

Employee Financial Participation in Europe: an Initial Comment on the Own-Initiative Opinion SOC 371

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The increasing influence of European Union (EU) social law on European national labour systems makes it inevitable to discuss Employee Financial Participation (EFP) from a European perspective, taking into account the main issues that have been raised at community level. On 21 October 2010 the European Economic and Social Committee, adopted an own-initiative opinion on EFP in Europe with the aim to encourage Europe to draw up a framework concept promoting its economic and social cohesion and facilitating the application of EFP at various levels.

Despite the “weak” nature of interventions for instance the Atypical Act, the only aim of which is to establish a line of political action or to state the specific position taken by institutions, it is important to highlight the main themes and problems that appear to be emerging. In the own-initiative opinion, 8 years after the last official initiative taken by European institutions (in *Adapt Special Bulletin*, 2010, n. 40) Europe proved once again its considerable interest in the potential of employee financial participation. The EU has given EFP considerable attention, with significant research conducted by prominent European research institutes, and important initiatives taken by European institutions.

Intending to incite an EU-wide discussion on EFP, raise awareness, encourage social partners to investigate the issue in more depth, raise questions that need to be further examined with the own-initiative opinion, the European Economic and Social Committee calls for a new Council recommendation concerning the promotion of EFP and proposals to deal with obstacles to cross-border plans.

It is evident that only an act of “hard law” directly binding for all member states would provide transnational enterprises with a uniform set of norms that could be applied in all member states. But there are various transnational barriers which currently impede the introduction of such schemes in companies with several establishments in Europe. All the documents and acts adopted identify many obstacles to the transnational spread of EFP schemes: the different tax systems in the various member states; the different compulsory contribution systems; social and cultural barriers (which the Commission indicates with the expression ‘cultural deficit’) against the spread of EFP in some States. In the early ’90s the Commission declared its intention of setting up a working group to design a discipline at a European level and, in 2004, the European Commission published the report from the high level expert group on various transnational barriers. Also, the PEPPER-IV Report, underlining the significant rise in EFP in the EU 27 over the last decade, calls for a Council Recommendation on a European platform for EFP. The basis for a common framework is the *Building Block Approach*, a perspective promoted with a study sustained by the European Commission to link the many and very varied EFP models which exist across member states. Specifically, reflecting the postulates of the European Commission the *Building Block Approach* matching the three basic forms of EFP in Europe (profit-sharing, individual share ownership and the ESOP concept) and promoting different solutions tailored to the specific needs of the given enterprise.

One of the main problems in constructing a common framework for EFP is the treatment of tax because of member states' exclusive competence over taxation. While tax incentives are not a precondition for EFP, they have proved to be a positive effect in those countries which offer them. Taking note of this, the European Economic and Social Committee admits to the importance of coordination, streamlining and mutual recognition to stimulate EFP in cross-border operating companies and argues that, "the calculation of 'effective tax rates' for standardized scenarios would permit direct comparison between the EU 27 and thus ensure further harmonization".

The European Economic and Social Committee argues that one shortcoming that should be remedied is the creation of a clear, detailed overview of the range of national models currently used and their take-up. In fact, to date there is no specific, transnational data from surveys on EFP.

A part of the own-initiative opinion is dedicated to the advantages of more widespread use of EFP. The advantages of financial participation for businesses in Europe, with a view to the EU 2020 Strategy, is to improve their competitiveness and the quality of corporate management by increasing employees' loyalty and identification with the company. One of the main positive effects of EFP schemes is with respect to business succession. The European Commission highlights the enormous increase in transfers of company ownership, which will affect up to 690 000 unquoted companies and 2.8 million jobs annually as a result of an ageing European population. A related question is whether companies affected by generational change and the jobs they provide can be maintained. The ESOP model is tailored to the needs of unquoted companies operating as a vehicle to facilitate transitions in ownership and management of family enterprises and SMEs in order to secure their continuity. It encourages business owners to sell their enterprise to their employees and not to a third party and foresees the gradual acquisition of up to 100% employee ownership.

With regards to the advantages for employees the European Economic and Social Committee highlights that through EFP employees can, "voluntarily benefit from remuneration which is supplementary to the income from their labour and/or wage agreed by collective bargaining". EFP offers them the opportunity to build up long-term investment capital, to participate and have their say in the company's strategy for the future. With regards to this point, the European Economic and Social Committee tackles also the subject of employee influence on corporate decisions affirming that, "the employee share ownership may, depending on the way it is structured, lead to participation in decision-making processes, via shareholder voting rights, executed individually or collectively [...] Positive participation by employees based on ownership rights and the resulting sense of responsibility can contribute to better corporate governance and offers the opportunity to exchange suggestions concerning enterprise strategy". A good example of this is workers' cooperatives, particularly when a majority of employees are both owners and workers, because, in compliance with the cooperative values and principles recognised world-wide, all worker-members have full participation rights in decision-making.

Interestingly, and rather innovative is the focused attention on the public sector. The European Economic and Social Committee encourages the development of, "a model which offers the opportunity of financial participation to all vocational groups and forms of enterprise, taking into account the specific situation of the public sector".

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