



EUROPEAN FEDERATION OF EMPLOYEE SHAREOWNERSHIP

May 9, 2004

Response to the consultation for the new community support programme for entrepreneurship and enterprise competitiveness 2006-2010.

Employee ownership in the new community programme for entrepreneurship and enterprise competitiveness 2006-2010.

The following response is particularly focussed on questions 1, 2, 4, 5 and 6 of the consultation questionnaire.

In brief : the development and the promotion of employee ownership in the European Union have to be much more supported, following two principal axes :

1. Generally speaking, employee ownership is a factor of enterprise competitiveness, stepping up enterprise spirit. Its importance is still too underestimated in the European Union.
2. In the field of enterprise transfer and salvation of failing enterprises, efficient schemes based on employee ownership have already been applied on a large scale in some countries. A real enterprise transmission policy has to be implemented with an explicit section about employee ownership formulas.

When the European Federation of Employee Share Ownership was set up in 1998, the United States were signalled as one of the references. It was said that 10% of American employees held shares of their enterprise, which represented 10% of enterprises capital. More: a political willingness was asserting itself, in the democrat side as well as the republican, to aim at 25 % on 10 years. This generalisation of employee ownership was analysed as a source of dynamism, estimated at 1% more on annual growth for GNP .

Today, the last numbers indicate that employee ownership concern 23,3% of enterprises employees in United States, all sizes of enterprises taken into account.

Another information appeared a few weeks ago : Australian Government has just launched a new program to double in 6 years employee ownership in Australia, from 5,5% of employees today to 11% in 2009; see:

<http://www.workplace.gov.au/Workplace/WPDisplay/0,1280,a3%253D6373%2526a0%253D0%2526a1%253D517%2526a2%253D634,00.html>

Today, performances studies have multiplied and we can now consider with no doubt that when it is practiced in good conditions, employee ownership brings to enterprises a gain of performances estimated at 2% of supplementary annual growth on average.

On the European Union scale, this would represent millions of supplementary jobs.

In this way the development of employee ownership could be an important factor for the Lisbon Strategy.

Today, we are far short of this target. Europe is late and its lateness is growing. We are far from an awareness and a strong mobilisation. Scepticism or indifference still dominate in many European countries. The contrast is obvious in comparison with the United States, Australia and other parts of the world.

We have the feeling that a political willingness of the European Union has still to crystallize.

The new community programme 2006-2010 could be the excellent occasion of this crystallization.

To change tack, we recommend that Europe gives itself a voluntary objective of industrial policy : reach 10 % of employee ownership in the whole European Union in 2010.

In this way, a whole combination of means have to be implemented at the Union level, in the Member States and in the regions. We particularly insist on the following means :

1. The implementation of a community organ (agency ? institute ? committee ?) for the promotion and the development of employee ownership. In this way, we applaud the proposition of the European Commission Experts Group, chaired by Jean-Baptiste de Foucault, to install a European Committee for Financial Participation of Workers.
2. An adapted legislation must be applied in each country of the European Union. Too many countries simply do not have an adapted legislation. In this way too, we applaud the propositions of the Experts Group of the Commission chaired by Jean-Baptiste de Foucault.
3. Enterprise transfer and salvation of failing enterprises are situations where employee ownership has already proved its worth. Employee buyouts formulas are not only to be supported for themselves but also because they are favourable to the diffusion and promotion of employee ownership, in all enterprises of the Union's countries.

The objective of promotion and development of employee ownership could be taken into account in the multiannual programme through different ways.

At best, it is advisable to add to the 18 actions already proposed, an action which is aimed at promotion and development of employee ownership. The impact of employee ownership on enterprise growth, competitiveness and performance, the possible contribution of employee ownership to the Lisbon Strategy would certainly justify to put promotion and development of employee ownership at a level at least equivalent to the action 2: promote corporate social responsibility and sustainable production methods.

This action for development of employee ownership shall be placed in the objective 1 or objective 2.

Alternatively, promotion and development of employee ownership shall be placed within the following actions:

- Action 4 : Encourage entrepreneurial mindsets.
- Action 6 : Gear enterprises for growth and competitiveness.
- Action 7 : Promote access to finance for enterprises, particularly SMEs.
- Action 11: Operation of European business support networks.

Action 4, encourage entrepreneurial mindsets. In a particular way, when we talk about enterprise transfer or salvation, employee ownership puts a lot of employees in a position of co-entrepreneurs. In a more general way, employee ownership development boosts entrepreneur mentality in bigger and bigger parts of active population.

Action 6, gear enterprises for growth and competitiveness. We repeat that in a general as well as in a particular way, into the component of enterprise transfer and salvation, employee ownership could be identified as a sub-action of action 6.

Action 7, promote access to finance for enterprises, particularly SMEs. Employee ownership is a source of financing, particularly for SMEs. Enterprises transfers or salvations are preferably built with dedicated financial schemes and adapted investment funds. Such investment funds are developing for the moment, in a still scattered way, in different countries of the Union, as private initiatives or with the support of national or regional authorities, for instance in Scotland and other areas of the United Kingdom (Baxi Investment Fund, see www.baxipartnership.co.uk), in France under the aegis of CGSCOP, in Belgium with the support of the Walloon Region and the Brussels-Capital Region (see www.actionnariat-salarie.be), in Spain with the Sociudades Laborales federations who are present in the whole country. In this spirit, time has come to aim at the diffusion of these practices to all countries of the European Union. It is also time to create an instrument of partnership with international financial institutions mentioned in the consultation document, aimed at financing and developing employee ownership, particularly in situations of enterprise transfer and salvation of failing enterprises.

Action 11, operation of European business support networks. A lot of European organizations promoting employee ownership, being EFES members, have the objective to constitute a pool of horizontal coordination for promotion and development of employee ownership, in partnership with the Euro Info Centres network and other networks. Until now, these organizations are developing as private initiatives or with support of national or regional authorities (see the examples above). The recognition and the support to these initiatives shall allow to diffuse their methods and practices in the whole European Union and to give them more means and efficiency.

As a conclusion, we repeat : the new community programme 2006-2010 for entrepreneurship and enterprise competitiveness can be the excellent occasion to crystallize a political willingness of the European Union for the promotion and development of employee ownership.

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