



Commissioner Marianne Thyssen
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October 24, 2017

Dear Commissioner,

Subject: Employee share ownership

The "Pilot Project for the Promotion of Employee Ownership and Participation" was organized by the European Commission in 2013-2014, leading to a Final Report in October 2014. The conclusion was clear: A European Action Plan focused in medium term on an awareness raising campaign should be launched ¹.

As a consequence, the proposal of a "Preparatory Action for the Implementation of a European Action Plan to promote Employee Ownership and Participation" was first submitted in 2016 as a budgetary amendment to Budget 2017, by MEPs Marian Harkin and Renate Weber of ALDE Group (Amendments 806 and 4033 ²).

Regrettably, this proposal received a negative notation by the European Commission, stating that "there is no need" for such action. This was decided as a follow-up of a discussion in the Commission's Expert Group on Company Law (Letter JUST/A3/DLB/ca(2017) 747584 of 8.2.2017 ³).

However: This expert group is made of representatives of Ministries of Justice, while in most EU countries, Ministries of Economy and Finance are involved in this topic rather than Ministries of Justice. The Report of the meeting of this expert group in 2015 didn't mention neither discussion nor conclusion. In addition, the information given by the Commission was not about the promotion of employee ownership but "a short background document about employee financial participation" (DG JUST A3/MT/pb (2015) 692718 of 20.3.2015 ⁴). Finally, it is hard to understand how an amendment of 2016 could receive a negative opinion in 2015.

This year, a new proposal of a "Preparatory action for the Implementation of a European Action Plan to promote Employee Ownership and Participation" was submitted as a budgetary amendment to Budget 2018, by MEP Elena Gentile of S&D Group ⁵.

Again, this proposal received a negative notation by the European Commission. The reason is that: "A pilot project was already carried out by the Commission in September 2013 until 2014. The final study was published on the Commission's website in 2014. The study took stock of the state of play of national systems regarding employee participation in companies. It did not identify any particular barriers at national level for Member States wishing to develop further means for employee participation in companies operating in their territories. Following the principle of subsidiarity, the Commission will not launch an initiative on this file, but will follow up the developments in Member States."

¹ The Pilot Project cost the EU more than 300.000 €.

² [Amendment proposals to Budget 2017 by MEPs Marian Harkin and Renate Weber, ALDE Group](#)

³ [Letter from DG Justice on 8.2.2017 \(JUST/A3/DLB/ca\(2017\) 747584\)](#)

⁴ [Letter from DG Justice on 21.3.2017 \(DG JUST/A3/DLB/caAres\(2017\)1565727\)](#)

⁵ [Amendment proposal to Budget 2018 by MEP Elena Gentile, S&D Group](#)

However: The "Open call for tenders n° MARKT/2013/019/F for the Implementation of the Pilot Project – Promotion of Employee Ownership and Participation" was essentially about trans-national barriers to employee ownership plans for companies. It didn't request anything about "barriers at national level for Member States". This point was even not mentioned in the Call for Tenders. It is therefore fully understandable that the Pilot Project didn't identify such barriers as it was neither its objective nor in its scope. In addition, it is impossible to accept that so much time and energy as well as EU taxpayers' money could be wasted now due to a "new" idea that the Commission failed to identify as a relevant one and include in the Call for Tenders.

The negative position of the European Commission and its inadequate motivations cannot be accepted.

This is why **we ask you to commit yourself to a positive notation next year** when a new proposal for a Preparatory Action will be expressed by the European Parliament.

As a matter of fact:

We cannot accept that the Commission would welch on its commitments expressed in the Call for Tender (MARKT/A2/ asv (2013) 815941 of 9.4.2013 ⁶):

"The Action Plan on European company law and corporate governance announced that the Commission will identify and investigate potential obstacles to trans-national employee share ownership schemes. The Commission committed, as a next step, to take appropriate action to encourage employee share ownership throughout Europe" (page 20).

"It is important to raise awareness about employee financial participation concepts and mechanisms, in order to help promote the development and introduction of ESO plans in particular at trans-national level and to promote best practices. In addition, easy access to relevant and complete information can reduce the overall cost of employee financial participation schemes" (page 22).

This is still fully relevant, and the Commission itself has recognized the importance of employee share ownership by adding an Action on Employee share Ownership in its Capital Markets Union Action Plan (June 2017 CMU Mid-Term Review Report) ⁷. The Commission not only acknowledged that employee share ownership schemes should be promoted in order to foster retail investment but also that *"employee share ownership schemes are much less frequently used in Europe than, in the U.S for example. The underdeveloped use of such schemes is partly due to cultural differences and company mentality but also arises from other factors"* ⁸.

It is a fact that the EU is strongly underdeveloped compared to the US considering employee share ownership, with a 20 years lag. Consequently, employee ownership contributes much more to the solidity and stability of capital markets in the US than it does in Europe.

Europe counts 10 million employee shareholders compared to 30 million in the USA. European employee shareholders hold 350 billion € in shares of their company (mainly large ones), while just the single ESOP scheme in SMEs counts for 1.300 billion \$ in the US ⁹.

On the other hand, the lag of 40 years between lead and late European countries is detrimental to all, and it demonstrates the need for efforts to achieve European convergence in this field.

⁶ [Call for tenders for the Implementation of the Pilot Project - Promotion of Employee Ownership and Participation](#)

⁷ [Communication from the Commission on the mid-term review of the capital markets union action plan](#), page 20

⁸ [Commission staff working document: Economic analysis accompanying the mid-term review of the CMU action plan](#), page 88

⁹ [Annual Economic Survey of Employee Ownership in European Countries in 2016](#), EFES, Brussels, 2017.

[A Statistical Profile of Employee Ownership](#), National Center for Employee Ownership, USA, 2017.

The Pilot Project for the Promotion of Employee Ownership and Participation organized and funded by the European Commission emphasized the need for a European Action Plan in this view, with the launch of a virtual information centre in all EU languages, an action program to raise awareness about employee ownership and participation, the setting up of a reliable information and statistical tool, and the promotion of adequate national legislation providing optional simple, uniform incentive models.

This European Action Plan is what we call for. Moreover, as pointed out above, it is in line with the European Commission's and other major European institutions' commitment to and support for employee ownership and participation declared not so long ago.

We are looking forward to hearing from you.

Yours faithfully



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Secretary general



Guido Antolini
President

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