

BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPEAN COUNTRIES

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EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

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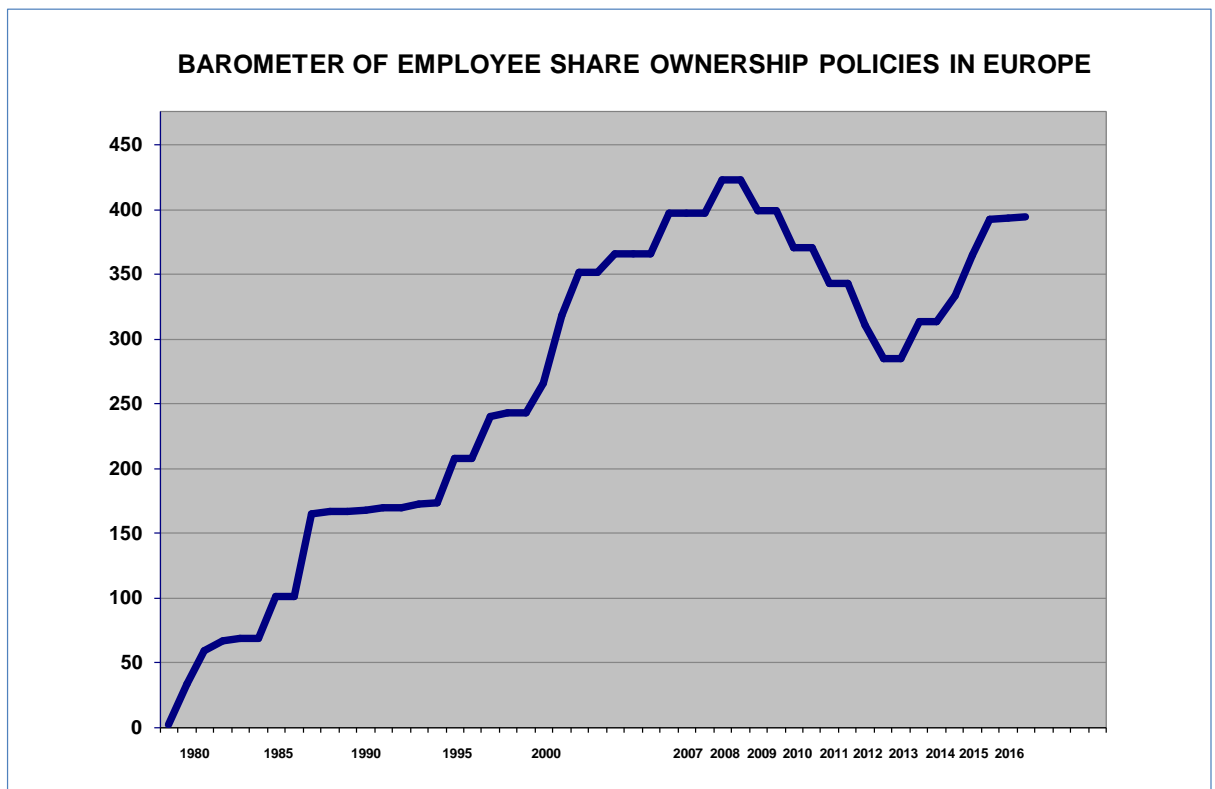
ABSTRACT

Except in France, all recent policy developments in Europe pave the way towards higher incentives for employee ownership. The mass development of employee share ownership brings better motivation, productivity, profitability, higher growth, more and better jobs. This is good for all. But it depends on policy will to initiate the virtuous circle through appropriate fiscal incentives. Before 2009, the barometer showed a continuous increase, practically all policy decisions being positive. A negative phase occurred from 2009 to 2013. Since then, most policy decisions are positive again.

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NEW DEVELOPMENTS SINCE THE PREVIOUS EDITION

Except in France, all recent policy developments in Europe pave the way towards higher incentives for employee ownership:

- Poland prepares a dedicated legislation.
- The Swedish government is considering the introduction of a favorable tax-qualified option regime for small and medium sized companies, which could take effect from January 1, 2018.
- In Ireland, a new share scheme incentive focused on SMEs would be introduced in 2018.

These new developments confirm the positive trend observed since 2013.

By contrast, the French Parliament decided in November 2016 that the positive measures voted through the "Loi Macron" in 2015 should be removed.

BACKGROUND

After increasing continuously since 1980, the number of employee shareholders in Europe was slightly declining from 2011, before stabilizing in 2015¹.

This was partly due to the impact of the European financial crisis that erupted in 2008.

However, the impact of the policy decisions taken in European countries was probably the most important factor in this change.

It is known that the mass development of employee share ownership depends mainly on incentive policies².

The mass development of employee share ownership brings better motivation, productivity, profitability, higher growth, more and better jobs. This is good for all. But it depends on policy will to initiate the virtuous circle through appropriate fiscal incentives. A recent study showed that the balance of fiscal costs and benefits of the ESOP policy for the US federal budget in 2015 was \$2 billion (costs) compared to \$17 billion (benefits), a net gain of \$15 billion for the federal budget³.

After 2008, some European countries took negative decisions, removing or decreasing fiscal incentives, which led to a decline of the number of employee shareholders. Some other European countries took the opposite way, applying new or higher incentives, which led to a higher number of employee shareholders.

In 2009-2012, France and Ireland reduced their fiscal incentives, as well as Denmark, Greece and The Netherlands, where all incentives were removed.

In contrast, significant policy progress occurred in the UK in 2014-2016, as well as in Spain, in Hungary, in Austria (which doubled its fiscal support on 1.1.2016), and in Romania.

In addition Denmark restored in July 2016 the incentives that were removed in 2011.

This is typical of the recent changes in European policies: One of the first deeds of the new Danish Government in 2011 (Ms Thorning-Schmidt, socialist) was to remove all incentives. One of the first deeds of the new Danish Government in 2016 (Lars Rasmussen, conservative-liberal) is to restore them.

Finally, Vice-Prime Minister Morawiecki announced a long-term plan in five points for the development of Poland, including employee share ownership, and a new Polish "Forum for Employee Ownership and Domestic Capital Development" was set up in April 2016.

All these policy decisions in various European countries, in a positive or a negative way, can be summarized through a single dedicated tool. This is the reason of the setting up of the EFES "**Barometer of employee share ownership policies in European countries**".

¹ [Annual Economic Survey of Employee Share Ownership in European Countries in 2015](#), EFES, Brussels, 2016

² [Fiscal incentives are indispensable prerequisites for the development of employee share ownership](#), EFES, Brussels, 2014

³ [The Impact of Employee Ownership and ESOPs on Layoffs and the Costs of Unemployment to the Federal Government](#), Corey Rosen, NCEO, Oakland, 2015

Since 2009, all policy decisions taken in European countries can be found in the table of "Recent policy decisions regarding employee share ownership in European countries", available on the EFES website⁴. All decisions are recorded thanks to cooperation with leading specialized international law firms⁵.

Before 2009, all policy decisions taken in European countries, from the first one in 1962, were recorded based on the history of legislation in each European country, as described in the Pepper IV Report⁶ and by specialized international law firms.

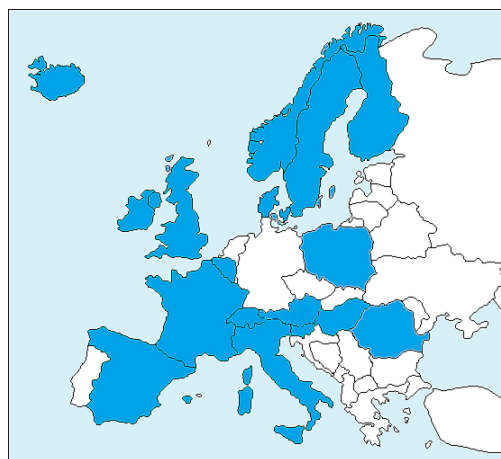
Each policy decision is weighted by the relative weight of each country in the assets held by all employee shareholders in the 31 European countries (28 countries of the European Union, plus Iceland, Norway and Switzerland), leading to the "barometer".

It is a true barometer, because it is based on policy decisions, which will later have real impacts. It announces future developments. For instance, the barometer declined from 2009, while the number of employee shareholders declined from 2011.

The barometer shows that policy decisions were mainly negative from 2009 to 2013. Since then, most policy decisions are positive again and in fact, we see the swelling wave that could already be announced in 2013⁷.

Before 2009, the barometer showed a continuous increase, practically all policy decisions being positive. Two periods have to be highlighted, with a stronger increase: 1983/1987 (Margaret Thatcher in the UK, Edouard Balladur and privatizations in France) and 1998/2001 (8 European countries applying higher or new incentives on options and restricted share plans: Austria, Belgium, France, Greece, Ireland, Italy, Norway, UK).

In 2016, significant incentive policies are in application (or in preparation: Poland) in 14 of the 28 countries of the European Union apply incentive policies for employee share ownership, compared to 11 countries one year before. A remarkable change.



The EFES Barometer of employee share ownership policies is published every six months, through [this dedicated webpage](#).

⁴ [Recent policy decisions regarding employee share ownership in European countries](#), EFES, Brussels.

⁵ [Virtual Center for employee ownership and participation](#), EFES, Brussels.

⁶ [The Pepper IV Report](#), Inter-University Centre Berlin/Split, Berlin, 2009.

⁷ [A new wave for employee ownership in Europe](#), EFES Newsletter, Décembre 2012

For all information

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The EFES' objective is to act as the umbrella organization of employee owners, companies and all persons, trade unions, experts, researchers, institutions looking to promote employee share ownership and participation in Europe.

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