

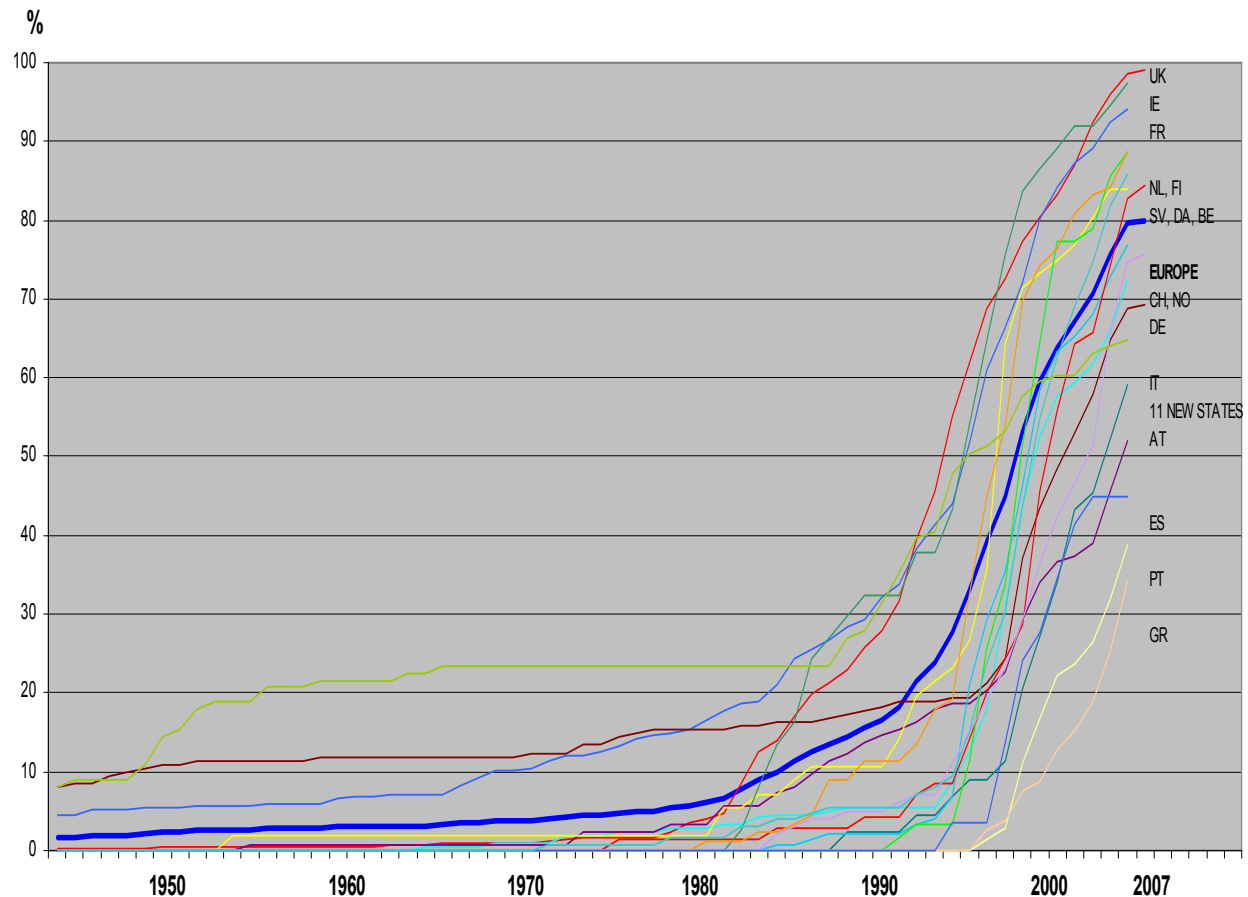
## A political roadmap for employee ownership in Europe

What should be done at European level to promote the development of transnational employee share plans across Europe? Should we set up a European model for employee financial participation?

These are the questions answered by Marc Mathieu, Secretary General of the European Federation of Employee Share Ownership, within the framework of the French Presidency of the European Union, organised by the MEDEF in Paris on October 17.

The answer can be seen as a roadmap for employee ownership in Europe on the threshold of 2009.

Let's first and beforehand have a look at the picture of the development of employee share plans in large European companies. This is highly fascinating. It is a general movement, involving all large companies in all countries. A strong, quick and sudden movement. 10% of all large European companies had employee share plans in 1986, 20% in 1994, 40% in 1999, 80% in 2006... When considering recent trends, we can predict that employee ownership is likely to double within the next few years.



Based on this observation, our answer rests on 6 points, Marc Mathieu said.

1. Question number one: Europe must be given competence in the matter. But it is not the case so far. As we can see it all large companies are going in the same direction, in all countries. However, when considering the states, it is still everyone for himself. This general trend does not get any political accompaniment. In a number of states you do have legislations but even there, such legislations and share schemes are of unequal quality. Giving Europe competence means giving Europe a policy, a budget, an administrative body... This the heart of the matter !!! The development of employee ownership has to be encouraged. Employee ownership should more effectively be associated to the governance and management of European companies.

2. Do we need what you call a "European model"? Yes we do. But let's be quite clear about it. France has now a 50-year-old excellent legislation. The United Kingdom has now a 30-year-old excellent legislation. Is France going to put its excellent legislation aside? Are French companies going to abandon their schemes for a new model, even a European one? Of course not. French companies will continue to work first with their basic schemes, those being available for most employees at their main location, and thereafter extrapolate and translate to their other locations in other countries. And this is precisely the place for a common model. Instead of translating in 26 other ways we should have a single, complementary model, available in all countries.

3. Of course, neither the UK nor France would give up decades of excellent legislation. Nevertheless, at the same time, France and UK are the first countries concerned as they host 40% of all large European companies! So the third pillar of my answer is the following one: Reciprocity and mutual recognition. French companies should be allowed to implement their own schemes in the UK, while British companies should be allowed to implement their schemes in France. France and the UK should work hand in hand to that end. You are the parties principally involved, you also both have the most complex and excellent legislations, which you would not give up. I think it is essential that the main parties concerned should develop ways of mutual recognition.

4. What should the above mentioned single European model be like? We can draw our inspiration from the Renault "Logan" model. It is rustic, robust, all-purpose, cheap... This is what we need in Europe. You cannot transfer 50 years of good legislations overnight. Trying to do so would generate monsters. You have to work block by block as in a "building block" approach, with simple blocks. What would be the "Logan" model for employee ownership, the simple, basic block? It should be possible for an employee in each European country to purchase shares in his company, up to 5.000 €, every year, with a 20% discount free of tax and social security. This is the simple model that should be available in all countries. This could be a big step forward for Europe.

5. Let's compare several European countries with respect to this basic 5.000 € block with a 20% discount free of tax. This is far below France or the UK. On such scale, you can see France with 22.000 €, the UK with 12.000 € while many countries have no legislation at all and others are far below: Norway 950 €, Austria 2.500 €... Here is why we urge the European states to take action, with some good success: Slovenia, for example, voted a legislation in February 2008. Until now, Germany was at 650 € (compared to the 5.000 € we are discussing here). It will move to 1.800 € in 2009. It may seem low but it is really a good step forward. Austria will probably move from 2.500 to 5.000 € in the near future. Now it is time for Italy and Spain to wake up !!!

6. My sixth point deals with the SMEs. The USA had a stroke of genius 35 years ago when adopting the ESOP (employee stock ownership plan). This model applies mainly to the transmission of businesses to employees (transmission of family-owned business, rescue of failing businesses). Of course, it can also be implemented in other cases, but this is the biggest part. In this way, in 35 years, the USA were able to develop a strong employee ownership culture, combining information, spirit, finance and management on a wide scale.

There is nothing like this in European countries. Here, we are still on free, open field, all European states being even. This could make things easier.

Of course, you can transfer employee financial participation schemes from large companies to small and medium sized ones (for example the French "intéressement"); it could probably do no harm but this is not the right issue. The needs, the key issues of SMEs are not the same as of the ones of large companies. Schemes, employee participation plans, legislation are totally different. Of course, you can try to transpose, but it is not the right issue, you need something else. This is what the USA did and this is what we lack in Europe. Therefore, here also, there is a space for a European model. We encourage Europe to promote a "European ESOP". For the rebuilding that will follow the present crisis, it will be an extraordinary asset for the USA. We need that too.