EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

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Employee share ownership against the crisis
An employee share ownership fund to help companies

To save companies with cashflow problems or under threat of bankruptcy from the pandemic, forms of State aid are multiplying: allowances, subsidies, loans, equity investments or even nationalisation. All are ultimately aimed at existing shareholders.

At the same cost, part or even all of this State funding could be directed to helping employees become shareholders in their businesses. Companies wishing to do so could set up an employee share ownership fund, to acquire 10%, 20% or even 100% of the shares.

The employee ownership model to be used is the ESOP model introduced in the United States as long ago as 1974. It was invented particularly for SMEs. It is still almost unknown in Europe, it is very different from what we know over here. However, it can be implemented in all European countries on the basis of existing legislation, by simply adapting it case by case in the finer points.

By so doing, the State aid will not only meet the needs of businesses for recovery but also the interests of European citizens in general. This alternative will fairly reward and motivate those whose work will save European businesses and the economy - business leaders and all employees. Vigorous employee share ownership will strengthen cooperation and joint responsibility, which are critical in the face of a global catastrophe in all areas.

Why promote employee share ownership?

• To reward European workers and managers who continue to work in risky conditions to pull businesses and the economy out of the crisis. They absolutely must be rewarded. Employee share ownership adds significant value.

• To enhance performance of the employee (co)owned companies. Employee owned companies are more successful (better motivation, productivity, employee loyalty, innovation), hence higher efficiency and more security for the State funds.

• To solve the problem of succession in SMEs. The ESOP model was originally designed to facilitate the transfer of businesses to employees, since most owners do not have succession plans.

• To anchor the ownership of companies in local communities and amongst their own employees.

• To rebalance business ownership. This has become more and more concentrated, which is one of the main reasons for wealth inequality. Employee share ownership helps rebalance share ownership, leading to greater financial participation in companies.

• To raise social and environmental responsibility. Employee (co)owned companies generally generate less pollution and have greater respect for the local environment and their workers.

In practice

Whatever form they take — State -aid, premiums, tax reductions, subsidies, public or private loans, equity — investments can be channeled partially or entirely into the company via an ESOP fund set up by the business. The company organises collective share ownership on behalf of all employees, the funds being used to buy newly issued shares or existing shares already held in treasury. Thereafter, once the State aid has been repaid, the shares can gradually be credited to each employee's capital account.

A complete presentation of the ESOP model adapted to Europe has been drawn up by a group of European and American experts working together, offering several variations. It is available on www.efesonline.org/corona