

PRESS RELEASE

BETTER FINANCE urges to put Employee Share Ownership at the core of efforts to tackle the Corona-induced financial crisis

Brussels, 22 May 2020 - With the current crisis calling for a tightening of the link between employees and their companies, especially in the case of SMEs, BETTER FINANCE's member organisation EFES, the European Federation of Employee Share Ownership, launched a [concrete proposal](#) on how to co-opt Employee Share Ownership (ESO) to help fund companies under threat of bankruptcy from the pandemic and complement governments in their struggle against the fallout from the crisis.

At an enormous cost to the taxpayer, across the EU, unprecedented, but necessary, state aid is being rolled out, aimed at helping companies navigate cash flow problems and avoid bankruptcy. But what if these colossal sums could be put to better, more efficient use, helping employees become shareholders in the businesses?

The European economy is in dire need of an ESO model that would enable - like in the United States - inclusive and financially accessible leveraged employee buyouts of part or even all of their own company. BETTER FINANCE strongly supports the proposal from EFES to use the Employee Stock Ownership Plan (ESOP) model, designed with SMEs in mind and ubiquitous in the United States since 1974, though still largely unknown in Europe.

The proposal is aimed at developing a generic European ESOP model as a Pension Plan, to be adapted to the specific legal and tax specificities of each EU Member State upon rolling out. Such a long-term employee shareholding plan would benefit from a clever financing model, based on an original tax system, thereby allowing the ESOP model to supersede all other existing employee shareholding formulas used by SMEs.

ESO can play a crucial role in increasing the resilience of businesses and reduce employment-fluctuation in times of economic crisis. It turns out that companies with employee ownership plans are less likely to go bankrupt when times are hard.¹

BETTER FINANCE believes Employee Share Ownership to be crucial in addressing the impending Covid-19 financial crisis, but also key for the success of the Capital Markets Union (CMU), by and reacquainting EU Citizens with equities as the financial instrument most likely to protect the real value of their lifetime financial savings over the long-term. After all, ESO has a proven and direct link to increased financial literacy and knowledge in equities and capital markets, since the workplace is the only independent way for adults to get educated on capital markets.

Crucially, ESO leads to an increased long-term engagement of employee shareholders with a stronger focus on sustainability and improving the corporate governance of the companies they are invested in, since employee-owned companies tend towards increased responsibility and hold their immediate environment in higher regard, because they internalise the externalities.²

¹ David P. Ellerman & Tej Gonza, "[COVID-19: Government Aid that also promotes Employee Ownership](#)", Institute for Economic Democracy, Ljubljana, Slovenia

² Ibid.

ESO also has a pivotal and positive role to play in corporate governance matters, and should be part of any push by EU authorities to further embed sustainability "*into the corporate governance framework, as many companies still focus too much on short-term financial performance compared to their long-term development and sustainability aspects.*"³

"Employee Share Ownership, in the form of an EU-adapted Employee Stock Ownership Plan (ESOP), would be a game changer in both advancing the CMU and addressing the major financial issues facing EU citizens in the Covid-19 aftermath", stresses Guillaume Prache, Managing Director of BETTER FINANCE, "especially since it would allow EU authorities to further bolster its EU Green Deal and Capital Markets Union flagships, and put sustainability at the centre of its strategy in fighting the Coronavirus."

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³ www.responsible-investor.com: "The European Commission has spoken: All EU policies must now fall in line with green ambitions"