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## **REPORT**

on the Commission communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on a framework for the promotion of employee financial participation (COM(2002) 364 – 2002/2243(INI))

Committee on Employment and Social Affairs

Rapporteur: Winfried Menrad



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## PROCEDURAL PAGE

By letter of 5 July 2001 the Commission forwarded to Parliament its Communication on a framework for the promotion of employee financial participation (COM(2002) 364), which was also forwarded for information to the Committee on Employment and Social Affairs, the Committee on Industry, External Trade, Research and Energy and the Committee on Women's Rights and Equal Opportunities.

At the sitting of 21 November 2002 the President of Parliament announced that the Committee on Employment and Social Affairs had been authorised to draw up an own-initiative report on this subject, pursuant to Rule 47(2) and Rule 163 of the Rules of Procedure, and that the Committee on Economic and Monetary Affairs and the Committee on Industry, External Trade, Research and Energy had been asked for their opinions.

At the sitting of 19 December 2002 the President of Parliament announced that he had also referred the matter to the Committee on Women's Rights and Equal Opportunities for its opinion.

The Committee on Employment and Social Affairs had appointed Winfried Menrad rapporteur at its meeting of 4 September 2002.

The committee considered the draft report at its meetings of 19 February, 20 March and 23 and 24 April 2003.

At the last meeting it adopted the motion for a resolution by 25 votes to 2.

The following were present for the vote: Theodorus J.J. Bouwman, chairman; Winfried Menrad, vice-chairman and rapporteur; Marie-Thérèse Hermange, vice-chairwoman; Jan Andersson, Regina Bastos, Johanna L.A. Boogerd-Quaak (for Elspeth Attwooll), Hans Udo Bullmann (for Elisa Maria Damião), Philip Bushill-Matthews, Alejandro Cercas, Proinsias De Rossa, Harald Ettl, Carlo Fatuzzo, Ilda Figueiredo, Anne-Karin Glase, Stephen Hughes, Ioannis Koukiadis (for Anna Karamanou), Elizabeth Lynne, Thomas Mann, Mario Mantovani, Claude Moraes, Juan Andrés Naranjo Escobar (for Luigi Cocilovo), Manuel Pérez Álvarez, Herman Schmid, Miet Smet, Ieke van den Burg, Barbara Weiler and Sabine Zissener (for Lennart Sacrédeus).

The opinions of the Committee on Industry, External Trade, Research and Energy and the Committee on Women's Rights and Equal Opportunities are attached.

The report was tabled on 5 May 2003.

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the Commission communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on a framework for the promotion of employee financial participation (COM(2002) 364 – 2002/2243(INI))**

*The European Parliament,*

- having regard to the Commission communication (COM(2002) 364 – C5-0527/2002)<sup>1</sup>,
- having regard to the first Commission report on the promotion of participation by employed persons in profits and enterprise results (including equity participation) in the Member States – PEPPER I<sup>2</sup>,
- having regard to the Council recommendation of 27 July 1992 on the promotion of participation by employed persons in profits and enterprise results (including equity participation) (92/443/EEC)<sup>3</sup>,
- having regard to its resolution of 9 April 1992<sup>4</sup> on the Commission proposal for a Council recommendation on the promotion of employee participation in profits and enterprise results (including equity participation)<sup>5</sup>,
- having regard to its resolution of 15 January 1998<sup>6</sup> on the second Commission report on the promotion of participation by employed persons in profits and enterprise results (including equity participation) in the Member States – PEPPER II (COM(1996) 697)<sup>7</sup>,
- having regard to the opinion of the Economic and Social Committee of 26 February 2003<sup>8</sup> on the Commission communication (COM(2002) 364),
- having regard to the working document of the European Parliament Secretariat, ‘Employee participation in profits and ownership: a review of the issues and evidence’<sup>9</sup>,
- having regard to the studies by the European Foundation for the Improvement of Living and Working Conditions on the topic of employee financial participation<sup>10</sup>,
- having regard to Rules 47(2) and 163 of its Rules of Procedure,
- having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on Economic and Monetary Affairs, the Committee on

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<sup>1</sup> Not yet published in OJ.

<sup>2</sup> Supplement 3/91, Social Europe

<sup>3</sup> OJ L 245, 26.8.1992, p.53

<sup>4</sup> OJ C 125, 18.5.1992, p.241

<sup>5</sup> OJ C 245, 20.9.1991, p.12

<sup>6</sup> OJ C 34, 2.2.1998, p.151

<sup>7</sup> Not yet published in OJ.

<sup>8</sup> Not yet published in OJ.

<sup>9</sup> SOCI 109, European Parliament, Directorate-General for Research, Luxembourg, 2002

<sup>10</sup> ‘Employee share ownership and profit sharing in the European Union’ and ‘Recent trends in employee financial participation in the European Union’, European Foundation for the Improvement of Living and Working Conditions, Dublin 2001

Industry, External Trade, Research and Energy and the Committee on Women's Rights and Equal Opportunities (A5-0150/2003),

- A. whereas take-up of employee financial participation remains limited overall, in particular employee shareholdings, despite the legislative provisions or initiatives adopted in a number of Member States since the PEPPER reports,
- B. whereas employee financial participation is at a very low level in the countries of Central and Eastern Europe, and is running up against a number of specific obstacles that should be taken into account,
- C. having regard to the discrepancies between countries in the spread of financial participation, and to the great diversity of existing employee financial participation schemes, not only as between Member States, but also within them,
- D. whereas it is as yet neither necessary nor desirable and practicable fully to harmonise the rules for financial participation schemes, as this would impede the flexibility of Member States' policies, but whereas current practices should be compared and coordinated through the establishment and development of common principles (which would have to be agreed) and fiscal and social security aspects should be examined,
- E. whereas employee participation in capital improves the equity ratio, which makes it easier to raise capital from outside sources (Basle II), and both factors increase the investment capacity of the enterprise,
- F. whereas studies and specific examples show that employee financial participation, where it is correctly implemented, not only increases company productivity, competitiveness, and profitability, but can also, at the same time, encourage worker participation, improve the quality of employment and contribute to greater social cohesion,
- G. whereas there are many forms of profit-sharing and enterprise participation by employees in the European Union, for which until now there has been no European framework,
- H. whereas models of share ownership and profit-sharing have become established to different degrees in the different EU Member States; whereas in particular the French policy on participation is a good example of what financial participation can do for employment policy,
- I. whereas in nearly all the accession countries there is no legal or fiscal framework for employee participation,
- J. whereas employee financial participation can contribute to greater social responsibility on the part of undertakings,
  1. Considers that financial participation by employees in their undertaking is one of the preconditions for achieving the European social model;
  2. Welcomes the communication's general objective of greater participation by employees in the Member States and the EU in profits and productive capital and its aim to submit proposals on this subject by 2004; confirms its previous positions on profit-sharing and

share ownership;

3. Considers that the Commission's proposal may be expected to have direct results regarding, specifically, the increase of employment in the framework of the Lisbon objectives; notes that positive experiences of financial participation schemes can be found both inside and outside the European Union, although in the EU the use of such schemes is so far not prevalent in SMEs but mostly linked to larger companies;
4. Endorses the proposals in the communication and calls for better mutual recognition of the different national systems;
5. Considers that the following principles are essential for the functioning of a model of financial participation:
  - (i) participation must be voluntary – all employees must be included in the participation scheme offered by the employer without any discrimination; particular attention must be paid to including part-time workers and women;
  - (ii) the scheme must be clear, transparent and simple, in line with the situation of the company, the undertaking and the economy;
  - (iii) unreasonable risks for employees should be avoided wherever possible;
  - (iv) where possible, avoidance of a pro-cyclical impact on Member States' national economies, e.g. in cases of excessive growth in employee incomes and wealth in good times for the economy, or 'double' losses during negative economic growth;
  - (v) the scheme must be compatible with worker mobility;
6. Supports the Commission in its intention of stepping up its promotion of projects to encourage financial participation in the context of the Community budget, and reiterates its call for the implementation of a specific programme, adequately financed, to promote exchanges of information and best practice, as well as educating the social partners about PEPPER schemes;
7. Emphasises that a clear distinction has to be made between schemes which offer additional income for employees linked to the results of an enterprise (profit-sharing) and those which provide for a participation of employees in enterprises' assets (including employee share ownership or stock-options);
8. Notes that the Commission to date has primarily recommended and described employees' profit-sharing and share ownership schemes that are based on securities, e.g. shares (including employees' shares), bonds, convertible bonds and share option certificates; is concerned that the Commission has not given enough attention to other possibilities;
9. Stresses that in order to implement a policy of a broad distribution of assets, it is vitally important to convince the social partners – employers, employees and their representatives; to this end also calls for the promotion of networks of partnerships with financial participation;

10. Considers that the involvement of women in the various forms of participation and the promotion of a balanced representation of women and men in social partner organisations needs to be given special attention, particularly in company structures and workers' organisations which opt for financial participation;
11. Stresses that serious reservations on the part of both sides of industry must be borne in mind; therefore considers it necessary to take account of the concerns or fears of employees and trade unions; in particular, holding pay negotiations between management and employees and negotiations on employee financial participation simultaneously must be avoided; the premise must be that employee participation will always be an additional component, and should not replace the customary basic wage or wage components, in particular pension schemes or customary wage increases;
12. Expects that the basis for such financial-participation models can also be created through free collective bargaining;
13. Recognises that as well as opportunities, financial participation also involves risks and difficulties, in particular:
  - (i) the dual risk for employees with shares in the company where they work, that in the event of the company's bankruptcy they will lose both their job and the value of their shares;
  - (ii) organisational and other obstacles, for example in connection with taxation law, social security law and labour law in transnational undertakings;
  - (iii) in connection with implementing employee financial participation in SMEs;
14. Therefore calls on the social partners, the Member States, EU bodies and others to develop and optimise strategies to minimise risks;
15. Insists that employees who invested their money in capital participation schemes enjoy at least the same rights emerging from ownership as any comparable owner, in particular in cases where employees cannot freely dispose of their investment;
16. Considers that the Commission's assurance that the application of the financial participation system will contribute to increasing employment needs to be further researched and evaluated taking particular account of SMEs;
17. Emphasises that SMEs are facing particular difficulties as regards the implementation of the system of employee participation and that the respective cost and the administrative problems may be considered prohibitive;
18. Recommends that the Member States also promote models of participation that can be used by small and medium-sized undertakings, such as dormant partnerships, and calls for EU research into what other forms of participation are suitable for SMEs and exist or should be set up in the Member States; also calls for advisory bodies such as information offices to be set up by regional authorities and/or regional workers' alliances;



19. Calls also on the Commission to examine the conditions and arrangements under which PEPPER II schemes can be extended to public and non-commercial sectors;
20. Proposes alternative investment outlets outside the workplace for profit-shares earmarked for investment if in-house solutions are not possible in SMEs, whereby SME employees' share of profits that they do not invest in their own undertaking is collected and channelled back to SMEs as a beneficial way of financing jobs; therefore recommends increased use of:
  - (i) investment associations for SMEs,
  - (ii) company participation societies that increase resources not by collecting them into a fund but by issuing shares (to employees as well), and investment cooperatives;
  - (iii) trusteeship funds in line with SMEs' capital requirement and employee stock ownership plans or employee stock ownership trusts (ESOP/ESOT) following the example of those in Great Britain and Ireland, and societies to boost the economy;
21. Repeats its belief that equity participation which funds jobs is more deserving of Member state support than profit shares handed out in cash to employees;
22. Advocates, in addition to fiscal solutions, savings bonuses as employment benefits to encourage capital formation, as they benefit workers who pay little or no tax, and the bonus system is easier to harmonise in transnational participation models than are tax and social security advantages;
23. Urges energetic solutions and the following initiatives by the European Commission, including the setting up of a working group of independent experts who are in particular to analyse transnational challenges, such as:
  - (i) different levels of taxation on share values and capital yield in the Member States (double taxation); the most appropriate time to tax share options (exercise of a stock option); tax, moreover, only to be payable when the shares acquired by way of option conversion are sold;
  - (ii) various social security contributions on income from financial participation and investment holdings;
  - (iii) legal questions arising from differences in national laws on securities and prospectuses and labour and social security laws;
  - (iv) blocking periods when employees may not dispose of their shares;
  - (v) cultural differences within Member States regarding the social partnership;
  - (vi) the problem of raising the accession countries' awareness of employee participation;
24. Reiterates its call for the Commission to set up a working party made up of representatives of the social partners, Members of the European Parliament, experts, and representatives

of employee-shareholder associations as well as of networks of companies that apply financial participation schemes, with responsibility for monitoring implementation of the actions proposed in the Communication for the years 2002-2004, and for investigating such future action as may become necessary;

25. Considers that recent developments on the global market call for a clear distinction between financial participation and pension schemes, with strong provisions to protect employees' acquired pension rights, to be included in the guiding principles;
26. Calls in particular for SME employees with shares in the company where they work to be protected against the company's bankruptcy, at least during the blocking period, e.g. by insolvency protection and/or bank guarantees, and calls for models of employee participation that are linked to pension plans to contain appropriate insurance for employees and to offset risks through a variety of investments if these are organised externally;
27. Takes the view that participation in productive capacity, capital formation to provide private and company pension schemes and capital formation by employees through home ownership should not be excluded from support;
28. Expects financial participation to improve social cohesion and productivity and to create more jobs;
29. Notes the Commission's intention to carry out a series of studies on its proposal for the system of employee participation and calls on it to support research which will be concerned, inter alia, with the effect of the system in question on the success of the enterprise, productivity, competitiveness and employment;
30. Starts from the premise that the value added to an undertaking is created by all the factors in production working together; therefore calls for stock options issues not to be reserved exclusively for management, for investigations to ascertain whether share options can be made available to all employees and if so how best to do this, and what forms of or options for participation are available or should be created to allow employees to share in growth and in open and hidden reserves without exposing them to unacceptable risks on the world capital markets (e.g. profit participation rights);
31. Urges that a future concept be explored to offer strengthened partnership structures in financial participation models, taking account of the following possibilities:
  - (i) grouping the rights of employee shareholders in staff shareholders' associations and/or improving the possibilities for these shareholders to be represented in company management bodies (as is already done in France);
  - (ii) establishing partnership committees, particularly in participative enterprises which are not limited companies, and minimum participation rights for employee shareholders;
  - (iii) establishing employee foundations which act as owners of employee shares; as legal persons in their own right they can also ensure that uniform payments are

made to employees when profits are distributed, irrespective of short-term fluctuations in enterprise performance or in economic developments;

- (iv) taking up the relevant proposals by Parliament on renewing the directive on the European Works Council and completing the provisions for the European Company (possibility of issuing employees' shares through an approved or limited increase of capital);
  - (v) creating an enterprise law that coordinates co-ownership and cooperation; introducing financial participation schemes in a general context of participatory management based on partnership;
32. Considers that it is particularly important to promote the relevant trade union and management training in companies which implement employee financial participation, with attention being given to the theme of equality between women and men;
33. Warns, however, that (co-)determination on the basis of financial participation can never be a reason for preventing normal employee information and consultation rights, for which European and national law lays down minimum provisions, from operating, or considering them as less important;
34. Calls on the Commission to submit to Parliament, by the end of 2004 at the latest, studies on the issues raised in this resolution, including a study of a European monitoring body for shareholding and participation, to be set up under the auspices of the European Foundation;
35. Stresses that attention must be paid to the new Member States, where financial participation has not developed to any great extent and the requisite legal and taxation frameworks are lacking;
36. Instructs its President to forward this resolution to the Council, the Commission, the Economic and Social Committee and the European social partners, and the Parliaments of the Member States and the candidate countries.

## EXPLANATORY STATEMENT

Approximately 19% of employees in the private sector currently participate financially in the enterprise where they work, through profit-sharing or share ownership. In this way they constitute a pillar of the European social model which is based on partnership and seeks to overcome the rivalry between capital and labour.

The Commission's Pepper II report (1997) concluded that there is more diversity than uniformity in models of financial participation. There was also a lack of empirical studies on the application of the various systems, the factors affecting their success and generally on the advantages and disadvantages of financial participation.

Because there is no specific legal basis, to date there has not been a European framework for financial participation. There is a need, however, for coordination of current practices through the development of guidelines and agreements on general principles, while maintaining the flexibility of individual countries' policies, to ensure comparability and not to impede workers' mobility, particularly across borders. Incentives that encourage management to introduce profit-sharing or share ownership include employees becoming more motivated and productive and the enterprise becoming more competitive through an improved capital structure, better liquidity and easier access to external capital. But a significant breakthrough can probably only be achieved with the help of state incentives such as tax concessions or savings bonuses. Solutions must also be found on a Community-wide basis to the issues of taxation and social security schemes' criteria for assessing the value of shares and investment income.

Apart from fiscal solutions, consideration should also be given to savings bonuses as benefits to encourage capital formation, as they also benefit employees who pay little or no tax, and it is easier to harmonise the bonus system in transnational participation models. In addition a broad spread of ownership stabilises every social structure because it distributes wealth more fairly. Employees' financial participation can also be seen as a way of preserving and creating jobs, as participation makes it possible to adjust costs to the economic situation more flexibly and thus stabilises employment. An improved equity structure and equity ratio, which make it easier to raise capital from outside (Basle II), increase ability and willingness to invest.

The scepticism of the trade unions, which fear that many models of financial participation are a substitute for higher pay, should be countered by not conducting pay negotiations at the same time as negotiations on employees' financial participation. It is also desirable to have a model that ensures that the scheme is voluntary, includes all employees and avoids unreasonable risks (double risks) for employees. The principle of a voluntary scheme does not exclude collective agreements on capital-forming benefits and other issues concerned with participation. The risk for employees who move could be minimised by an agreement obliging the enterprise to buy back the shares within a certain time if the employee wished to leave the scheme, and risks could also be minimised in the event of bankruptcy through bank guarantees or insolvency protection insurance.

There is more likely to be financial participation in companies that are quoted on the stock exchange, which has led the Commission to concentrate in its communication on models of financial participation in public limited companies. Unfortunately it does not propose many

options for SMEs.

Your rapporteur however would welcome studies on the forms of participation that exist or would be appropriate for SMEs (possibly the concept of 'employee participation capital' should be introduced into European law which would be applicable to all forms of undertaking and would improve employees' opportunities for participating as dormant partners). Account should also be taken of investment options outside the enterprise, whereby employees' profit-shares earmarked for investment which were not invested in their own SME could with advantage be collected together and fed back into SMEs to finance jobs. In its resolutions on the Pepper I and II reports and the recommendation of 1992, Parliament proposed investment clubs for small businesses, societies for enterprise participation and investment cooperatives. Studies should also be conducted on the suitability for these purposes of the trusteeship funds which operate in Ireland and Great Britain (such as the employee stock ownership programmes (ESOP) and employee stock ownership trusts (ESOT)) and societies to promote economic growth and carry out financial services tasks. The same is true for employees' funds grouping several SMEs and existing workers' cooperative models. The associations referred to in Paragraph 12 could also be set up by agreement between management and labour. Shares in such associations can also be suitable forms of investment for employees in the public sector or non-profit-making organisations.

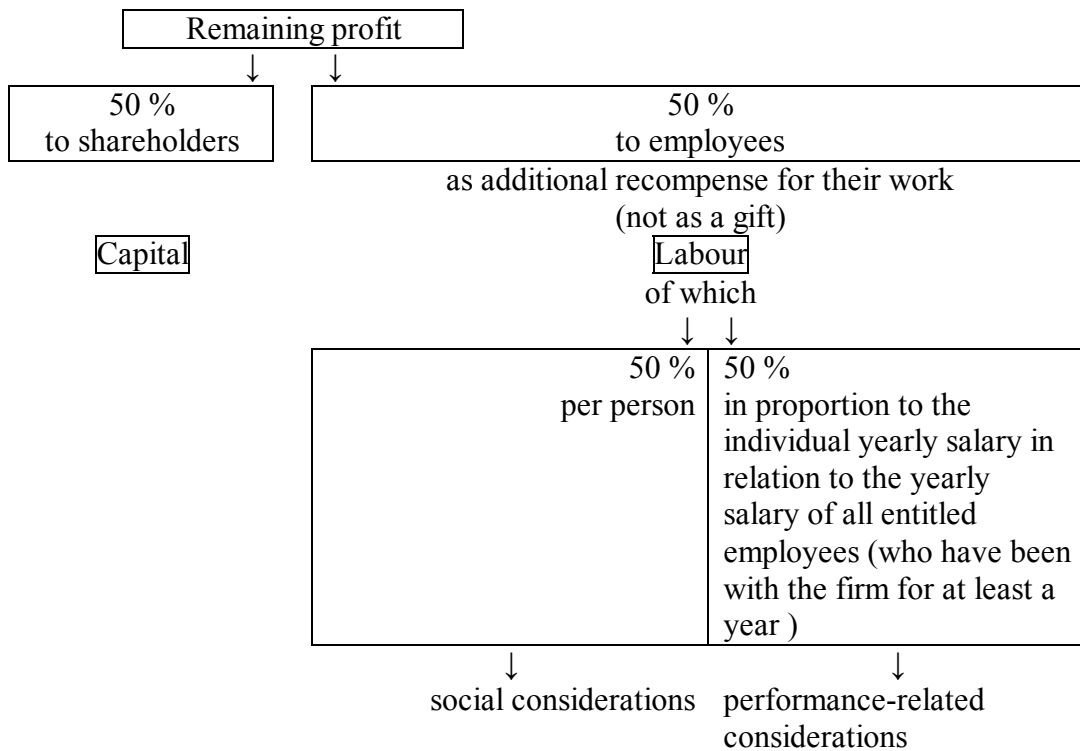
Participation in growth is also possible without acquiring shares. In this connection some Member States must improve their incentive policies.

Finally there is the question of employee involvement. As the most recent study by the Dublin Foundation shows, there is a clear connection between successful employee participation and participative structures in the enterprise. For the sake of brevity, your rapporteur refers in this connection simply to his working document of 2 December 2002.

ANNEX: models for employee financial participation in SMEs

I. Profit-sharing by employees in an SME:

- i) Legal form: general partnership (limited partnership)  
 The legal basis is a profit-sharing contract in the form of a company agreement which is concluded voluntarily.  
 The following deductions are made from the undertaking's profits: salary for the general partner (director or manager of the undertaking), interest on equity and risk premium for the previous owners (original shareholders). The remainder is the profit to be shared.
- ii) The fact that capital, labour and management worked together in partnership to make this profit leads to the following profit-sharing formula, which follows the principles of transparency and simplicity. (The management factor has already been taken into account in the proprietor's salary).



Use by the employee:	
a) opts for payment in cash	b) opts for a share of capital: the employee becomes:
	i) a shareholder through forms of joint ownership = equity capital
	ii) a creditor, i.e. a lender to the enterprise = outside capital

- iii) It is important that employees with a stake in the equity in future also share in the distribution of the remaining profit which goes into capital (in relation to their share of the equity, e.g. as dormant partners);

they also have a claim to the risk premium.

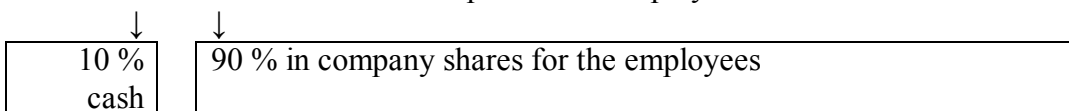
Employees with a stake in the outside capital of the enterprise (lenders) receive interest at a higher rate than the country's usual savings interest rate; the enterprise pays less than the interest charged for long-term outside capital (thus the bank margin is divided between the enterprise and participating employees).

There is no direct liability or participation in a loss; this is limited to setting the loss against profits that have already been registered or future profits.

## II. Employee share ownership in an SME:

- i) On the assumption that this is a general partnership (limited partnership), as mentioned above, the legal basis is a supplementary company agreement and a supplementary partnership agreement contract for the dormant partnership. In both cases the principle of a voluntary agreement also applies.

- ii) Profits that can be distributed and paid out to employees:



First in the form of a loan from the participating employees to the enterprise (with a known numerical value – no valuation problem);

↓  
 after three years it can be converted to an ownership certificate (European legal concept 'employee participation capital' or dormant shareholding), in some circumstances there may be a valuation problem here.

For employees who leave, they or their heirs are entitled to payment or repayment in relation to the shareholding. According to the company agreement, repayment must begin after five years at the latest and must be paid in no more than four annual instalments. The statutes or rules of procedure of the partnership committee contain particular rules e.g. to cover death of the shareholding employee, if the employee leaves or is dismissed and possibly also for immediate dismissal or redundancy.

- iii) Agreement by a partnership committee or participation council: this consists of five representatives of the shareholders and five of the employees. The employees' representatives are elected, three by the shareholding employees (e.g. meeting of dormant partner employees) and two by the works council. The partnership committee administers the participation model (see II ii) and makes proposals for changes to the profit distribution key between labour and capital and among the employees (e.g. distribution according to performance, evaluating work according to age, department, family situation). In certain circumstances it proposes instead of profit-sharing a share in performance, productivity or turnover (in this

connection see the ‘gainsharing’ concept and model on page 6 of the Commission communication).

The partnership committee elects the employees’ representative on the general partnership advisory board, which is equivalent to the supervisory board of a public limited company.

III. Investment options outside the company for financially participating employees of SMEs

These options are needed if the employees’ profit shares earmarked for investment are not invested in their own SME. At all events, the SME pays its employees a salary. In addition it pays them investment remuneration for their work (e.g. in the form of a profit-share to be invested). If it is not possible to invest this in their own enterprise through, for example, dormant participation (or as ‘employee participation capital’) because this is not desired by the employees and/or employers, then there are the following possibilities for the employees’ share of profits:

- i) acquiring a stake in another enterprise e.g. in the form of shares;
- ii) acquiring shares in an investment club; this must include the possibility of creating special investment societies or enterprise participation societies, which channel their resources back to SMEs so that they can finance investment there. Employees can also acquire shares in these new societies that are set up to improve SMEs’ capital resources.



25 March 2003

## **OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**

for the Committee on Employment and Social Affairs

on the Commission communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on a framework for the promotion of employee financial participation (COM(2002) 364 – 2002/2243(INI))

Draftsman: Alain Lipietz

### **PROCEDURE**

The Committee on Economic and Monetary Affairs appointed Alain Lipietz draftsman at its meeting of 1 October 2002.

It considered the draft opinion at its meetings of 2 December 2002, 18 February and 25 March 2003.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote Christa Randzio-Plath (chairwoman), José Manuel García-Margallo y Marfil, Philippe A.R. Herzog, John Purvis (vice-chairmen), Generoso Andria, Roberto Felice Bigliardo, Armonia Bordes, Hans Udo Bullmann, Bert Doorn (for Renato Brunetta), Harald Ettl (for Giorgos Katiforis), Jonathan Evans, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lutz Goepel (for Ingo Friedrich), Lisbeth Grönfeldt Bergman, Mary Honeyball, Othmar Karas, Piia-Noora Kauppi, Christoph Werner Konrad, Werner Langen (for Brice Hortefeux), Astrid Lulling, Thomas Mann (for Mónica Ridruejo), Ioannis Marinos, David W. Martin, Miquel Mayol i Raynal, Peter Michael Mombaur (for Hans-Peter Mayer), Fernando Pérez Royo, Elly Plooij-van Gorsel (for Christopher Huhne), Alexander Radwan, Bernhard Rapkay, Olle Schmidt, Peter William Skinner, Ieke van den Burg (for Pervenche Berès) and Theresa Villiers.

## CONCLUSIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. welcomes the Commission's effort to promote employee financial participation schemes, which, through workers' involvement, have an indirect impact on achieving the Lisbon goals;
2. notes that available evidence strongly points to combining financial participation schemes with an overall partnership approach to the workplace and participative management, and welcomes the emphasis placed on promoting social dialogue on the issue;
3. Emphasises that a clear distinction has to be made between schemes which offer additional income for employees linked to the results of an enterprise (profit-sharing) and those which provide for a participation of employees in enterprises' assets (including employee share ownership or stock-options);
4. states that in neither case financial participation schemes can be considered as substitutes for wages or salaries, and supports the requirement of a clear distinction between the two concepts, as well as their strict separation in practice;
5. supports the set of guiding principles identified, in particular the principles of voluntariness, comprehensiveness and transparency of financial participation schemes;
6. Insists that employees who invested their money in capital participation schemes enjoy the same rights emerging from ownership as any comparable owner, in particular in cases where employees cannot freely dispose of their investment;
7. encourages the Commission to identify best practice of employee financial participation amongst Member States; wants the Commission to come forward with proposals to ensure equal treatment and non-discrimination in transnational financial participation schemes and with regard to the free movement of workers;
8. welcomes the emphasis placed on promoting financial participation among SMEs; points, however, to the need to limit the risk of devaluation of assets by creating investment funds which function as master funds fed by contributions from single companies (feeder funds) on the basis of mutualisation;
9. Considers that recent developments on the global market call for a clear distinction between financial participation and pension schemes, with strong provisions to protect employees' acquired pension rights, to be included in the guiding principles.

25 March 2003

## **OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY**

for the Committee on Employment and Social Affairs

on the communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on a framework for the promotion of employee financial participation  
(COM(2002) 364 – 2002/2243 (INI))

Draftsman: Christos Folias

### **PROCEDURE**

The Committee on Industry, External Trade, Research and Energy appointed Christos Folias draftsman at its meeting of 8 October 2002.

The committee considered the draft opinion at its meetings of 23 January, 28 January, 19 February and 25 March 2003.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman; Peter Michael Mombaur, vice-chairman, Yves Piétrasanta, vice-chairman and Jaime Valdivielso de Cué, vice-chairman; Christos Folias, draftsman; Sir Robert Atkins, María del Pilar Ayuso González (for Marjo Matikainen-Kallström), Luis Berenguer Fuster, Guido Bodrato, Giles Bryan Chichester, Nicholas Clegg, Dorette Corbey (for Massimo Carraro), Willy C.E.H. De Clercq, Marie-Hélène Descamps (for Dominique Vlasto), Harlem Désir, Concepció Ferrer, Francesco Fiori (for Alejo Vidal-Quadras Roca), Glyn Ford (for Myrsini Zorba), Cristina García-Orcoyen Tormo (for Konrad K. Schwaiger), Norbert Glante, Alfred Gomolka (for John Purvis), Michel Hansenne, Roger Helmer (for Bashir Khanbhai), Hans Karlsson, Werner Langen, Caroline Lucas, Eryl Margaret McNally, Erika Mann, Angelika Niebler, Seán Ó Neachtain, Reino Paasilinna, Paolo Pastorelli, Elly Plooij-van Gorsel, Samuli Pohjamo (for Colette Flesch), Bernhard Rapkay (for Rolf Linkohr), Imelda Mary Read, Paul Rübig, Esko Olavi Seppänen, Roseline Vachetta, W.G. van Velzen and Olga Zrihen Zaari.

## CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Considers that the Commission's proposal represents a necessary counterpart to the principles governing undertakings' partnerships and their social role, i.e. corporate social responsibility;
2. Considers that the Commission's proposal may be expected to have direct results regarding, specifically the increase of employment in the framework of the Lisbon objectives; notes that positive experiences of financial participation schemes can be found both inside and outside the European Union, although in the EU the use of such schemes is so far not prevalent in SMEs but mostly linked to larger companies;
3. Considers that the Commission's assurance that the application of the financial participation system will contribute to increasing employment needs to be further researched and evaluated taking particular account of SMEs;
4. Believes that the Commission's task is to achieve an increase in employment, productivity and competitiveness by laying down specific measures;
5. Points out that there are no specific references to publicising financial participation systems to undertakings with fewer than 200 employees, which comprise the overwhelming majority of undertakings in the EU, particularly in the southern countries;
6. Emphasises that SMEs are facing particular difficulties as regards the implementation of the system of employee participation and that the respective cost and the administrative problems may be considered prohibitive;
7. Calls on the Commission to lay down more detailed policies in order to avoid appearing to care only about a small number of workers, to carry out an impact assessment of its proposal with regard to SMEs and to submit it to Parliament;
8. Notes the Commission's intention to carry out a series of studies on its proposal for the system of employee participation and calls on it to support research which will be concerned, inter alia, with the effect of the system in question on the success of the enterprise, productivity, competitiveness and employment;
9. Shares the Commission's view that the desire of undertakings and employees for the expansion of financial participation should be encouraged, but considers that all references to making financial participation systems compulsory should be deleted;
10. Stresses that care is needed, since the outright replacement of wages by employee participation in profits or in undertakings' share capital might undermine attempts in EU countries to support social insurance systems;

11. Stresses that attention must be paid to the new Member States, where financial participation has not developed to any great extent and the requisite legal and taxation frameworks are lacking;
12. Emphasises the role that the social partners can play in developing financial participation and is in favour of having recourse on this issue to social dialogue and voluntary consultation within the framework of social dialogue and national agreements, as well as at the level of the European and national economic and social committees;
13. Notes that the taking of national decisions as part of the social dialogue will contribute significantly to the creation of the desired environment and at the same time provide guidance for consultations within enterprises;
14. Considers that when financial participation schemes are designed, they should take into account potential risks for employees and should avoid the need for workers to take unreasonable risks;
15. Stresses that the national and the European economic and social committees constitute an appropriate instrument for initial consultations and the development of a step-by-step social dialogue and that the conclusions may be gathered in good time, studied and subsequently discussed again in the European institutions;
16. Points out that whatever the degree of risk involved, before an employee agrees to join a participation scheme, they should be made aware of any potentially negative implications that it may have;
17. Believes that such schemes must not become a significant barrier to the movement of workers and should take account of employees' right to mobility;
18. Considers that at this stage, the Commission should confine itself to removing obstacles, creating the right climate and communicating principles and general guidelines to the Member States and the social partners with a view to joint collaboration following on from its communication.

24 March 2003

## **OPINION OF THE COMMITTEE ON WOMEN'S RIGHTS AND EQUAL OPPORTUNITIES**

for the Committee on Employment and Social Affairs

on the Commission communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on a framework for the promotion of employee financial participation  
(COM(2002) 364 – 2002/2243(INI))

Draftsman: Ilda Figueiredo

### **PROCEDURE**

The Committee on Women's Rights and Equal Opportunities appointed Ilda Figueiredo draftsman at its meeting of 26 November 2002.

It considered the draft opinion at its meetings of 19 February and 18 March 2003.

At the latter meeting it adopted the following conclusions by 21 votes , with 1 abstention.

The following were present for the vote Anna Karamanou (chairperson), Marianne Eriksson (vice-chairperson), Jillian Evans (vice-chairperson), Ilda Figueiredo (draftsman), María Antonia Avilés Perea, Regina Bastos, Geneviève Fraisse, Fiorella Ghilardotti, Marie-Hélène Gillig (for Elena Ornella Paciotti), Karin Jöns (for Lissy Gröner), Hans Karlsson, Hedwig Keppelhoff-Wiechert (for Emilia Franziska Müller pursuant to Rule 153 (2)), Christa Kläß, Rodi Kratsa-Tsagaropoulou, Astrid Lulling, Maria Martens, Christa Prets, Olle Schmidt (for Lone Dybkjær), Miet Smet, Patsy Sørensen, Joke Swiebel and Sabine Zissener.

## CONCLUSIONS

The Committee on Women's Rights and Equal Opportunities calls on the Committee on Employment and Social Affairs, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Further studies are required of the way in which the various types of employee participation in businesses are implemented, including the gender issue.
2. Research into the how employee financial participation in companies contributes to creating jobs and especially for women.
3. The involvement of women in the various forms of participation and the promotion of a balanced representation of women and men in social partner organisations needs to be given special attention, particularly in company structures and workers' organisations which opt for financial participation;
4. It is particularly important to promote the relevant trade union and management training in companies which implement employee financial participation, with attention being given to the theme of equality between women and men;
5. Studies are needed of the impact of participation systems on company performance, employment, quality of work, workers' pay and workers' rights, respect for labour legislation, equality, maternity, paternity, and social cohesion;
6. Clear principles need to be laid down for the various types of participation, specifically ensuring:-voluntary employee participation, without discrimination of any kind between employees;
  - simplicity, clarity and transparency;
  - guarantees and employee protection in case of insolvency;
  - respect for existing legislation and directives on employees' rights and equal treatment and opportunities for women and men.
7. Guarantees must be established for employees financially participating in the companies they work for, so as to pre-empt problems which could arise in bankruptcy cases, and reduce stock market risks, clearly distinguishing between salaries and other remunerations on the one hand and income from financial participation systems on the other.