BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPEAN COUNTRIES

September 2019
BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPEAN COUNTRIES

ABSTRACT

All recent policy developments in Europe pave the way towards higher incentives for employee share ownership, leading our barometer to a new high. The large-scale 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. In 2019, significant incentive policies are in application or in preparation in 24 European countries. This number had never been higher before. And the growth in the number of employee shareholders in Europe is back. Good news for all Europeans.
BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPEAN COUNTRIES

NEW DEVELOPMENTS SINCE THE PREVIOUS EDITION

All recent policy developments in Europe pave the way towards higher incentives for employee share ownership, leading our barometer to a new high.

France voted the new “PACTE Law” for “Action Plan for Business Growth and Transformation”, aiming at doubling employee share ownership in France, with a 10% stake to be held by employees by 2030. In this view, the corporate social contribution due on incentive plans ("forfait social") is reduced from 20 to 10% for public companies and it is even abolished for SMEs. Denmark decided for more freedom of contracts for stock options from 1.1.2019. In Croatia, share awards and benefits from exercised stock options will be taxed as capital gain rather than salary, while Serbia introduced an exemption regime of income tax on employee share plans provided that shares wouldn't be sold within two years from their acquisition.

In addition, new exemptions may be expected from 1.1.2020 in The Netherlands for employee sock options in startups and in Lithuania, where employees exercising stock options will be exempt from both income tax and social security contributions, provided that the option is exercised no earlier than 3 years after grant.

As all barometers, this one announces the future. The positive trend of our barometer since 2013 announced the resumption of growth in the number of employee shareholders in Europe, which is a reality since 2016. Good news for all Europeans!
BACKGROUND

After increasing strongly and continuously since 1980, the number of employee shareholders in Europe was slightly declining from 2010 to 2014, before rebounding\(^1\).

The decline from 2010 to 2014 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.

It is known that the large-scale development of employee share ownership depends mainly on incentive policies\(^2\). The large-scale 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\(^3\).

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, with 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 and Iceland.

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) was to restore them.

In 2017, Norway doubled its fiscal support and Sweden decided to promote stock options in startups, while Polish Prime Minister Morawiecki announced a long-term plan for the development of Poland, including employee share ownership. In 2018, new tax exemption regimes were introduced in Austria, France, Ireland, The Netherlands, Sweden and Denmark.

Finally in 2019, significant incentive policies are in application (or in preparation as in Poland) in 24 European countries (on which 20 EU countries). This number had never been higher before.

\(^1\) Economic Survey of Employee Share Ownership in European Countries in 2018, EFES, Brussels
\(^2\) 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
All policy decisions in various European countries, in a positive or a negative way, can be summarized through a single tool. This was the reason of the setting up of the EFES "Barometer of employee share ownership policies in European countries".

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

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 country, as described in the Pepper IV Report 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 2010.

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 (eight European countries applying higher or new incentives on options and restricted share plans: Austria, Belgium, France, Greece, Ireland, Italy, Norway, UK).

The barometer shows that policy decisions were mainly negative from 2009 to 2013. Since then, most policy decisions are positive again, as already announced in 2012.

The EFES Barometer of employee share ownership policies is published through this webpage.

---

4 Recent policy decisions regarding employee share ownership in European countries, EFES, Brussels.
5 Virtual Center for employee ownership and participation, EFES, Brussels.
7 A new wave for employee ownership in Europe, EFES Newsletter, Décembre 2012
For all information
Marc Mathieu
Secretary General
EFES - European Federation of Employee Share Ownership
FEAS - Fédération Européenne de l'Actionnariat Salarié
Avenue Voltaire 135, B-1030 Brussels
Tel: +32 (0)2 242 64 30 - Fax: +32 (0)2 808 30 33
E-mail: efes@efesonline.org
Web site: www.efesonline.org
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.