

BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPEAN COUNTRIES

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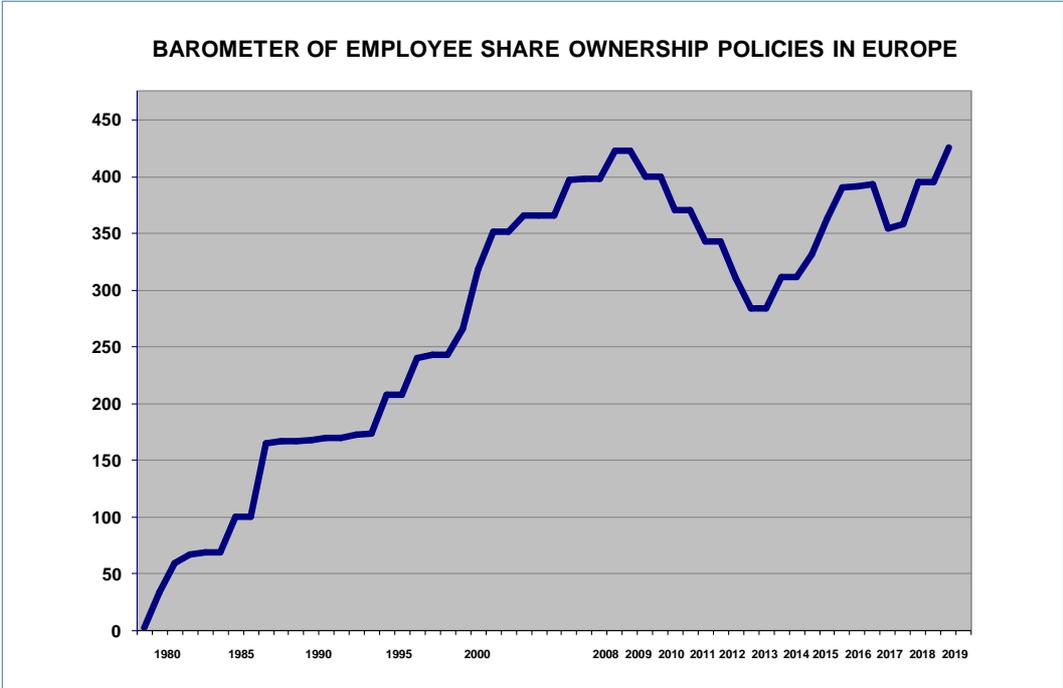


BAROMETER OF EMPLOYEE SHARE OWNERSHIP POLICIES IN EUROPEAN COUNTRIES

ABSTRACT

All recent policy developments in Europe pave the way towards higher incentives for employee share ownership, **leading our barometer to a new high**. The large-scale development of employee share ownership brings better motivation, productivity, profitability, higher growth, more and better jobs. This is good for all. But it depends on policy will to initiate the virtuous circle through appropriate fiscal incentives. Before 2009, the barometer showed a continuous increase, practically all policy decisions being positive. A negative phase occurred from 2009 to 2013. Since then, most policy decisions are positive again. In 2018, significant incentive policies are in application or in preparation in 20 European countries. This number had never been higher before. And the growth in the number of employee shareholders in Europe is back. Good news for all Europeans.

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NEW DEVELOPMENTS SINCE THE PREVIOUS EDITION

All recent policy developments in Europe pave the way towards higher incentives for employee share ownership, leading our barometer to a new high.

In addition to the two existing employee share schemes in Austria, a third scheme was introduced on 1.1.2018 providing exemption of tax and social contribution up to 4.500€ annually. In France, the employers' social contribution on restricted share units was reduced again from 30 to 20% in 2018. The Key Employee Engagement Programme was introduced in Ireland – a share options incentive scheme for SMEs aimed to support SMEs to attract employees in a competitive international labour market, providing a favorable tax treatment for stock options. The Netherlands apply a favorable tax treatment of stock options for employees of innovative start-up companies since 1.1.2018. Sweden provides tax exemption for shares received as Christmas, anniversary or special memorial gift, and easing of taxation of stock options in start up companies. Denmark applies higher exemption of salary taxation for broad-based employee share plans since 1.1.2018. Finally, France took the decision to double its employee share ownership by 2030 and the new "PACTE" Law will organize the first steps in this direction in 2019.

As all barometers, this one announces the future. The positive trend of our barometer since 2013 announced the resumption of growth in the number of employee shareholders in Europe, which is a reality since 2016. Good news for all Europeans !

BACKGROUND

After increasing strongly and continuously since 1980, the number of employee shareholders in Europe was slightly declining from 2010 to 2014, before rebounding recently¹.

The decline from 2010 to 2014 was partly due to the impact of the European financial crisis that erupted in 2008. However, the impact of the policy decisions taken in European countries was probably the most important factor.

It is known that the large-scale development of employee share ownership depends mainly on incentive policies².

The large-scale development of employee share ownership brings better motivation, productivity, profitability, higher growth, more and better jobs. This is good for all. But it depends on policy will to initiate the virtuous circle through appropriate fiscal incentives. A recent study showed that the balance of fiscal costs and benefits of the ESOP policy for the US federal budget in 2015 was \$2 billion (costs) compared to \$17 billion (benefits), a net gain of \$15 billion for the federal budget³.

After 2008, some European countries took negative decisions, removing or decreasing fiscal incentives, which led to a decline of the number of employee shareholders. Some other European countries took the opposite way, applying new or higher incentives, which led to a higher number of employee shareholders.

In 2009-2012, France and Ireland reduced their fiscal incentives, as well as Denmark, Greece and The Netherlands, where all incentives were removed.

In contrast, significant policy progress occurred in the UK in 2014-2016, as well as in Spain, in Hungary, in Austria (which doubled its fiscal support on 1.1.2016), and in Romania and Iceland.

In addition Denmark restored in July 2016 the incentives that were removed in 2011. This is typical of the recent changes in European policies: One of the first deeds of the new Danish Government in 2011 (Ms Thorning-Schmidt, socialist) was to remove all incentives. One of the first deeds of the new Danish Government in 2016 (Lars Rasmussen, conservative-liberal) was to restore them.

More recently, Norway doubled its fiscal support on 1.1.2017. Finally, Vice-Prime Minister Morawiecki announced a long-term plan in five points for the development of Poland, including employee share ownership, and a new Polish "Forum for Employee Ownership and Domestic Capital Development" was set up in April 2016.

All these policy decisions in various European countries, in a positive or a negative way, can be summarized through a single tool. This is the reason of the setting up of the EFES "**Barometer of employee share ownership policies in European countries**".

¹ [Economic Survey of Employee Share Ownership in European Countries in 2017](#), EFES, Brussels

² [Fiscal incentives are indispensable prerequisites for the development of employee share ownership](#), EFES, Brussels, 2014

³ [The Impact of Employee Ownership and ESOPs on Layoffs and the Costs of Unemployment to the Federal Government](#), Corey Rosen, NCEO, Oakland, 2015

Since 2009, all policy decisions taken in European countries can be found in the table of "Recent policy decisions regarding employee share ownership in European countries", available on the EFES website⁴. All decisions are recorded thanks to cooperation with leading specialized international law firms⁵.

Before 2009, all policy decisions taken in European countries, from the first one in 1962, were recorded based on the history of legislation in each European country, as described in the Pepper IV Report⁶ and by specialized international law firms.

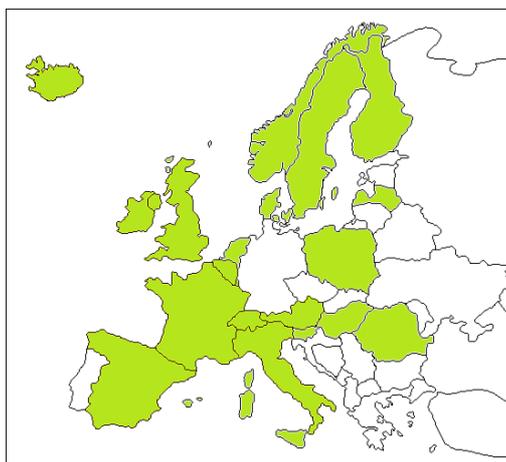
Each policy decision is weighted by the relative weight of each country in the assets held by all employee shareholders in the 31 European countries (28 countries of the European Union, plus Iceland, Norway and Switzerland), leading to the "barometer".

It is a true barometer, because it is based on policy decisions, which will later have real impacts. It announces future developments. For instance, the barometer declined from 2009, while the number of employee shareholders declined from 2010.

The barometer shows that policy decisions were mainly negative from 2009 to 2013. Since then, most policy decisions are positive again and in fact, we see the swelling wave that was already announced in 2013⁷.

Before 2009, the barometer showed a continuous increase, practically all policy decisions being positive. Two periods have to be highlighted, with a stronger increase: 1983/1987 (Margaret Thatcher in the UK, Edouard Balladur and privatizations in France) and 1998/2001 (eight European countries applying higher or new incentives on options and restricted share plans: Austria, Belgium, France, Greece, Ireland, Italy, Norway, UK).

In 2018, significant incentive policies are in application (or in preparation as in Poland) in 20 European countries (on which 18 EU countries). This number had never been higher before.



The EFES Barometer of employee share ownership policies is published every six months, through [this webpage](#).

⁴ [Recent policy decisions regarding employee share ownership in European countries](#), EFES, Brussels.

⁵ [Virtual Center for employee ownership and participation](#), EFES, Brussels.

⁶ [The Pepper IV Report](#), Inter-University Centre Berlin/Split, Berlin, 2009.

⁷ [A new wave for employee ownership in Europe](#), EFES Newsletter, Décembre 2012

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The EFES' objective is to act as the umbrella organization of employee owners, companies and all persons, trade unions, experts, researchers, institutions looking to promote employee share ownership and participation in Europe.

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