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DRAFT REPORT

on the role of employee financial participation in creating jobs and reactivating
the unemployed
(2018/2053(INI))

Committee on Employment and Social Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the role of employee financial participation in creating jobs and reactivating the unemployed (2018/2053(INI))

The European Parliament,

- having regard to the Treaty on the European Union (TEU), and in particular Article 3(3),
- having regard to Article 9 of the Treaty on the Functioning of the European Union (TFEU), which requires the EU to promote a high level of employment, guarantee adequate social protection, fight against social exclusion and ensure a high level of education, training and protection of human health,
- having regard to the Council conclusions of 7 December 2015 on the promotion of the social economy as a key driver of economic and social development in Europe,
- having regard to the Commission communication of 2 June 2016 entitled ‘A European agenda for the collaborative economy’ (COM(2016)0356),
- having regard to the Commission communication of 27 March 2014 entitled ‘Long-term Financing of the European Economy’ (COM(2014)0168),
- having regard to the Commission communication of 12 December 2012 entitled ‘Action Plan: European company law and corporate governance – a modern legal framework for more engaged shareholders and sustainable companies’ (COM(2012)0740),
- having regard to the Commission communication of 3 October 2012 entitled ‘Single Market Act II – Together for new growth’ (COM(2012)0573),
- having regard to the Commission communication of 3 March 2010 entitled ‘Europe 2020: a strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to the Commission recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market¹,
- having regard to the Commission communication of 25 June 2008 entitled ‘Think Small First – A “Small Business Act” for Europe’ (COM(2008)0394) and the Commission’s 2008 and 2009 Work Programmes,
- having regard to the Commission communication of 14 March 2006 entitled ‘Implementing the Lisbon Community Programme for Growth and Jobs: Transfer of Businesses – Continuity through a new beginning’ (COM(2006)0117),
- having regard to the Commission communication of 5 July 2002 entitled ‘A framework for the promotion of employee financial participation’ (COM(2002)0364) and

¹ OJ L 307, 18.11.2008, p. 11.

Parliament's resolution of 5 June 2003 thereon²,

- having regard to the opinion of the European Economic and Social Committee (EESC) of 21 October 2010 on employee financial participation in Europe,
- having regard to its resolution of 15 January 2013 on information and consultation of workers, anticipation and management of restructuring³,
- having regard to its resolution of 14 January 2014 on financial participation of employees in companies' proceeds⁴, and the opinion of the Committee on Economic and Monetary Affairs (2013/2127(INI)),
- having regard to the study requested by Parliament's Committee on Employment and Social Affairs entitled 'Employee financial participation in companies' proceeds', which was published in September 2012,
- having regard to the Commission green paper entitled 'Building a Capital Markets Union', published on 18 February 2015 (COM(2015)0063),
- having regard to the Commission's pilot project entitled the 'Promotion of employee ownership and participation', of which the final version was published in 2014,
- having regard to the PEPPER IV Report, entitled 'Benchmarking of employee participation in profits and enterprise results in the member and candidate countries of the European Union', which was published in October 2009 by the Free University of Berlin,
- having regard to the PEPPER III Report, entitled 'Promotion of employee participation in profits and enterprise results in the new member and candidate countries of the European Union', which was published in June 2006 by the Free University of Berlin,
- having regard to the report of 18 December 2003 of the high-level group of independent experts on transnational obstacles to the growth of employee financial participation in transnational enterprises,
- having regard to the PEPPER II Report, entitled 'Promotion of participation by employed persons in profits and enterprise results (including equity participation) in Member States', which was published by the Commission in January 1997 (COM(1996)0697),
- having regard to the PEPPER I Report, entitled 'Promotion of employee participation in profits and enterprise results', which was published in March 1991 by the Commission and the European University Institute,
- having regard to Rule 52 of its Rules of Procedure,
- having regard to the report of the Committee on Employment and Social Affairs (A8-

² OJ C 68E , 18.3.2004, p. 429.

³ OJ C 440, 30.12.2015, p. 23.

⁴ OJ C 482, 23.12.2016, p. 41.

- A. whereas there are several employee financial participation (EFP) models a company can choose from: profit sharing, individual employee share ownership and employee stock ownership plans (ESOPs);
- B. whereas the most appropriate EFP model will mostly depend on the size, activity and status of the company, especially if it is listed;
- C. whereas ESOPs are commonly preferred by employees, because the intermediate entity used can exercise voting rights or other forms of governance on behalf of employees;
- D. whereas EFP schemes involving workers in consultation and decision-making have benefits for the company in terms of sustainable governance, social dialogue and other aspects such as recruitment, retention, absenteeism, motivation and skills development;
- E. whereas EFP schemes could have positive impacts on the economy of Member States by supporting SMEs and the job market;
- F. whereas EFP can contribute to overcoming widespread reluctance among retail investors to invest their savings in shares owing to a lack of knowledge about its benefits and risks;
- G. whereas EFP can help SMEs with respect to business continuity by addressing company succession problems;
- H. whereas EFP, especially ESOPs or similar schemes could act as a shock absorber, allowing bonuses or other rewards to be managed in trusts by third parties, spreading the investment risk among the company's principal shareholders and ensuring that workers have a portfolio of saved shares;
- I. whereas an ESOP is an example of an effective employee buy-out model for non-listed companies in which an intermediate entity acquires the shares for the employees, protecting them from additional risks;
- J. whereas measures are needed to protect employees from facing double risks such as losing their job and the capital invested when their employer is impacted by a crisis;
- K. whereas participation in the EFP should remain voluntary for employees, while not affecting their mobility;
- L. whereas it is generally assumed that fiscal incentives are key elements to promote EFP that could pay off in a medium to long term, considering that countries which have a long tradition of employee financial participation also have the most developed employee ownership and the highest fiscal benefits;
- M. whereas proactive employment policies such as support for self-employment and regular and social entrepreneurship are critical tools for the reintegration of the unemployed into the labour market, in line with the European Entrepreneurship Action Plan adopted in January 2013;

- N. whereas the European Social Fund could support frameworks similar to *Sociedades Laborales* as a supporting active labour market policy throughout Europe;
- O. whereas EFP can be complementary to EU programmes aimed at improving access to capital, especially for SMEs, such as the COSME programme, the InnovFin programme, the Creative Europe programme and the European structural and investment funds;
- P. whereas the European Globalisation Adjustment Fund, which supports re-skilling and EFP, is an avenue for continuously training workers, maintaining their employability and reducing the risks of getting laid off;
- Q. whereas EU guidelines for EFP will help Member States develop EFP schemes throughout Europe, leading to the benefits mentioned above;
1. Calls on the Commission to consider appropriate measures to encourage Member States and companies that show an interest in EFP to develop and offer EFP schemes;
 2. Calls on the Member States to provide incentives, in line with best practice principles, when promoting employee ownership schemes among companies and employees;
 3. Recognises the link between legislative measures at national level favouring EFP schemes and the number of companies and employees using it;
 4. Highlights the transnational obstacles that are faced by both companies offering such schemes in several Member States, and employees, namely discrepancies in legislation and taxation which may impinge on the freedom of movement of workers, which plays an important role in enhancing convergence and integration among Member States;
 5. Calls on the Commission and the Member States to raise awareness as advised in the final report of the pilot project for the promotion of employee ownership and participation from 2014, capitalise on the findings of research projects and encourage the cross-border transferability of best practices, and propose a set of simple, elementary and basic supportive models;
 6. Notes that, to avoid administrative and development costs associated with implementing EFP in corporations and SMEs, there are outsourcing options, but these need to be promoted;
 7. Calls on the Commission and the Member States to promote financial education with respect to retail and equities investment in order to empower EU citizens;
 8. Calls on the Commission and the Member States to engage with social partners, employee ownership organisations and other stakeholders to design the most appropriate EFP schemes, negotiated on a ‘plant-by-plant’ basis and considering the type of company, its workforce and financial situation, but also the national legislation and practices;
 9. Highlights that EFP should be open to all employees on a non-discriminatory basis, regardless of age, sex, trade-union membership, full-time / part-time work

arrangements, etc.;

10. Adds that differentiation between employees may be justified to meet the different needs and interests of the employees, such as restricted shares plans that are confined to executives;
11. Recalls that the decision to join EFP schemes should be based on the informed consent of an employee, fully aware of his or her entitlements, obligations and risks, of the situation of the company and of the taxation effects when joining the scheme and the conditions which apply when he or she leaves the company or the scheme;
12. Considers that EFP benefits should always be complementary to the contractual remuneration and rights;
13. Believes that more links should be developed between EFP and the social economy, especially through programmes such as Creative Europe which offer microloans up to EUR 25 000 to small companies and social businesses;
14. Calls on the Commission and the Member States to consider the rapid evolution and change of the labour market and the consequent challenges regarding skills, digitalisation, automation and, potentially, wealth inequalities, and therefore continuously create new opportunities for the labour force to adapt in order to be financially sustainable and independent;
15. Welcomes initiatives led by directorates-general of the Commission such as DG EMPL, FISMA and GROW supporting employment, SMEs and the capital markets union, and calls for a coordinated approach for the best use of available resources, remembering that the final beneficiary is the European citizen;
16. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

In the last 30 years, employee financial participation (EFP) has developed a lot through Europe. In 2018 there are around 10 million employee shareholders in Europe and 20 EU countries have some sort of EFP incentive regulation⁵. 2017 was a record year for EFP with nearly 400 billion euro held by employees⁶.

Nevertheless, the development of employee share ownership is geographically unbalanced within the European Union, with a lag of 30-40 years between lead and late European countries. These differences between Member States can be explained by the existence or not of adequate legislations. For instance, in some countries like Czech Republic, Estonia or Slovakia, employee share ownership plays no major role in the economy and none, or very few, policies were implemented by the Member State. On the contrary, significant fiscal incentives favouring employee share ownership can be observed in 15 countries of the EU (only 12 in 2015), like Spain, France, Sweden or Cyprus. Other countries also provide a legal framework for employee ownership schemes but without any fiscal incentive⁷.

Employee share ownership has a potential to stabilise the European economy as a whole. Studies from the US clearly show that companies offering their employees a stake of the business capital create more jobs than companies that do not have the same instruments in place. Employee shareholders accumulate more assets for retirement purposes, receive better wages and are less likely to become unemployed compared to other employees. As income of private households currently depends highly on wages, employee shareowners benefit from raising capital incomes, which decreases wealth inequality in the society⁸.

ESOPs, in the United States, for instance, have been found to boost sales and employment by more than 2%⁹ a year compared to similar companies without ESOPs. Productivity increases of up to 4-5% on average in the year an ESOP is adopted¹⁰. In Europe, it has been proved that, also, the social performance of a company having employee share ownership is 52% higher than in companies which have neither an ESOP nor employee savings plan¹¹.

The demand for EFP is growing in the EU and it has proven its benefits¹². A clear set of broad

⁵ Annual economic survey of employee share ownership in European countries in 2016, EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP (EFES), 2017

⁶ Annual economic survey of employee share ownership in European countries in 2017, EFES, 2018

⁷ EFES position paper responding to the public consultation on the CMU Mid-term review of 2017 entitled "Employee share ownership for building the Capital Market Union – Again: the need for a European Action Plan".

⁸ Employee Share Ownership as Pivotal Part of the Capital Markets Union, Deutsches Aktieninstitut e.V., Position Paper, 16 March 2017

⁹ <https://www.nceo.org/articles/research-employee-ownership-corporate-performance>

¹⁰ <https://www.nceo.org/articles/research-employee-ownership-corporate-performance>

¹¹ http://archives.strategie.gouv.fr/cas/system/files/na210-performancesociale-2011-02-21_0.pdf

¹² « The Promotion of Employee Ownership and Participation », 2014,

http://ec.europa.eu/internal_market/company/docs/modern/141028-study-for-dg-markt_en.pdf

and simple EU guidelines would allow for a level playing field for the use of EFP and the spread of its benefits throughout Europe.

The promotion of employee ownership and participation study released in 2014 analysed a range of policy options including a five point action plan: 1. Launch a Virtual Centre, 2. Set up a Commission Expert Group, 3. Implement an Action Programme to raise awareness, 4. Launch of Code of Conduct, 5. Legislative proposal for a Common Optional European Regime.¹³

The EU 2020 strategy on a smart, sustainable, and inclusive growth highlights the need for inclusive growth, which amongst other things empowers citizens through employment, investing in skills, fighting poverty and modernising labour markets and social protection. EFP offers tangible means in this respect by involving workers more in the decision making of the companies they work for, helping to strengthen their skills and employability, ensuring a share of the financial benefits and fighting capital concentration, reactivating the unemployed and creating jobs. If we combine it with social economy tools such as microcredit in order to strength job security and prevent relocations, support SMEs in business succession, access to capital and skilled workers, the positive outcomes are only to follow.

Overall participation in EFP schemes is nevertheless still relatively low. Despite the increases in interest, 68% of the firms in the EU do not provide any type of EFP scheme¹⁴. Without asking for new legislative instruments at EU level, this INI report aims to stimulate the development of EFP in Europe by:

- highlighting the potential of these schemes for both workers and their employers with respect to growth and social protection, along with the obstacles the Commission and Member States need to work on;
- suggesting a number of measures which could be taken at the Union level to facilitate EFP such as the need for awareness raising campaigns, exchanges of best practices platforms, citizens financial education, more transparency and information, more incentives and a reflection on transnational obstacles.

¹³ Promotion of employee ownership and participation proposals for the European action plan, EFES, 2014, <http://www.efesonline.org/EUROPEAN%20COMMISSION/2015/EFES%20Proposals%20for%20the%20European%20Action%20Plan.pdf>

¹⁴ Presentation on the Pilot Project on Promotion of Employee Ownership and Participation, 2014, <http://www.europarl.europa.eu/document/activities/cont/201411/20141107ATT92852/20141107ATT92852EN.pdf>