leads to excess production. Producing just to produce, consuming to destroy, not respecting the environment, non-renewable resources".

"The Economic and Social Committee has confirmed that compensation and participation are not antagonists, but rather, in their respective contexts, integrated into a virtuous model that can and must be a part of the new Europe of 27. That goes for all companies, large and small, in different ways but with the same spirit. In the past, these two paths might have travelled in very close parallel. Today the fork in the road is clear. Choosing the right way is part of building a better tomorrow".

## EUROPEAN EMPLOYEE OWNERSHIP ACROSS THE CRISIS

MARC MATHIEU, SECRETARY GENERAL, EUROPEAN  
FEDERATION OF EMPLOYEE SHARE OWNERSHIP, BELGIUM



Marc Mathieu elaborated on the question if the financial crisis has had negative effects on employee share ownership. You have to look at things globally, Marc Mathieu said. This is shown in the annual "Economic Survey of Employee Ownership in European Countries in 2009", published by the EFES. The most recent numbers show that European employees took advantage of lower share prices to increase their share.

The survey brings exhaustive information about the 2.475 largest European companies, employing 33.4 million people in 2009. 91% of the large European companies had employee ownership in 2009.

### HARMONIZED EUROPEAN LEGISLATION URGENTLY NEEDED

Marc Mathieu: "We estimate for the year 2010 about 10 million shareholders in Europe. This requires proper European legislation, which many countries don't have". This is neither an ideal nor a democratic situation, as without proper legislation, stock-option plans will remain only for the happy few in place of broad-based employee share plans for all. This blocks the development of employee ownership in Europe and furthermore, creates discrepancies. This is why we put forward a number of proposals three years ago in our "Political roadmap for employee ownership in Europe".

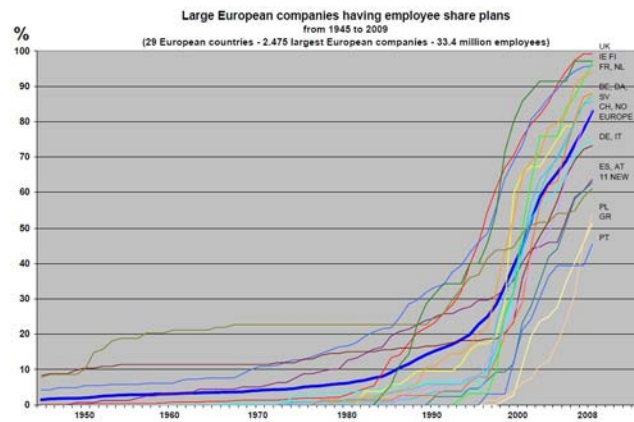
MORE EMPLOYEES HAVE BECOME SHAREHOLDERS

The number of companies with employee share schemes has grown. This goes like waves through Europe. There is a transmission from the West to the East, a recent phenomenon, said Mr. Mathieu. In 2009 there were 9.3 million employee owners in large European companies, holding 2.86% capital. "This shows that employee ownership is not marginal but instead widely spread in European corporations".

FORECAST: ALL EUROPEAN COMPANIES WILL HAVE SCHEMES

"It can be expected that in the near future all large European companies will have schemes, as these employee ownership schemes go on developing in all countries," said Mr. Mathieu. He pointed out: In 2009 there were 9.3 million employee owners against 8.4 million in 2007. Employees' share in ownership structure increased from 2.43% in 2006 to 2.86% in 2009. 53.1% of all large European companies had broad-based employee share plans in 2009, against 45.2% in 2006. Furthermore, 30.3 % of all large European companies launched new plans in 2009.

EMPLOYEE SHARE OWNERSHIP: A DEMOCRATIZATION PROCESS ACROSS EUROPE



"We can describe employee ownership across Europe as a democratization process", Marc Mathieu said. Employee ownership has strongly augmented in every aspect. This increase went for the number of companies, the number of companies with employee share plans and the number of companies with broad-based plans. But there was also an

increase in the number of countries, the number of employee owners, the percentage of employee owners/all employees, and the capitalization held by employees.

"We are delighted with the "Opinion on employee financial participation in Europe" of the European Economic and Social Committee. They have worked very hard and were very productive with their "Own-Initiative Opinion".

Mr. Mathieu concluded by thanking the Belgian Presidency of the European Union who made the conference possible.

## EUROPEAN TAX-TREATMENT IS A NIGHTMARE: A LAWYER VISION

SAMI TOUTOUNJI, LAWYER, SHEARMAN & STERLING, FRANCE



Sami Toutounji is based in Paris for over fifteen years, and has been very active helping European companies to develop employee share plans across Europe. He gave his juridical point of view on the social-economic and financial status quo of employee financial participation. "There has been a lot of reform between the past and the present and now is a good time to see whether the reform has been effective".

The "Opinion on Employee financial participation in Europe" gives us a good platform for where we can go in the future. Several recommendations give us strong guidelines for the direction to take. "We should have facilitation of EU-wide employee financial participation based on common principles.

And particularly we should be helping companies, operating across borders, to overcome tax obstacles".

### DEFERRED TAXATION NECESSARY

In his opinion, advantages given to employees such as discount and matching should not be taxed at inception, i.e. the moment people enrol in the plans. Instead of applying taxes on the first day of the plan we would like countries to defer the application to the end of the plan. In this way employees pay taxes only when they actually realize gains and the benefits of the plans. For the local taxing authorities it is a neutral arrangement: They still collect taxes at the same rates and on the same amounts. It is simply deferred in time at a point where it no longer acts as a break.

"If we're serious about promoting employee shareholding we ought to be able to move countries to align on this principle. Those are the major reforms I propose and of which I think they would simplify employee shareholding in Europe".

### LEGISLATION AS WELL AS TAX AND SOCIAL CHARGE REGIMES ARE NOT SATISFACTORY

Mr. Toutounji: Two areas are in need of reform to facilitate employee plans going forward.

One regards legislation and procedures relating to the offering of company shares to employees (principally under the EU Prospectus Directive). Those stock-market laws have been reformed significantly but the reform is only partially complete.



The second one is the tax and social charge regimes, applicable to the advantages made available to employees in these employee stock purchase plans. These tax and social charges are far from satisfactory.

#### LAWS RELATING TO THE OFFERING OF SHARES

In 2005 there was a significant reform of financial legislation in Europe. The Prospectus Directive, a wonderful piece of legislation, intended to harmonize regulations across Europe. It furthermore intended to facilitate cross-border offerings of stocks within the EU.

One of the fundamental principles is that each transaction should have only one regulator that intervenes, and that should be the regulator of the home country of the company sponsoring the plan, at least in theory.

The reality of the reform however, has been a little bit different. The reform focussed in a first step on companies with shares listed on a regulated market. By 2012, the same should be true for any EU-based company, said Mr. Toutounji.

#### FAR FROM THE TOTAL HARMONY WE WERE LOOKING FOR

Mr. Toutounji: The Prospectus Directive of 2005 was meant to simplify this and sweep away all the inconsistent legislation. "What we find in 2010 is a picture that's not quite simple". In 26 of the 27, an offering may be made with a simple "information document". One country imposes a specific format for the information document, contrary to the Directive; two countries impose specific signature requirements; three others still require prior regulatory review of documents coming from other countries. At least three countries require the use of a financial intermediary, such as a local bank.

Hiring a local bank is however expensive and can cost € 100.000. We now find a somewhat harmonious situation, but far from the total harmony we were looking for.

The lack of harmonization not only costs money, but it takes a lot of time and it takes away the homogenous nature of these plans. Furthermore it creates risks for the companies and for the employees. For instance, there is a risk in not knowing what procedures to follow and not knowing what the tax-treatment should be.

#### OUR PROPOSAL: MAKE IT POSSIBLE TO OFFER STOCK FREELY

Our proposal is to take this Prospective Directive to its logical conclusion: We should be able to offer stock freely. Unfortunately we're getting caught up in the form (custodial arrangements), rather than the substance (employee shareholding).

"Therefore we should simplify things in this area by allowing employee share holding across the EU regardless of the form that it takes. It's a technical matter but a matter that really makes these plans complicated. It is an easy fix to make that will have a substantial facilitating employee share holding".

## TAX TREATMENT IS A NIGHTMARE

Tax-treatment in Europe is a real nightmare, said Mr. Toutounji. He observed that several EU-countries have actively implemented tax regimes, designed to encourage savings and more specifically to encourage employee shareholding. "These are wonderful structures within the boundaries of the countries that have enacted them. In several more, no official regime is provided, and that's a question we have to deal with.

In several countries however, the benefit of special tax regimes is lost if collective shareholding is used, and in many countries, all advantages are taxed as salary, at the time of inception, which is a major disincentive. So even the countries that agree that shareholding should be promoted, get bogged down in the technical details and don't make it sufficiently fluid".

## SAMI TOUTOUNJI PROPOSES TAX AT INCEPTION, AT THE DAY THAT THE EMPLOYEES AGREE TO ENROL

Mr. Toutounji: In most employee share plans companies are doing one of two things or perhaps both: They're giving a discount on the purchase price, and often give a matching contribution to increase and facilitate employee participation.

As there are different rules in different countries we propose to simplify this by a mutual recognition of schemes across the EU. In my opinion there is a lowest common denominator, which can reasonably align tax policy, thus creating an EU-wide model that works within the context of national legislation. We do not ask countries to change their own tax legislation but instead we simply ask to adapt the moment at which they apply legislation. In that way we can have all countries applying their taxation at the same moment.



## STRATEGIC OWNERSHIP IN DEFENCE TO HOSTILE TAKEOVERS

MAX STELZER, MANAGEMENT BOARD EXECUTIVE, VOESTALPINE MITARBEITERBETEILIGUNG PRIVATSTIFTUNG, AUSTRIA



Max Stelzer: Voestalpine is an international company in steel production and steel processing and supplier to the car industry with 40.000 employees in 300 companies in sixty countries worldwide. The aim of the employee participation at Voestalpine is to contribute to the security of the development of the company.

This "strategic ownership" defends against unrequested ownership restructuring and secures stability for future development. Employee participation at Voestalpine means also that employees can participate in decision making, in case of fundamental questions of the company, with more than 12% of shares.

Mr. Stelzer: We started this model ten years ago, mainly to form a strategic ownership for the employees. In this way we aimed at creating a stabile that could defend itself against hostile takeovers, as 10% is a possible a squeeze-out limit.

### TWO MODELS

"We have two models. One based on the Austria legislation and one international model, which we momentarily applying in a small number of EU-countries. The international model works within the framework of different legislations. First of all it must be said that introducing such a model in other countries is a very costly affair. One has to tackle local tax and banking legislation.

### AUSTRIA MODEL

Within the frame of the wage increase by national collective bargaining agreements, we used since 2002 a part of the percentage wage-increase to build up the employee participation. This was done six times. On top of the wages the employees received continuous allotted shares. The principles of the model are regulated by a Group internal works agreement. Furthermore we agreed to use a small part of the profit related bonus for allocation of shares. In Austria there is a tax-relief for allocation of shares with a maximum of € 1.460 per year. This is a very important criterion for the employee share ownership model.

Within the framework of our Austrian model, bundling of voting right means sustainability. The employee assigns the voting right of his shares through a trust-agreement to the Foundation during his period of employment. In October 2010 there were 22.4 million shares, partly pre-financed. At that moment more than 20.000 employees held 13.3 % of the voting rights.

## INTERNATIONAL MODEL

Our Austrian model cannot be exported to other countries. That is why we made another, standardized design. Whether one works in Romania or in Spain, the offer should everywhere be the same and the price-reduction equal. It remains however difficult to deal with various tax-regimes in different countries.

## DIFFERENT TAX LEGISLATION REMAINS A RISK

That is why we can only introduce this model where a bundling of voting rights for a period of five years is possible. That means the owners must agree to hold their shares for minimally five years. Within our international design the bonus-shares follow the investment, e.g. if one has three shares he gets a fourth. There is a yearly contribution range from € 300 to € 2.500. Our international model is operational in The Netherlands, the United Kingdom and Germany. We are now developing plans for Belgium, Poland and Sweden amongst other countries.

But there is always the remaining risk such as legal interpretations in different ways. And of course there are double taxation agreements. As far as that is concerned we would like to reach a common agreement.

## SAINT-GOBAIN NEEDS A BASIC EUROPEAN NORM

PHILIPPE DANCOT, EMPLOYEE SHARE PLANS, SAINT-GOBAIN, FRANCE



Saint-Gobain, with its headquarters in Paris, is present in 64 countries with 191.500 employees worldwide. This industrial group is active in construction products, innovative materials, building distribution and packaging.

Saint-Gobain has a Group Saving Plan for employees. Thanks to this plan the company received in 2009 the "Honour of the best employee shareholders practices in France", Philippe Dancot remarked. "The French legislation has allowed Saint-Gobain to offer a very effective Group Saving Plan. Thanks to this, employees are significantly represented in the Group's governance".

Mr. Dancot: The Group Saving Plan, "a powerful cement for employee community", was introduced in 1988, and progressively rolled-out internationally. This model makes it possible for employees to have long-term savings, with an interest in financial return and long-term growth for the company. Within the plan's framework, annual capital increase is reserved for the employees. The offering is structured on basis of French tax legislation and regulations. Employees shares are mostly held through dedicated investment funds (FCPE -

"Fonds Communs de Placement d'Entreprise"). In 2010 employee shareholders hold 8% of the shares in the company.

### INTERNATIONAL ADAPTATION IS QUITE COSTLY

According to Mr. Dancot the FCPE-structure and its related collective voting-mechanism is not authorized or unfavourable in several countries. For the EU this goes for Denmark, Germany, Italy and Spain and farther away in Japan and South Korea. "The offer in these countries is under the form of direct shares, centralized in a local depository bank. Subscription tools have to be adapted. Voting rights are, if they are exercised at all, individually, and their administration is quite costly".

Mr. Dancot: We are trying to adapt the plan to an international level. Thereby we must respect the limitation of local legislation. The international offer is lower than the French offer, due to tax ruling in other countries, the take out rate, and leveraged offers that cannot be used in many countries. Some countries regard these kinds of schemes as salary. In some countries voting rights can only exist on the basis of individuality.

A warning: "If you want to deploy such a plan internationally, be aware that it costs a lot of time and a lot of money. Therefore a basic European norm applicable to all countries would be a major step forward in developing employee shareholder ownership".

## VIVENDI GROUP WOULD WELCOME NEW COMMON TAX INCENTIVES

DOMINIQUE WELCOMME, EMPLOYEE SHARE PLANS, VIVENDI, FRANCE



According to Mr. Welcomme it's difficult to offer employees internationally the possibility to participate in the same scheme used in the country of origin. The French model, for instance, isn't recognized in countries outside of Europe, but the same goes for some European countries, where even the European Directive is not always respected.

It takes a lot of legal costs and exchange risks. There are problems with the different tax legislations in different countries. These are also practical problems and our point of view is: "What is too costly is simply not done".

All these difficulties limit the number of countries where we can develop employee share ownership. "A simple model that can be applied everywhere would make the schemes more democratic".

The main obstacle is unfavourable tax legislation, said Mr. Welcomme. "In many countries one must pay at entry level. What is needed is a real taxation incentive. The ideal one is one where taxes are paid only when shares are sold, as Mr. Toutounji of Shearman & Sterling proposed today".

"A VERY DEMOCRATIC AND MEANINGFUL WAY OF SHARE OWNERSHIP"

The French Vivendi Group is a world leader on communications, and active in seventy countries. Its activities comprise computer games, music, film, pay-tv and telecoms. Vivendi employs 49.000 people. Employee share ownership exists already fifteen years at Vivendi. At this moment 42% of our employees participate in the plan. "Our constant goal is to encourage employee financial participation for the benefit of both the employees as well as to obtain better results for our enterprise". Exporting the model in other countries proves difficult. "We need clever and common tax-incentives. For instance one where taxes are paid only when shares are sold".

#### CAPITAL INCREASE RESERVED FOR EMPLOYEES

Every year since 1996, Vivendi has carried out a capital increase reserved for employees that include a discount to the share price and a matching payment by the company. Since 2008, the company has introduced an employee share ownership program with a leveraged offer and a guaranteed capital. In 2009, because of the stock market crisis and the possibility of employees being less willing to subscribe, the plan also included, in addition to the capital guarantee, a guaranteed minimum return. In this way, Vivendi offered its employees the opportunity of risk-free share ownership and a genuine sharing of value.

Mr. Welcomme: Thanks to the France legislation and the French tax regime we can continue to offer our employees very attractive buying prices. Our plan is durable in time and is a cushion against risks. "The basic employees share the value of the stock price of the company but not the risks, as our profit sharing schemes are risk-free. It's a very democratic and meaningful way of share ownership".



## LACK OF PAN-EUROPEAN HARMONIZATION IS AN OBSTACLE FOR EMPLOYEE OWNERSHIP

MARTIN WATERS, PRESIDENT OF THE FCPE, GROUP STERIA, FRANCE



Mr. Waters: Group Steria is a French IT-group with about € 600 million capitalization, thus being a medium-sized company. Employee ownership is at the heart of our company-culture and a key-cornerstone of our independence. We believe it stabilizes our organization. Steria has 18.000 employees, of which 4.500 employees own Steria-shares (25%). 14.4% of Group Steria SCA-capital is owned by employees. Most of our employees work in thirteen European countries, 5.000 work in India.

### NOT PREY TO HOSTILE TAKE-OVERS AND VENTURE CAPITAL

Mr. Waters: In that way we control a fairly unique mechanism. It's a very strong protection against hostile takeovers. We are continuously driving up employee ownership and ownership culture. We offer three schemes in different countries, such as a Group Savings Plan, a Share Incentive Plan and a Leveraged Scheme. Introducing these schemes in other countries is however complicated and costly. Pan-European harmonization is a necessity, said Mr. Waters.

"As employee-ownership is quite critical for us, we offer a variety of schemes. We believe that our governance-model gives employees significant power as well as strategic interest in how the company operates. They hold their shares in Soderi, a distinct investment company with a French Constitution. The Soderi Board is elected by Steria employees and it represents Steria employee shareholders. So even though the employees hold only 15% of the capital, in a number of respects we can operate in the same way as a majority shareholder could".

### TAXATION: A REAL MINEFIELD

We cannot however offer the same scheme everywhere due to the different tax-advantages and the different taxation in the EU-countries. For instance: The FCPE offers tax advantages in France but it is not recognized by other countries; subscriptions through the FCPE are not possible in some countries like Spain and Poland. Furthermore the leverage-formula cannot be offered in some countries because of legal constraints, or it requires advance approval from the local administration like in Belgium, Denmark, Spain and Poland. Our UK SIP-scheme gains tax benefits on strict conditions of approval, but cannot be offered across other countries.

"You can imagine how difficult and costly it is to introduce these schemes. It is a complete minefield. Lack of pan-European harmonization is a real obstacle. Not having harmonization in Europe is a big problem for us".

"There should be a much stronger push to encourage investors to invest in companies that have these more stable more secure governance arrangements. If these kind of structure in control were present in the banking-organizations, over the last few years, we maybe wouldn't have seen some of the difficulties we have at the moment".

## SOCIAL PARTNERS' VISION : THE NEW INITIATIVE OF THE EUROPEAN ECONOMIC & SOCIAL COMMITTEE

ALEXANDER GRAF VON SCHWERIN, EESC RAPPORTEUR, REPRESENTATIVE OF THE WORKERS' GROUP, GERMANY



"We are fully convinced that our initiative will put the topic Europe-wide on the agenda. We are also convinced that Employee Financial Participation can be especially useful to combat the present financial crisis and future crises. If Employee Financial Participation had been present in banking, some five years ago, we would not have had this crisis. Such a larger common responsibility would have prevented this", said Alexander Graf von Schwerin.

"The Own-initiative opinion on Employee Financial Participation put forward a new vision from the side of the social partners and stresses the importance of a common vision of policies supporting Employee Financial Participation at the European level. We are on the right track. Our paper creates a new basis for negotiations with those who have yet to be convinced. We would like to achieve a harmonized European solution with a large bandwidth to make implementation of employee ownership easier. It's a new deal, but not a new story".

### HARMONIZATION

As far as harmonization is concerned we have not made concrete proposals, as we believe that Employee Financial Participation should be a general model, he said. Harmonization at a common level will be difficult, he warned. That is why we only give examples. The basis of our paper is to convince tell the Europe to make serious business of Employee Financial Participation.

***"Employee Financial Participation would have prevented the banking-crisis"***



The full EESC Own-Initiative Opinion can be downloaded in all European languages on <http://www.efesonline.org/EESC/EN.htm>

"WHY NOT CREATE INCENTIVES IN THE PUBLIC SERVICE?"

Alexander Graf von Schwerin: We were able to motivate the European Commission to put the topic next year on the agenda and to organize a conference in Brussels. Employee Financial Participation must be regarded as a European political goal. This will bring a positive European touch in other countries as well. "With this idea we want to come to new horizons. After all, employees and their families are the largest group of Europeans".

## SOCIAL PARTNERS' VISION : THE NEW INITIATIVE OF THE EUROPEAN ECONOMIC & SOCIAL COMMITTEE

MADI SHARMA, EESC CO-RAPPORTEUR, REPRESENTATIVE OF THE EMPLOYERS' GROUP, UNITED KINGDOM



Madi Sharma made an appeal to the EU to better facilitate small and medium sized enterprises (SMEs). "SMEs create jobs. The multinationals are not going to create the jobs that are going to remove the high levels of unemployment in Europe. SMEs are eager to expand, SMEs want to trade across the borders, but are confronted with 27 sets of rules. So please think of SMEs. If the EU creates the right conditions for Employee Financial Participation, it will be much easier to expand the development of SMEs".

Mrs. Sharma reflected on her own experiences with employee participation as head of SMEs in India. "The smallest economic unit is the family, or so it works in India. It doesn't particularly works the same way in Europe. If in India someone in the family gets into trouble, the family generates the money to help him out. This is because they have a vested interest in each other's survival. In the same way employees have a vested interest in survival of the companies".

### ENTREPRENEURSHIP CAN PULL EUROPE OUT OF THE CRISIS

According to Madi Sharma today we need this entrepreneurship to pull Europe out of the crisis. Employee Financial Participation is a good example of participating and of good governance. "Employee Financial Participation actually allows employees to feel as though they

**"SMEs are the backbone of European economy"**

are entrepreneurs themselves. Additionally, we need to make sure they have sufficient information and that they are offered transparency".

Nowadays the focus is generally on large companies, but we need to ensure that small and medium-sized companies are considered, said Madi Sharma. They need support and facilities. They can't access the knowledge to inform their employees about Employee Financial Participation.

"Furthermore we have to consider how to cope with business succession planning. This is another area where Employee Financial Participation can be a key. It's a major issue in the EU, for which we don't have appropriate mechanisms. We need to address this, because otherwise we could lose a lot of good companies. Why do we need it especially now? We got to come out of the crisis, hitting the ground running. It is no good coming out of it slowly".

## SOCIAL PARTNERS' VISION : THE NEW INITIATIVE OF THE EUROPEAN ECONOMIC & SOCIAL COMMITTEE

MAURIZIO PETRICCIOLI, NATIONAL CONFEDERAL SECRETARY OF THE CISL, ITALY



According to Mr. Petriccioli, Employee Financial Participation is a good way to control the recent financial crisis in Europe. The attitude behind participation is one of reason and responsibility and of social dialogue, he said.

"People are trying to share problems and look together for the solutions. Of course, there are always risks. They also exist in financial participation. Our aim is to pinpoint the instruments to be able to confront these risks".

"In my opinion using the tax-leverage is good but not enough. That is why we wrote this report. Europe needs a system on a voluntary basis, created in a good atmosphere". In this process we should be able to choose the best model possible, said Mr. Petriccioli.

This model must meet the requirements of all companies, large and small. He said in particular to think of the small and medium sized companies, SMEs.

### IT TAKES A BUILDING-BLOCK APPROACH

To adapt the ESOP-model would be beneficiary for Europe, for this model is related to Europe. It minimizes the risks.

***"Employee Financial Participation can control a financial crisis"***

"Building this ESOP could be an important signal and make more people aware of the fact that this is future in Europe. We need to build this vehicle. It takes a building-block approach, as every country has different problems and different legislation".

## SPECIFIC NEEDS AND EXPECTATIONS FROM POLITICS REGARDING EMPLOYEE BUYOUTS AND ESOPs

JENS LOWITZSCH, PROFESSOR IN LAW, FREIE UNIVERSITÄT BERLIN, GERMANY



The productiveness of labour, compared to that of capital, against the background of technological progress, is diminishing. We are witnessing a shift from human labour to capital assets, said Mr. Lowitzsch.

"Most citizens in industrial society belong to category of non-owners. Social groups of owners and non-owners are drifting apart dramatically. New catchwords are the working poor (who can't make the ends meet at the end of the month)".

According to Mr. Lowitzsch the Achilles-heel of the free market is the gap between production and consumption. "This is also known as the lack of purchasing-power". This means that, apart from the financial crisis, there also exists purchasing power crisis. "Who will buy all the washing machines? Capital concentrated in the hands of a few becomes a danger for our economies and our democracies".

### FINANCIAL PARTICIPATION: A CRUCIAL ECONOMIC POLICY

The solution, said Mr. Lowitzsch, is to be found in the Kelsonian model: One must enable non-owners to become owners, and make it possible for them to participate as shareholders in the economical success or the companies' risks.

"Employee-owned companies have intrinsic advantages in a globalised competitive environment. They operate in local communities. They usually don't move their headquarters to countries with lower costs and their profits generally don't end up in offshore accounts. Their income is paid to workers, to suppliers and to shareholders. In that way the profit ends in the pocket of people likely to spend their income in places where they live and work. Financial participation is not just an instrument from the social corner but a crucial economic policy".

*"Gap between production and consumption Achilles-heel of free market"*

## EUROPEAN ESOP MODEL

"Within this scheme acquisition of shares via a Trust Fund is financed by a profit share, paid in addition to wages. According to the European Commission this is the trend. I find we must play this card. There are no legal obstacles to these mechanisms in Europe.

ESOPs can ideally be used as a vehicle for business succession in SMEs. It's attractive for buyers of the company as well as for the business-owner. My core-argument is that the ownership is gradually transferred to the employees. The Roadmap of the EFES is very clear on this point. Now we need to lobby".

"Trade Unions nowadays are much more open and cooperative, so there's an opportunity!"

## SPECIFIC NEEDS AND EXPECTATIONS FROM POLITICS REGARDING EMPLOYEE BUYOUTS AND ESOPs

IÑAKI IBARRA, DIPUTACIÓN FORAL DE GUIPÚZCOA, SPAIN



"Thanks to our autonomy we have a legal capacity to make our own tax laws in the Basque Country", Iñaki Ibarra said. "At the moment we are trying to find new innovative possibilities for employee financial participation. This is needed because the Basque Country is confronted with the effects of globalization. Low-cost countries such as China and India are highly competitive. Our productivity has been reduced. In a relatively short period of time, much has changed. We have to be keen on the actions of our competitors and we have to respond quickly".

"We realize this requires knowledge and expertise, as well as a management-system to make this possible. Therefore we have made a visit to China in order to better understand the Chinese system. Our Chinese partners, from their side, were very interested as how to address for instance purchasing of royalties and patents".

## EMPLOYEE TRAINING

Iñaki Ibarra: "We are aware of the fact that the creative power of people is limitless and that development of technological know-how of our employees becomes a crucial factor for business-productivity. Therefore we will invest more in employee training, considering every step of the way. We are fortunate that our Government takes a favourable view to employee share ownership".

***"Invest more in  
employee training"***

## FAVOURABLE TAX-REGIME FOR BUSINESS-SUCCESSION

In a couple of years many managers will step down. Our tax instruments are aimed at harmonization in order to facilitate those who wish to sell their company to employees. We believe it's possible to introduce new pilot projects on business-succession in the Basque Country, as we have a favourable tax-regime for company buy-outs.

For instance, when a family-business offers shares directly to the son or the daughter, the shares will not be taxed. Our tax-regime is also favourable for employees, participating in the company. Income from the shares is not regarded as personal income but as savings. "The Basque Country is very attractive for those who wish to apply employee share ownership. We will always be glad to share our experiences with you, and will be eager to assist you".

## POLITICAL ROUNDTABLE – A NEW DEAL FOR EUROPE

DIDIER REYNDERS, VICE-PRIME MINISTER AND MINISTER OF FINANCE, BELGIUM



Mr. Reynders said that it's time for a specific system for SMEs. Employee Financial Participation can play an important role, he said. Financial participation could well be one of the driving forces. In order to fight the financial crisis, Mr. Reynders proposed stronger regulation, more supervision, and development of new mechanisms for solving financial crises. "We will have to do this together, in a European framework. Financial participation is one element, which can fortify enterprises.

That is why employee share ownership should be recognised at European level", he said. "First of all we shall have to explain the difference between shares and remuneration".

As for SMEs, there are problems with succession, as also in SMEs, the managers age and retire. Here lies an important interest for employees to participate in the succession. "Problem is that the employees often don't know how to handle this. We need to find ways to tackle this".

*"It's time now"*

## POLITICAL ROUNDTABLE – A NEW DEAL FOR EUROPE

LÁSZLÓ ANDOR, EUROPEAN COMMISSIONER FOR EMPLOYMENT, SOCIAL AFFAIRS & INCLUSION, HUNGARY



Mr. Andor: "This is an excellent opportunity to demonstrate that Commissioner Michel Barnier and I have many overlapping ideas on various fields of policy. I advocate a more fair and participatory Europe, and employee share ownership is a very concrete example. All this can happen in our term, if we take more concrete steps in order to further employee participation".

Mr. Andor pointed out that the new strategy for the European Union, Europe 2020, is especially important for the trade unions. "We really set out a great ambition in order to boost employment in Europe. This is expressed in a headline target for 75% employment-rate in Europe, not only in quantity, as we put an emphasis on quality of jobs".

### SCHEMES ESPECIALLY SUITABLE FOR SMEs

"For employee share ownership the advantages are quite clear. These schemes help employees to look at the long-term success and become investment-minded". Mr. Andor emphasized the schemes are not only suitable for large companies, but certainly also for the small and medium sized enterprises (SMEs). We must make certain that employee share ownership benefits SMEs and make sure to take away existing administrative burdens. This also requires transparency for employees: They must be aware of the advantages but also of the risks involved. That is why employee ownership has to meet three conditions: It must be on voluntary basis, it must be open for everyone, and it must not be part of wages or pensions.

The financial crisis has given us new lessons about how to run the economy. We believe things cannot go back to business as usual".

*"More participation?  
It can happen in our term"*

## POLITICAL ROUNDTABLE – A NEW DEAL FOR EUROPE

MICHEL BARNIER, EUROPEAN COMMISSIONER FOR INTERNAL MARKET & SERVICES, FRANCE



Mr. Barnier said he attended the conference at his own initiative, because the topic of employee share ownership interests him very much. "I'm deeply convinced that there can be no durable economic reform without social cohesion", he remarked.

### SANCTIONS ON ABUSIVE MANIPULATIONS

Michel Barnier: The financial market must become more transparent and more responsible. There must be sanctions on abusive manipulations. That means we must make regulations. We need the financial markets but they should be at the service of human growth and progress. Europe must act to create more prosperity and jobs. And it must do this urgently in the wake of the financial crisis.

Mr. Barnier pointed out that the European Commission is proposing a new Single Market Act, a series of measures to boost the European economy and create jobs.

Commissioner Barnier and the European Commission intend to keep the Single Market Act high on the political agenda.

Regarding the field of Employee Financial Participation and SMEs, Mr. Barnier said to have an open mind to any proposal that will strengthen and boost European competitiveness en that of each citizen. "We'll do our best to improve the work on employee participation".

***"No durable  
economic reform without  
social cohesion"***

# TEN YEARS OF PUBLIC POLICIES FOR EMPLOYEE OWNERSHIP IN EUROPE -PAST, PRESENT, FUTURE

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