

THE PRESIDENCY OF THE EUROPEAN UNION SUPPORTS EMPLOYEE OWNERSHIP AND PARTICIPATION



REPORT OF THE INTERNATIONAL CONFERENCE

BRUSSELS, NOVEMBRE 23, 2001



**EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP
FEDERATION EUROPEENNE DE L'ACTIONNARIAT SALARIE**

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EGMONT PALACE, MINISTRY OF FOREIGN AFFAIRS

EFES – the European Federation of Employee Share Ownership organized an international conference on 23rd November 2001, with the support of the Belgian Presidency of the European Union, under the high patronage of Mr Louis Michel, Vice-Prime Minister and Minister of Foreign Affairs of the Kingdom of Belgium.

This high level international conference made it possible to affirm the political will to develop employee share ownership and participation in Europe.

Financial participation has been a positive factor for economic and social dynamics in all areas of the world where it has been encouraged. In Europe, much remains to be done in this field. The implementation of best practice in employee share ownership and participation could result in an additional million jobs at the pan European level. In any European strategy, employee share ownership must be regarded as a major axis.

The European Social Agenda invited the European Commission to publish, before the end of 2001, a Communication on Financial Participation and an Action Plan. Accordingly, the Commission organized a broad consultation, collecting over a hundred opinions, including those of EFES, ETUC (European Trade Union Confederation) and UNICE (Union of Industrial and Employer's Confederations of Europe), which are reproduced in full in the appendices.

In his address, Belgian Minister for Finances Didier Reynders, stressed:

" I make a point of encouraging the European Commission in the development of its next Communication on Financial Participation and the Action Plan which will accompany it. I also make a point of congratulating EFES on the organization of this international conference and I applaud the work undertaken by its members in recent years.

Indeed, since its creation, EFES has made a major contribution to the advancement of employee share ownership and employee participation. In support of this I would ask that you note the recent response (October 23, 2001) by EFES to the working paper of the Commission staff relating to " Financial participation of workers in the European Union ". EFES insists in particular on:

- *the installation of a permanent working party composed of representatives of both sides of industry and associations of employee shareholders, members of the European Parliament, experts of the Commission and representatives of the Member States;*
- *the implementation of a European program with adequate financing in order to promote the exchange of information, good practice and training;*

- *the creation of a European Institute for employee share ownership and participation.*
One can only stress all the added value of these proposals."

As a conclusion to the conference, in which the representatives of eleven European governments and some 200 participants took part, EFES has written a "Declaration of the Conference", (reproduced in the conclusions).

The President of the European Commission Romano Prodi, and the Belgian Presidency of the European Union, in the person of Prime Minister Guy Verhofstadt, expressed their personal support. Their letters are reproduced in the appendices.



Brussels, Egmont Palace

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Pierre Vanrijkel welcomes Minister-President François-Xavier de Donnea

Morning

OPENING SESSION

François-Xavier de Donnea, Minister of State of the Kingdom of Belgium and Minister-President of the Brussels-Capital Region.

In his opening speech, the Minister-President expressed his wish that the work of the conference would prove to be profitable for all participants and thanked the initiators of the conference for their perspicacity: It was sensible to take advantage of the Belgian Presidency of the European Union to organize this significant day of reflection in Brussels.

" I think that all new forms of participation and share ownership have to be encouraged, in particular by political leaders, and I am happy to give the support of the Brussels-Capital Region". Mr. de Donnea indicated that Belgium was illustrated by a visible political interest and the adoption of a specific new law, as with some other countries of the European Union. But it is regrettable that Europe is not more involved. The European Parliament shows an interest but the European Commission does not seem sufficiently convinced. Many examples however show that employee share ownership is very effective and companies will come to testify in the afternoon.

Employee share ownership is a key factor for economic prosperity and could prove to be a very useful practice in period of recession. It could have an impact on the GNP and create jobs.

The Minister was also happy to greet the representatives of the candidate countries: their presence showed their desire to use the same economic instruments as those of their future partners " *within a Europe increasingly growing, increasingly more prosperous and more politically united.*

Pierre Vanrijkel, President of EFES, European Federation of Employee Share Ownership

The President welcomed the participants on behalf of EFES and addressed his thanks to the public authorities and to the sponsors who had supported the conference.

EFES :

The European Federation of Employee Share Ownership is a not-for-profit international association, founded in 1998 in Brussels by a congress that brought together 248 people from 28 countries. EFES is aimed at a broad brush of people and organizations: representatives of the governments, Members of the European Parliament, trade unions, organisations representing employee owners. Among the members, EFES contains

individuals, companies, businessmen, associations and federations, researchers, trade unions, experts from the majority of the countries of Europe and the rest of the world (e.g. South Africa, Japan, China, India).

The board of directors of EFES is composed of 22 members of 14 different countries and the executive committee is composed of 7 people who meet monthly.

When EFES speaks about participation, it understands the participation of workers in the company in its broadest sense, not only financial participation, but also multiple forms of participation in management. This distinction is of great significance.

Employee share ownership and participation are key elements for the social and economic development of all the areas of the world and more particularly for a strategy of employment in Europe. We know that its impact of 1% on the annual growth of the GNP can result in an increase of million jobs into Europe.

Financial participation has its origin in the Eighties. It covers a whole range of practices, sometimes contradictory or having outlived their original purpose.

One of the objectives of EFES is to put forward to the European Commission all possible measures to promote employee share ownership and participation in Europe.

The program of EFES calls upon the European Commission particularly, in its next Action Plan for the following:

- the installation of a permanent working party;
- a European program equipped with adequate funding;
- the creation of a European institute for employee share ownership and participation.



Marc Mathieu, François-Xavier de Donnea, Pierre Vanrijkel

Marc Mathieu, Secretary-General of EFES

The Secretary-General states that the principal aim of the conference is to express a common political will for Europe, because the current one is not sufficiently advanced as regards employee share ownership.

In the best of the European cases, we are in a ratio from 1 to 10 compared with the United States (employee share ownership accounts for only 1% of the capital of companies, whereas in the United States, it is 10 %).

However, employee share ownership has a positive impact on economic and social results. EFES argues that it should be regarded as essential in a European strategy for employment. This is why, in the conclusion to the conference, it will address a message to the European Presidency, the European Commission and the European Parliament.



Marc Mathieu

Morning

Plenary session

THE BELGIAN PRESIDENCY OF THE EUROPEAN UNION ENCOURAGES THE NEW DEVELOPMENTS OF POLICIES PEPPER

Marc Mathieu, Secretary-General of EFES

EFES is delighted by the new awakening and the support expressed by the Belgian Presidency of the European Union.

Belgium adopted in March 2001 a new legislation on financial participation. This law is exemplified by:

- the consensus of all the interested parties, including trade unions, employers, etc;
- speed: 18 months were enough to adopt the new law;,
- quality: the vote was unanimous and the law is in perfect conformity with PEPPER principles of the European Union.

Didier Reynders, Minister for Finance of the Kingdom of Belgium

(the PowerPoint presentation is available on request by e-mail to the secretariat of EFES).

1 - General framework for participation

The objectives are a Belgium:

- more efficient, primarily by improved access to financial markets e.g. the integration of the Belgian market in Euronext (bringing together the Stock Exchanges of Amsterdam, Brussels and Paris), and the next installation of reform on the supervision of the markets.
- More accessible for investors e.g. the reform of the taxation on capital, people and companies.
- More modern, thanks to the integration of reforms such as the management of pensions

(in terms of 2nd pillar of pensions), and the participation of workers (which leads to another way of managing relations between capital and labour within companies).

In the political, economic and social debate, one tries to weigh the decisions on social matters against those on tax matters. Similarly, one attempts to balance company and employment issues. However, the participation of workers in companies' results (if possible in capital and in shares) is one of the many ways of bringing the world of work closer to the world of risk taking.

Within this framework, to introduce participation is very useful because it strengthens the performance of the firm in the context of competition and the single market.

Because, to maintain the companies growth and its profitability, as well as the well-being of workers and the improvement of their standard of living, participation is an encouraging element. The improvement is also measured in terms of quality of management and greater transparency.

This idea is not new. Indeed, the European Commission (EC) supports financial participation (Reports PEPPER I and II, and Recommendation of July 92). But this one makes great new strides, in particular, with the will to involve more people: more workers and also SMEs. A concrete example is the adoption, on October 8, 2001, of the regulation (N°2157/2001) relating to the statute of the European Company, supplemented by Directives (2001/86/EC) on the participation of workers (texts published in the Official Journal of November 10, 2001).

The Minister for Finance *" is delighted by these projections and hopes for an additional step with the setting-up of a true legal statute of the European company, related to a tax statute "*.

The Belgian Presidency encourages the Commission in the development of its next Communication on Financial Participation and Action Plan.

It congratulates EFES for what has been accomplished over recent years and refers to the views of EFES in response to the working paper of the EC on financial participation. The response by EFES has the merit that it insists on a number of tools which it deems necessary to make progress (like a permanent working party, a European institute, the financing of communication and exchanges of good practices). *" Because, once the script exists, it is important to encourage the various actors to use them and to implement them within the companies "*.



Reception of Minister of Finance Didier Reynders

2 - Belgian legal Arsenal

The Minister of Finance stressed that Belgium had lacked an instrument which makes it

possible for all workers to enter into the reality of participation, as is the case in the United Kingdom, in France, in the Netherlands and in Germany.

The law of March 26, 1999 organizes stock options plans, which touches rather senior executives. The law of July 18, 1991 makes it possible for companies to issue shares to their employees, within the framework of an increase in the company's capital.

As of its taking office in 1999, this government expressed the will to set up a rationale of participation open to all, with a legal framework which enables the worker to benefit from a regime of participation in the capital and profits, without changing the former legislation. The new system is different from the preceding, because there is no funding by the employees.

Main points of the law of May 22, 2001 relating to the participation of workers in the capital and profits of companies:

- 1 - The participation plan is on the initiative of the company (without any obligation).
- 2 - It is the result of a collective dialogue between employers and workers (collective agreement which relates specifically to participation). If the firm does not have trade-union recognition, it results from a plan of accession worked out within the firm.
- 3 - It takes a double form:
 - a - participation in profits: advantages in cash, contribution of social security of 13,07%, comparable tax with income tax of 25 %;
 - b - participation in capital: advantages in shares, without any social security contribution, a tax of 15% retained at source.
- Significant remark: in a) the advantages are compared to incomes and are taxed as such, in particular as regards social security. In b) the advantages are compared to capital and gains subject to tax.
- 4 - The total amount of the allowances cannot exceed 10% of the total gross wage bill of the company or 20% of the profit and is subject to capital gains tax for the accounting year concerned.
- 5 – Shares must be held for 2 to 5 years. Tax of 10% in the event of non-compliance.
- 6 - SMEs can offer their workers a savings/investment plan. The participating workers see themselves allotting part of their returns as a secured loan to the firm, with an agreed interest rate. It is a provision of these funds in the firm, that they must immediately be invested in fixed or secured assets. This form of participation guarantees the link between the firm and its employees without putting in danger the control of the shares within SMEs, because there are no voting rights related to the participation.
- 7 - The plan must be offered to all workers (different from stock options plans or individual motivation) and aims at stimulation of the performances of all employees.
- 8 - The formula is predetermined. It must ensure transparency in the management (*corporate governance*) and the quality of information within the firm. It is not a wage substitute but a profit-share.
- 9 - The plan places at the disposal of workers, participation either in the profits in cash, or in capital, or both (the distribution must be predetermined). The law provides for the installation of a co-operative company as the means of management of the shares, with significant decision making powers.
- 10 - The tax treatment is advantageous in both cases (cash or participation in shares).

For the company: the sums allocated for financial participation are deducted, like dividends, after corporation tax (and thus non-deductible fiscally like professional charges of the firm, nor social security contributions. But the half of the corporation tax relating to

the financial participation element will be paid to the social security department (internal re-financing within public authorities).

For the worker: taxes related to incomes from participation schemes are not deductible against income tax. This law installs a tax regime which is more favourable than that of traditional income tax. The participation in capital is more favoured than participation in profits.

The workers collect a net income and deduction at source is the responsibility of the employer, in an attempt at administrative simplification. The law does not subject participation plans to the financial controls required for public subscriptions (prospectus). All employers subject to social security contributions in Belgium are affected.

3 - Conclusion:

The legislation tries to satisfy the claims of both sides of industry. The plans are equitable and must be offered to the all employees. The system is consistent with the social rights of workers. The objective is to enable participation in decision-making. The tax and special taxation treatment is definitely favourable. Today, 5% of the workers are covered, Belgium wants to arrive quickly at 25%, as in France.

" Such a project makes it possible to improve the management, performance and transparency of the company. Participation of workers should also try to reconcile the world of investment and that of work, and to show, that through economic development, they have common objectives ".



François-Xavier de Donnea, Didier Reynders

Morning

Plenary session

THE EUROPEAN COMMISSION LAUNCHES NEW INITIATIVES ON PEPPER

Marc Mathieu, EFES

Employee share ownership and participation are on the European social agenda. The European Commission will be producing a Communication on Financial Participation and an Action Plan. To this end, it launched a wide consultation.

For recall, in its response, EFES sought:

- the installation of a permanent working party;
- a European program with adequate financing;
- the creation of a European institute for employee share ownership and the participation.



Rosendo Gonzales Dorrego

Rosendo Gonzales Dorrego, Director, European Commission, DG Employment & Social Affairs, Directorate of social dialogue, social rights and equality

The working paper of the Commission on financial participation, published in July 2001, produced a hundred responses. All opinions seemed to converge to require the development of an action plan. The Commission is on the point of presenting its Communication and its Action Plan in the first days of 2002.

What are the contributions of the consultation?

Financial participation can have concrete advantages for companies and workers: increase in motivation, productivity, improvement in social relations. It will be necessary nevertheless to identify the definite needs of workers and to bring their interests closer with those of the firms.

Observations:

- more and more visible interest of Member States and adoption of new legislations. Obvious interest of the new Belgian law.
- Awakening in the companies about the advantages of financial participation (it is an element to recruit and keep employees).

All these elements are encouraging.

Actions of the European Commission (EC)

1991: publication of Report PEPPER I

PEPPER I was a first comparative study on financial participation in the Member States. On the basis of this report, the Council of Ministers adopted a Recommendation in 1992, which had little impact. Only France and the United Kingdom improved their, already significant, legislation.

In spite of the improvement in productivity related to participation, the approach of the Member States did not change, there were few exchanges of good practices and communication between the States. The obstacles to the diffusion of trans-national projects remain. On this basis, the EC re-launched the debate.

The synthesis of the working paper of the EC releases 3 strands:

A - General principles (accepted in a broad way in the consultation):

- 1 - Voluntary plans for companies and workers.
- 2 – Widest participation of workers as possible.
- 3 - Good information to workers.
- 4 - Transparent management of participation plans (predetermined structure, regular projects, limited risks).
- 5 - Distinction between wage remunerations and results of financial participation (no substitution for wages).

B – Transnational obstacles:

- 1 - Tax: differences in taxation systems, double taxation, obstacles to mobility, differences in the contributions to social security, differences in the laws of work... It would be more logical that trans-national companies establish a single type of participation for all their subsidiaries, especially in the context of the new statute of the European company.
- 2 - Legislations: miss harmonization of legislation as regards social security, accounting, etc.

C - Actions to be carried out:

- 1 - All responses required the Commission to continue to develop and support the broadest possible exchanges of good practices.
- 2 - An exercise of *benchmarking* must be made as regards legislation, with due regard to the principle of subsidiarity. The aim is not to endanger competences of States but to try to harmonize the legislation of Member States, to make financial participation possible within the framework of the single market.

The EC will take account of the following remarks:

- 1 - The tax level is a very difficult topic, unanimity is impossible to reach. Harmonization is not necessary; it is necessary to be able to bring closer the existing systems and to state general lines and principles (like the timing of taxation and other elements). The reflections are in hand at DG Employment and DG Domestic Market.
- 2 – Gaps in the document: specific problems encountered by SMEs, as well as the development of the mechanisms of participation towards the non-profit sector (NGOs, public administrations... which are significant employers in Europe).



Marc Mathieu offering a tree (EFES' symbol) to Minister for Finance Didier Reynders

Morning

Plenary session:

THE EUROPEAN STATES SUPPORT PEPPER POLICIES

Marc Mathieu, EFES

Following the addresses of the Belgian Presidency of the Union and of the European Commission, it is now the turn of the representatives of the European countries to speak. Eleven European governments are represented within the conference...



Jean-Claude Guéry

1 - FRANCE

Jean-Claude Guéry, Social Adviser, Directorate of Treasury, Ministry of Finance

A - Where is France regarding participation and employee share ownership?

The new law on wage savings (i.e. financial participation) was voted in February 2001 (the first legislative text going back to 1959).

The objectives of the reform are:

- 1 - The implementation of these provisions in companies (currently only 1/4 to 1/3 of French employees are concerned) so that, in the long term, practically all employees could take part.
- 2 - The lengthening of savings duration, now blocked at 5 year holding period, with a new 10 year holding period, with additional welfare and tax benefits.
- 3 - The development of employee share ownership thanks to tax advantages, to capital increases reserved for employees, to the increase in representation of employee shareholders on the boards of directors of companies and in the management committees of the companies investment funds (supports of wage savings).

Employee share ownership is regarded as a significant means to align employees to the growth of the company. The law was adopted because it is regarded as good for employees (linked to company profits), for companies (management tool which increases productivity), and for the economy as a whole (competitiveness of companies).

B - What are the expectations at European level?

The French government favours a European initiative because:

1 - Employee share ownership supports economic growth.

" If the advantages of employee share ownership are obvious, it is in the interest of all that these plans are spread more and more. However, it is not the case in all countries of the European Union "

2 - Employee share ownership and participation are significant elements of a policy of modern and attractive remuneration.

Companies are increasingly European and global and they need social policies, and, in particular, the most harmonized remuneration policies as possible. Today, they encounter serious difficulties for the installation of plans at the European level e.g. tax level (and social security) and legal (financial and stock exchange laws, rules of public appeal to savings, recognition of investment funds...).

The government favours a European initiative the purpose of which would be to identify common principles and to knock down the most significant obstacles.

France would recommend its approach to implementation, which involved a very thorough dialogue between all actors: companies, employees and trade unions, associations of employee shareholders (the FAS – French Federation of Employee Shareholders' Associations) in order to lead to the construction of a harmonized system.

Marc Mathieu, EFES

EFES greets the significant initiative which has just been taken in the United Kingdom, with the creation of the *Employee Share Alliance*. This round table brings together the representatives of the government, trade unions, employers and all organizations promoting employee ownership in the United Kingdom. An example to be followed in all countries...!



Joanna Reed

2 THE UNITED KINGDOM

Jo Reed, Adviser, Department of Trade and Industry

A - Benefits of the British experience:

The advantages of employee share ownership plans are obvious with regard to increases in productivity. They are maximized when there is participation in decision-making. Financial participation is a significant means to increase the involvement and motivation of the employees and to build up loyalty.

Example: a printing company used this means to attract the best qualified people when it couldn't offer higher wages than its competitors.

In the United Kingdom, 5.000 companies use financial participation plans, representing 3.500.000 employees.

It is important that the European Commission understands the obstacles which prevent companies from launching such plans and that it considers the means of increasing scheme uptake.

The United Kingdom lays great store by the exchange of experiences and it is delighted at being able to share its experiences with the other Member States. The UK is well disposed to welcoming delegations and to demonstrate the operation of employee share ownership in the UK.

B – Share Incentive Plans:

All employee plans introduced by the government in 2000 were made on the basis of consensus between companies (including SMEs) and trade unions. The aim is to promote employee share ownership in the long run.

The tradition of tax advantages is well established. The new plan tries to reduce tax costs for companies and employees as much as possible. 500 enterprises subscribed. 40% of them are not quoted on the stock exchange. Financial participation through this new plan will rise to more than one million people. We try to promote it in SMEs and also in the non-profit sector.



Dr. R. Gerritse

3 - THE NETHERLANDS

Dr. R. Gerritse, Secretary-General, Ministry of Social Affairs and Employment

In the Netherlands, financial participation is considered from two angles: that of participation and that of responsible development for wages.

The basic legislation for participation is that of the workers councils.

These last years, discussions between both sides of industry related to the influence of financial participation on wages and their flexibility and the economic performance. Both

sides of industry and government were also around the table to consider tax incentives. The Government agrees, Parliament not, and the debates are still in hand.

As a whole, the Netherlands has a good rate of participation, even if the system is rather used by the large companies.

To stimulate employee share ownership at European level, it would be necessary to develop good information and exchanges (on good practices, difficulties, etc).

In the Netherlands, one can notice that participation plans result from private agreements and that the government intervenes only at the tax level.



Päivi Kantanen

4 - FINLAND

Päivi Kantanen, Senior Officer Legal Affairs, Ministry of Labour

In Finland, the general attitude is very positive and interest does not cease increasing. Legislation has just introduced new forms of financial participation.

Since 1990, companies have had the possibility of developing employee share ownership plans. The objectives are to look further into co-operation, to strengthen financial democracy and to develop the competitiveness of companies. One of the last amendments is the introduction of public companies into financial participation plans.

The aim is to increase the profits for the firm and its personnel by means of issuing bonus shares. Personnel and employers discuss together mechanisms and share ownership plans to implement.

The Finnish model takes as a starting point the PEPPER model. Shares had to be held for 5 years, with a reduced tax rate, and 20% penalty for releasing before term.

The new legislation provides for shorter holding periods, that the companies can modulate according to the economic situation. But still many companies do not yet benefit from this system.

The experience of Finland is still in development and it would be interesting to be able to swap the good practices with other partners.



Pilar Vicente Sanz

5 - SPAIN

Pilar Vicente Sanz, Director de Programas, General Dirección of Trabajo

Financial participation is of vital importance in the context of globalisation of the economy and development of trans-national corporations. This conference is an essential framework to expose both sides of industry, the Member States and institutions to other viewpoints. Its objectives appear in the European objective of full employment. It is of particular interest to Spain, as we will assume the European Presidency for the next six-month period. The country has a long tradition of workers participation, mainly through the following formulas:

1 - Stock options

Launched during the process of privatisations, they, unfortunately, started a political debate which diverted attention from the benefits of the participation mechanism.

General framework:

- most agreements are private,
- PEPPER principles are respected,
- there is a relationship with the social reality of the country.

2 – Workers' co-operatives

Workers' co-operatives belong to a long tradition and are guaranteed by the Spanish Constitution.

In the Sociedades Anonymas Laborales (workers limited companies) (law of 1997), there are two types of participation in capital:

- of working members (majority, permanent contract of employment),
- of capitalist members.

The law rules all aspects (for example balance between the two types of shareholders). The legislation is very strict and is controlled at the same time by Ministry of Labour and autonomous Communities. Tax advantages are associated with these formulas.

SALs are not very numerous (+ / - 15.000 firms) but they offer a qualitative aspect of employment which is consistent with the objectives laid down at the Summit of Lisbon. They make it possible to maintain employment at the time of an economic crisis or a process of re-conversion thanks to the contribution of workers.

Marc Mathieu, EFES

Here now interventions of some representatives of governments of applicant countries. Are the applicant countries also interested in new Community initiatives?



Zenon Wyslouch, Tomasz Bogasz

6 - POLAND

Zenon Wyslouch, Director, Ministry of the Treasury

Over 12 years, Poland saw great changes of which one of the key elements was privatisation, with employee share ownership plans closely linked.

The first laws on privatisations were ratified in July 90. They resulted from a social dialogue between government, trade unions and people on the ground.

Various formulas exist and companies can choose the best. All these methods are favourable for employees. For example, 15% of the capital in shares of the company can be privatised and these shares are free for employees.

Specific advantages:

- bank loans with attractive interest rates for purchasing firms,
- employees receive ownership securities and voting rights.

In conclusion:

- 1) There was a great awareness raising and dissemination of information to employees. The government developed programs in the whole country.
- 2) After 10 years, participation is a success for companies which practise it, if one compares them with other types of privatisation. Example: there are no social conflicts.

Employee share ownership is a success. Trade unions (which take part in administration and benefits) and public opinion adhere to this policy. The last developments show the need for implementing a precise legislative framework to further promote participation.

7 - CZECH REPUBLIC

Libor Lukasek, Adviser to the Prime Minister

The economy of the country is very unstable: there are many restructurings, many bankruptcies and liquidations. All companies lay off, unemployment increases, the firms are inefficient

The State is required to make retirement and very significant unemployment payments. When technologies, output, foreign investments are missing, the situation is increasingly difficult at the same time for companies and workers. Social conflicts are numerous. For all

these reasons, it is significant to support financial participation, particularly in SMEs.

The legal framework does not exist. It would be necessary:

- 1 - to create adequate legal framework (for example on employment, social security, the care of health, the code of trade...);
- 2 - to create a model of financial participation which would be appropriate to all economic situations.

A new legislation project is in hand and it would be major progress if it were to be ratified by Parliament and if financial and budgetary support was considered.

These tools would be engines to overcome mistrust and to set up modern methods of management (for example in the process of change to co-operatives, by taking account of the tax context...). An operational legislative framework is essential. The positive results of the first effective cases, as in public services, are encouraging.



Hannes Danilov



Libor Lukasek

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8 - ESTONIA

Hannes Danilov, Secretary-General, Ministry of Social Affairs

To understand the situation in Estonia, it should be known that the key element of the economy is the process of privatisation launched at the beginning of the Nineties.

It started with the purchase of SMEs by employees.

At the time, the law gave the possibility of buying shares at a price lower than the market price: 90% of privatised companies passed into the hands of their workers.

In 1992, there was abolition of these advantages to attract foreign investors.

In 1994, privatisation of SMEs ended. 40% of the shares still belonged to employees.

From 95, privatisation of public firms started with the purchase of shares by top managers.

The topic is rather sensitive in the context of a fast liberalization because there is no consensus between both sides of industry. At stake is the promotion of participation with institutional support and the opening of collective negotiations.

Morning

Plenary session

EMPLOYEE SHARE OWNERSHIP AND PARTICIPATION STRENGTHEN SOCIAL AND ECONOMIC DYNAMICS



Richard Freeman

Professor Richard Freeman, Harvard and London School of Economics

(the PowerPoint presentation is available on request by e-mail to the secretariat of EFES).

One often speaks about financial participation by referring to three forms: stock options, participation in profits and employee share ownership. It is significant to examine the following question: do the governments have to subsidize these initiatives?

Here are four points on financial participation:

- 1 - Many studies showed the positive impact on productivity.
- 2 - The impact on productivity is strengthened when employees also take part in the management of the company.
- 3 - In the various forms of participation in capital, one can imagine that employees and companies decide what is to be done, when there is no grant. In most countries, when the government is concerned, forms are standardized.

4 - What should be the criteria to be taken into account by a government to subsidize these initiatives?

It appears employee participation works, in spite of the scepticism of economists and in spite of arguments against State intervention, as for example, the individualistic attitude or the culture of the firm.

In synthesis: the results of employee share ownership are positive.

It is not really known why it solves the problems, but employee share ownership functions well. Workers participation is a significant element, equally so the culture of the firm, as well as the power of self- monitoring (called " worker monitoring" or peer group pressure - see who works hard, who does not) which influences the success of the system. In all respects, economic results are positive.

Analyses carried out in the United Kingdom shows that companies gain some advantages, that many are now involved, that performance increases, and that participation in enterprise results is positive for employees.

Thus, in a general way, all plans have positive impacts. In SMEs it is even more effective: more participation, more information, more communication.

But let us note the notorious exceptions like the case of United Airlines. Nine years ago, they used these plans, but that never functioned. Management and trade unions sabotaged each other, they never managed an agreement.

Figures show a variable impact on wages and a direct and positive link between participation and productivity. Participation in decision-making also has a direct impact on the increase in productivity, in particular in the minds of employees who are not managers.

From the international point of view, it is interesting to see the various means used to develop systems of participation.

The United States developed financial participation, pension plans and stock options. The American system is very collective.

In Great Britain, it is surprising to see that share ownership plans remain very individual and that shares are held by individuals. There are advantages and disadvantages. But if all the shares of a company are held by individuals, the tax credit is everything.

In France, profit-sharing plans were set up.

The tendency is to promote these plans, as in Belgium with its new very praiseworthy and interesting law. If a European statute manages to harmonize the whole and oblige governments to take action, it will be very interesting.

What should be the position of governments?

1 - Economy of subsidies

If there is an advantage for the whole economy, it is normal that the state intervenes. But subsidy is a social cost and it must be justified by better productivity.

2 - The distribution of subsidies:

In the studied cases, they are companies where workers are the best paid, where top executives and middle managers are often favoured, which privilege employee share ownership and receive subsidies e.g. the steel sector in the United States.

The greatest advantage for the State is the growth rate.

In the European context, there are significant tax incentives. One can consider that participation is an investment for the country as a whole.

The problem is of knowing:

- importance given to the question;
- the amount of subsidies which firms wish to obtain;
- the stability which one wishes.

Because these systems have a very positive impact for companies. The best proof is to see that companies introduced them without being obliged to do so (Ex: USA, Japan, Germany). But the more there are subsidies, the more companies will seek to adopt these plans to be given tax appropriations.

So that employees draw benefits from them, it is necessary that they have rights in decision making, that wages do not vary and that participation is on a voluntary basis.

Conclusion

These systems change and evolve each year. When there are many changes, lawyers and accountants do not seek to improve the situation of workers but rather the tax profits and incentives for the firm.

If the system benefits a more stable employment, at the social level, the benefits will be enormous. If wages are more variable, there is a positive impact on employment (the "*share economy*" of Weitzman). It is a good means to modulate the rises in wages in the event of recession.

Economic surveys show the positive impact of financial participation. The question still to explore remains the importance and impact of public subsidies to bring in the system.



Images of the lunch given by the Flemish Government

Afternoon
Plenary session

EUROPEAN SOCIAL PARTNERS TOWARDS PEPPER POLICIES

Marc Mathieu, EFES

"More and more companies and more and more trade unions are members of EFES. We are very pleased about that, because our main objective is to facilitate a social dialogue and to take part in it. This is why we are happy to welcome here ETUC and UNICE. It is significant to note that the standpoints of employee shareholders, trade unions and employers organizations brings forward many convergences and common values (for example the voluntary character of employee share ownership) and that this is a means of opening a dialogue and to try to remove the obstacles to financial participation. Here, in draft form, are the opinions of ETUC and UNICE on the working paper of the European Commission (EC)".



EFES, ETUC, UNICE

Mr. Roger SJOSTRAND, European Trade Union Confederation (ETUC)

(NB: the opinion of the European Trade Union Confederation in response to the consultation organized by the European Commission is reproduced in full in the appendix).

In a general way, ETUC is favourable to employee share ownership and thinks that a wide-ranging debate must be settled, social partners being involved

The document of the EC on financial participation develops 2 strands: participation in profits and participation in capital.

A - We think that definitions must be more precise

- 1 - Participation in profits is defined as sharing profit between employers and employees, in addition to wages and according to the performance of the company. ETUC makes it clear that premiums related to performances must be a complement to wages and in no case a replacement, there must not be an automatic link between wages and premiums.
- 2 - On participation in capital or stock options plans, ETUC thinks that shares or any other formula of employee participation must be free or be offered at a preferential price, negotiated between the parties.

With regard to the supposed advantages of financial participation, ETUC thinks that it is necessary to take into account other objectives than just those of an increase in productivity, such as for example:

- social and political objectives, social policies (for example concerning pensions);
- general economic objectives like growth, development of employment, or price stability;
- objectives of distributions of profits to the benefit of employees;
- objectives of social policies like increasing the influence of workers in decision making.

Note: The document does not refer to external plans of participation for SMEs. ETUC asks the EC to develop this point.

B - The question of ETUC: Does the Commission see financial participation as the only way for employee involvement?

It is important that the EC should have a global and concrete approach about promoting participation, because if the only considered involvement of employees is financial participation, with the single purpose to increase productivity, it is destined to failure. It is important that employees should be consulted, that they have their say in decisions, that they send representatives to control bodies.

ETUC insists on the following points which are missing in the text of the EC:

- all workers must be able to participate;
- the measures introduced must be on the basis of collective agreements, at national and sectional level, with worker representation and participation for all.

Collective bargaining is important, sectional clauses could specify advantages by firm (example: people who work their whole life within the same company or the same sector should have additional advantages).

Funds at sectional level would constitute an additional advantage: the capital provided by workers could be used to develop the sector and many small companies which need capitalisation would draw some advantages here.

In short:

Financial participation is an advantage for workers but it is complementary to other forms of participation. It is thus significant to consider all its forms of development, not only participation by shares, and to consider all good reasons to develop it, and not only productivity. It is necessary to develop financial participation through negotiation, to consider it as a continuous process and within the framework of collective bargaining.



Evidences of companies



Roger Sjostrand, Thérèse de Liedekerke

Thérèse de Liedekerke, Director of Social Affairs, Union of Industrial and Employer's Confederations of Europe (UNICE)

(NB: the opinion of UNICE in response to the consultation organized by the European Commission is reproduced in full in the appendix).

Here is the response of UNICE to the European consultation.

A - Current situation

The instruments of financial participation belong to the policies of companies but they vary from one country to another, according to the political and economic context, and to the sectors.

Main advantages

UNICE supports financial participation because it can be a significant tool for the motivation of employees, since they can share in the success of the company for which they work. It is also a useful tool to link the firm and its employees in the long-term. Financial participation plans make share ownership accessible to a greater number of people and allow the creation of wealth.

UNICE recognizes the advantages of financial participation and of plans to implement it and favourably welcomes any type of mechanism which would support such plans, because they are source of economic growth.

However, major obstacles present themselves and the national federations have already had discussions with their associates on this subject.

Main obstacles

Obstacles are mainly of a tax and legal nature.

First, at internal level, all Member States do not provide the legal and tax framework necessary to encourage these plans.

Then, at European level, the main question is to solve the trans-border and trans-national questions. Legal provisions are different from one country to another, inter alia on social matters, and pose discouraging obstacles. These examples do not exclude companies which have subsidiaries (administrative costs) or employees (obstacles to free movement and to mobility on the labour market). Another example in the case of the single market is that of stock options. There are many situations where a person is taxed twice or is not taxed at all.

B - Key ideas to take into account by the EC

1. Participation plans should not be obligatory but on voluntary basis, for employers as for employees.
2. SMEs are increasingly conscious of the utility of financial participation but often struggle to finance these plans. Policies must encourage the access for all employees but without placing restrictions on employers as to their free choice about the criteria of such and such a plan.
3. On the role of social partners: to determine if financial participation can be the purpose of collective bargaining depends on national practices. For example, certain negotiations introduce more flexibility into the type of remuneration, with a balance between what is fixed and what is variable, and according to the performances of the company. This agreement is beneficial for employees and for companies but only the two parties can decide. In no case, should it be enforced by external parties.
4. Employers have the responsibility to provide clear information on the nature and operation of financial participation plans to employees.

C - Expectations with respect to the Member States and the European Union

In a general way, UNICE requires clearly that Member States fix a legal and tax framework to support participation plans in profits and in capital, and that charges should be reduced for companies.

Tax policies are still national but a European dimension would justify a coordination of those. A European statute is essential to settle the trans-national and trans-border questions and to avoid the distortions referred to above e.g. as regards stock options, deal with expatriate workers as with those in the country of origin, and tax only in the country where the stock options are issued.

UNICE expects from the European Union:

1. That it is a catalyst for change in the countries where employee ownership is less developed.
2. That it does a job of evaluation, follow-up, monitoring on progress made as regards national policies, by taking into account existing practices within the European Union and abroad (for example in the United States for the tax solutions).
3. That it highlights tax obstacles and fixes an agenda with Member States to evaluate progress.

In short:

Without any doubt, UNICE and the community of businesses recognize that financial participation plans are beneficial. It is favourable if they are established on voluntary basis and if the obstacles, especially tax and legal, are removed. These obstacles cannot be removed by a bilateral dialogue between employers and trade unions but through a dialogue with the authorities who have the capacity to remove them. A dialogue between social partners would nevertheless be useful to exchange their points of view.

AND IN THE GLOBAL WORLD...

Jacquelyn Yates, Capital Ownership Group (Cog)

The COG, based in Kent State University in Ohio in the United States is a member and a privileged partner of EFES. In 2002, two twinned conferences will be organized. In October 2002 in Washington, where EFES wants to send a score of European representatives. And

then in November 2002, certainly in Bilbao and Mondragon, where EFES wants to welcome a score of American participants at the time of the Fourth European Meeting of Employee Share Ownership.

The Capital Ownership Group is a worldwide associative network, a research centre and an on line discussion group for professionals, practitioners, experts, political leaders, researchers, workers, militants... who are engaged in practices of employee share ownership. The objective is to fight against some negative results of globalisation and to propose practical information, analyses and experiments. The website attracts more than 500 participants divided in 12 discussion groups. The library offers books and items which can be downloaded. Address: www.capitalownership.org



Jacquelyn Yates

QUESTIONS AND DEBATES

Isn't it significant to have a dialogue between the social partners precisely before decisions are made by public authorities? Shouldn't we have an agreement on the definition of financial participation: financial participation and/or participation in decision-making?

Thérèse de Liedekerke, UNICE

The question is not whether there is social dialogue or not but what you mean by social dialogue. The negotiation on the mechanisms of financial participation between employees and employers, with certain individual elements of the negotiation and other collectives, is an internal discussion within each company and each national context. The competence of UNICE at European level covers the problems of the obstacles to trans-national mobility. If you make a list of them, they are primarily obstacles of a tax nature. The people to address these questions to are the authorities who decide on these tax questions. The discussion passes by the public authorities. Social partners, as interesting as their contributions might be, cannot remove these obstacles.

Doesn't the statute of European Society precisely pose the stake of a specific social dialogue to obtain a statute of European enterprise, including financial participation?

Thérèse de Liedekerke, UNICE

It should be noted that the only item which is not discussed in the text of the statute of the European society is the tax aspect! If the system were single with single rules through Europe, that would make sense for a trans-national corporation to discuss with its social partners. It is not the situation today and the question has to be discussed initially with public authorities.

Even if a company wanted to introduce a single financial participation system to cover its operations for its subsidiaries in each country, it could not do it. It is simply illegal from a tax point of view.



Janos Lukacs

Will companies be able to regard the category of employee shareholders as genuine shareholders with a possibility of representation or participation?

Thérèse de Liedekerke, UNICE

The question is difficult because it depends on concrete cases. The fact of being a shareholder gives elements of participation. But UNICE always makes the distinction between the discussion on financial participation on the one hand (economic and financial

debate), and employees' participation in the decision-making in the company on the other hand (it is the debate on relations within the firm). These are two distinct debates which relate to the specific context of each firm.



Delegation of the French Federation

Which is the real statute of an employee shareholder (who would have the same rights as other shareholders) or of an employed shareholder (with given discount shares)? And who is its representative?

Great Britain has the best legislation in this matter: all trade-union representatives are involved, and all union representatives are well informed from the outset.

But in other countries, like Italy or France, there are associations of employee shareholders who constituted themselves to organize the participation, because trade unions waited very late before involving themselves. Can we have within companies a co-habitation between representatives of trade unions and representatives of associations?

Roger Sjostrand, ETUC

The proof is that we are here! If it is considered that financial participation is only a means of obtaining more remuneration, the trade unions will be diverted because there are other ways to increase the wage envelope. But if you see financial participation like a means of redistributing wealth, to take part in the decision-making, you will see more interest in the debate.



David Wheatcroft

*Afternoon
Plenary session*

EVIDENCES OF FIRMS

Marc Mathieu, EFES

To testify on the success of employee share ownership, we called a wide set of companies as varied as possible, large, average and small, in various countries and various branches of industry.



Guy Dellicour

1 - SUEZ

Guy Dellicour, Director of Financial Communication

(the PowerPoint presentation is available on request by e-mail to the secretariat of EFES).

SUEZ retains some 170.000 employees across the world. SUEZ is a global services group, active in promoting sustained development in the fields of energy, water, waste services and communications.

SUEZ has offered a wage savings plan since 1999. The third plan will be launched in June 2002.

The overall principle is a 5 year plan (named "Spring") with a rebate of 20%, and always a positive outcome for the employee.

Two types of offers:

- a traditional offer, with dividends, in investment funds or shares,
- an offer with a leverage effect

Suez is the only group which offers a wage savings plan in more than 25 countries, with a leverage effect. In 2000: 1500 factories/sites, 25 countries, 15 languages and more than 2000 promoters of the share plans, in each entity of the group.

Formula: voluntary, not too expensive (the basic purchase price of shares is 10 euros), a discount, a weighting related to wage levels.

Objectives for the company: to develop the feeling of membership (to get many employee shareholders), to express cohesion between the various sectors, to make it possible for all employees to share in the growth of Suez (financial advantage).

Suez is preoccupied with ensuring legal safety for employee shareholders and adapts communications appropriate within the context of the specific company. Financial participation plans at international level are a heavy investment for the company (in terms of administrative and legal costs) but they result from a deep commitment.

Results in 2000: 64.000 subscribers, i.e. 36% of the employees, 456M euros invested, 2,8% of the capital of the company.



Philippe Subiron

2 - AVENTIS

Philippe Subiron, Director Wage Savings and Employee Share Ownership.

(the PowerPoint presentation is available on request by e-mail to the secretariat of EFES).

AVENTIS has some 93.000 employees in the world, following the merger of French Rhône-Poulenc and German Hoechst. Today, Aventis is a worldwide company with headquarters located in Strasbourg, specialising in pharmaceuticals (20 billion euros turnover).

Two objectives for financial participation:

- 1 - In the long run: to associate employees with the development of the performance of the company.
- 2 - In the shorter term: a strand of integration between two firms in the context of their merger.

The aim of Aventis is that all employees should gain the same advantages before taxation. 95% of the shareholders approved this operation.

"A company who wants can launch a worldwide financial participation program !"

The worldwide program of Aventis: 56 countries, 85% of employees take part. Only some rare countries resist: in Europe, Greece, elsewhere and without surprise: Korea, China, Russia.

Principles:

- 1 - An operation of issuing new capital.
- 2 - A discount of 15 % and a holding period on shares.
- 3 - Two different offers: traditional or with a leverage effect (the only solution if you want a popular operation, without impact on the results of the company, and the only true way to interest employee share ownership, besides stock options).

The action plan is based on a legal and tax format on the one hand, and a communication programme on the other hand. Example: brochures adapted in 60 versions, 23 languages. As of the first operation, 1/3 of employees subscribed (example: in India, 43% of employees bought shares!)

The experience of AVENTIS shows that in Europe, on simple subjects, it would be possible to advance with an acceptable minimum consensus to arrive at a basic harmonisation which would respect the principle of subsidiarity. For example, on the registration of operations, on a common investment vehicle, on discount price, ...



Adrian Celaya

3 - MONDRAGON

Adrian Celaya, Secretary-General

(the PowerPoint presentation is available on request by e-mail to the secretariat of EFES).

MONDRAGON is a 100% employee owned workers' co-operative originating from the Basque Country, with 55.000 employees, in diversified activities: household electricals, machine tools, electronics, etc. It is a shining example of the workers' co-operative and employee ownership in the world.

The experience of Mondragon was born from the will of several people to seek a new company model which could integrate a greater workers participation, a high level of motivation and a capacity for innovation different from traditional firms.

In practice the legal form is the workers co-operative (very different from the joint stock company).

Mondragon is a structure of the conglomerate type, active in very diversified sectors (financial, industrial, distribution, education, research). The geographical extension and the manpower deployment are very significant (48,3% in the Basque Country, 41% in the remainder of Spain, 10,7 % outwith the country).

The structuring of Mondragon

Each company unit is a co-operative with its own structure. The structure of Mondragon rests on a contractual grouping between the various company units. More than a single structure, it represents a hundred different company structures and projects (and not a holding arranged hierarchically). The local co-operatives gather around 300 to 400 workers.

The units are gathered together, in sectional sub-groups and finally into the Mondragon Group.

The structure of the corporate summit guarantees the co-operative logic in the whole system: the sovereign capacity goes to the general meeting, where all co-operatives are represented, according to their number of working members. The central bodies of management are controlled by the general meeting.

In each sector, the organization is ruled by the logic of co-operation. The aim is that the logic of the group does not go against the logic of the co-operatives of the system.

The essential element of the system: the general meeting is made up not by shareholders but by the workers themselves. They have voting rights, not as shareholders, but as workers.

Basic characteristics of the co-operative:

- the co-operative is not a stock company;
- social rights are not allotted according to capital brought but according to labour brought into the firm (services suppliers, collaborators, waged employees);
- a balanced distribution of decision making: one man, one vote.

Participation is one of the values of Mondragon and was always seen, not as a collectivist concept but, as respecting individual autonomy.

The reinforcement of the power of the individual is the factor which propels the group.

The institutional challenge for the future:

To combine the various mechanisms of overall participation in the company management, with the mechanisms of individual participation at workplace. Each emerging generation requires more power. An increase in productivity is noted when there is involvement in decision-making at the individual workplace. It offers great potential but how to exploit it on the level of internal management? And how to integrate this system of a 100% employee owned company in the international context of company mergers?

In any event, the success of financial participation can only help meet the objectives of Mondragon.



Ludovic Wolf

4 - DEXIA

Ludovic Wolf, Director Compensation & Benefits

(the PowerPoint presentation is available on request by e-mail to the secretariat of EFES).

DEXIA is one of the first European banking groups with 25.000 employees, following the merger of Crédit Communal de Belgique (CCB) and Crédit Local de France (CLF) in 1996. DEXIA is the world leader in public and project financial services for the public sector.

A - History:

In 1996, two holding companies were created in a temporary structure with the intention of developing synergies, before the installation of a European society:

- 1 - Dexia Belgium. Operational unit: Crédit Communal de Belgique. 50/50% owned by Dexia Belgium and by Dexia France.
- 2 - Dexia France. Operational unit: Crédit Local de France. Same 50/50 shareholders.

In 2000, reorganization: absorption of Dexia France by Dexia Belgium, which becomes a company under Belgian law, Dexia SA-NV, and which holds 100% of Dexia Banque (CCB), of Dexia Crédit Local (CLF) and of Dexia BIL (Luxembourg, bought in the past by CCB).

Activities: retail bank (second in Belgium after merger with Artesia), financing of local communities (world leader), asset management (private banking, Luxemburg contribution).

B - Why Dexia makes a heavy investment in employee share ownership?

Dexia groups 25.000 collaborators in 25 countries. It is thus significant to develop the feeling of belonging to the same single group and the interest between trades and countries.

When a collaborator shareholder is interested in the strategy of the company, he is also a source of proposals and sanctions.

What Dexia wishes: that employee share ownership becomes the fourth major stakeholder of the group, after Arcofin (ex-Artésia), Belgian local communities and the French Caisse des Dépôts et Consignations, which are the other major shareholders.

The aim is to pass from 0,4 % of the capital in hands of employees in January 2000 to 5% after 5 years. The means is the launch of an innovative annual employee share ownership plan.

C - Characteristics of the participation plan:

- 1 - A favourable price compared with the stock exchange (20% discount). Counterpart: 5 years holding period.
- 2 - Offers: a traditional offer and a leveraged offer (for each share bought on own funds, a specific financing allows the purchase of 9 additional shares, a guarantee on the first share, a percentage of appreciation on the 10 shares. This year the rise was of 62%!).
- 3 - The maximum amount of investment is 25% of remuneration (fixing on the French law because the Belgian law does not specify it).

On the whole international, 6 collaborators out of 10 are shareholders in this operation. In terms of amounts: 95 million euros in Belgium, 20M euros in France, 20M euros in Luxembourg and 40M euros in other countries (on the whole 175 million euros subscribed). 90% of the subscription were done on the leveraged offer (social offer).

D - Obstacles:

The difficulties encountered for this operation were as encountered last year because the European legislation doesn't evolve quickly enough.

1 - A single subscription price, the same one for all. Example: the 20% discount is provided by Belgian as well as French law, with social and tax exemption (but the Belgian law does not specify how to calculate the exchange rate which is used for implementing it!)

2 - Choice of the investment vehicle: a European Directive relates to investment funds, and it requires that assets inside the funds must be diversified. However here, only one asset is on offer. There is no European legislation which makes it possible to offer the same vehicle to all participants.

Concretely, Dexia created in Belgium a civil society without legal form (participation fund) which was extended to Luxembourg. In France, this extension was impossible to implement; Dexia set up there, a company investment fund. In total, the company is obliged to have more than six various collective structures of management.

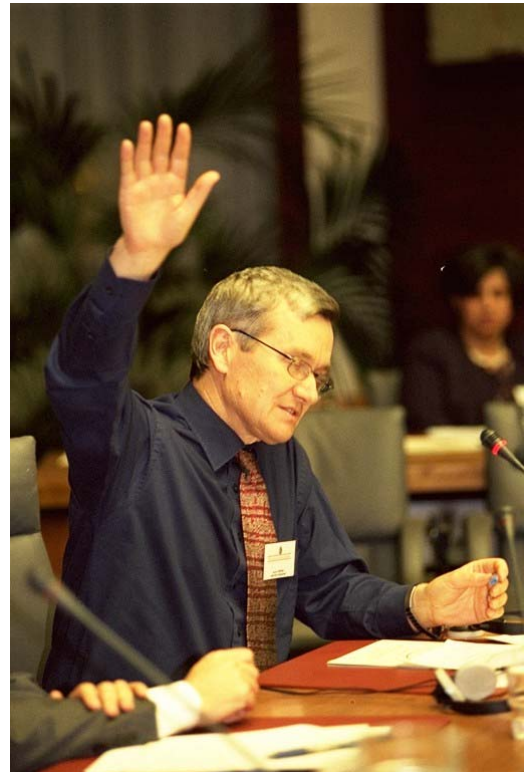
3 - The same social and tax rule for the treatment of the discount and of the capital gains?. Who will compensate for a more unfavourable legislation? This question applies to the European legislator but certainly not for a company. Dexia practically gave up on ideas as to how this problem could be solved.

E - Proposals to remove the obstacles:

1 – Ideally, a European Directive would regulate these problems. In the meantime, one could already adapt the existing Directive relating to the structures of management. That would make it possible to have only one single investment vehicle.

2 – To ensure that Member States accept that the rule which is implemented to issuing companies should be the national law under which they operate. For example: on fixing the subscription price, on the rules on holding or releasing the shares, etc.

3 - To legislate so that these operations do not fall under the rules on public subscriptions. With hindsight, the process of approval the prospectus by Official Authorities takes a colossal time for the company.



David Erdal

5 - TULLIS RUSSEL

David Erdal, Non-Executive Director

TULLIS RUSSEL illustrates the case of a medium-size company in Great Britain (1.000 people), where the family shareholding organized its succession through employee share ownership.

In the United Kingdom, successions in family firms caused many social catastrophes because they often closed their doors, or the shareholders sold the firm to their competitors. This is why the development of a sector belonging entirely to employees started to grow (for example for advertising agencies or web companies). This formula is particularly successful in companies where intellectual capital is the main asset.

In 1995, Tullis Russel was a traditional, paternalist company under close family control. It wished to set up a program open to a more modern management, of which one of the aspects was financial participation.

At the beginning, this program met scepticism and even hostility. Mistrust was very deep during the first two years. It was necessary to force the hand a bit to set up the process and to start with a small percentage and a few shares per annum.

Today, the changes in attitudes and commitment are formidable to see. After three years, employees and trade unions became the ambassadors of employee share ownership.

Process:

Company was in "crisis" because the family wanted to sell the shares.

In 1994: employees buy 90% of the shares, via a trust. The trust is an effective means of collective management for employee share ownership. Employee ownership symbolises and motivates the company.

Ultimately, an equal distribution of shares between all workers was decided, whatever their position. The psychological impact was undeniable and was reflected in productivity. Employees have the feeling of owning their company.

The educational process is also very significant. Tullis Russel is implementing employee ownership in one of its new branches in Korea. The challenge is significant for the future.

Welfare benefits of financial participation:

Workers are much more involved in their local communities and community life. A qualitative study, carried out in Italy in three types of areas, characterized by various rates of presence of co-operative firms, showed that the impacts of employee share ownership are broad and real. One notes for example:

- less marital violence,
- less school truancy by children and more training by employees,
- less deaths because of cardiovascular problems... !

The employees vote more, take part in clubs, give their blood, organise themselves in networks. In short, they take part in local management.



Miguel Millana, Jose Maria Algora, in the centre of the delegation of CONFESAL

6 - Sociedades Anonymas Laborales (SAL)

Miguel Millana, President of CONFESAL (Confederacion Espanola de Sociedades Anonymas Laborales)

SAL: Sociedad Anonymas Laborales (literally: limited companies of workers).

The SAL are companies made up mainly by workers. They were born as mechanisms to fight against unemployment and economic crisis. The SAL is employee owned. The mechanism of reference is the commercial legislation for limited companies. A special law laid down the procedures of the SAL.

The SAL vision: a stable employment, with lower wages than the normal average. To complement the salary, in the short run, benefits in lieu if possible, and in the long-term, the possibility to sell the shares. You need two conditions for a SAL: the majority of shares must be in hands of employees (financial participation) and they must take part in the decision-making process.

Different mechanisms contributed to the creation and the success of these companies. Grants intended for the fight against unemployment or allowances for closing companies were used to capitalize the setting-up of new SALs.

Some figures: 13.358 SAL companies employ 92.000 people through the whole country.

In general, SALs are middle-sized and they are spread across the country. This formula was vital to maintain an industrial fabric in declining areas or, on the contrary, to give a boost in the areas where there was no industrial tradition (for example in the centre of Spain).

The aim of SALs is re-vitalise the sectors in crisis and to re-create employment in sectors in difficulty from which traditional investors withdraw. Employees buy up the company, sometimes a hundred years old. While a traditional shareholder requires a minimum 20 - 25 % profitability to invest, workers can be satisfied with a benefit of + - 10% because he obtains job security. The acquisition of shares is carried out by a sale between workers or a new issue of capital.

The objective of the organic law on SALs is that every employee can become a shareholder. The Spanish Constitution states that it is necessary to facilitate the access of workers to the means of production.

A SAL is made up at least by two working members, the third one can be a single capitalist shareholder, but never can those be in a majority.

Industrial sectors, construction and services are those where this formula has the most success.

Distribution: 55% of SALs in services sectors, 23% in industry, 19% in construction, 2% in agriculture.

In the services sector, the higher the level of qualification, the more people want to create their own business. It should be stressed that 33% of Spanish employees have a short duration contract. This instability pushes workers to want to create their own company.

QUESTIONS AND DEBATES

What are the financial means and arguments for a company to launch a financial participation plan?

Guy Dellicour, Suez

Difficult to answer on budgets. About motivation, you need the full involvement of senior executives. They must specify the level of financial participation to be reached. Suez determines the objectives and does what is necessary to reach them. In this precise case, Suez wishes that a significant part of the capital will be held by employees. Results are positive for everyone. The system functions if there is cash flow available. I am persuaded that that creates a good state of mind in the company. Senior executives are quite conscious that it is with their savings that people bought their shares ! It is a challenge, and everyone has in heart to produce good results. The cost amounts to 1 or 2 % of the amount of the increase in capital. Arguments are positive, even in financial terms because these increases in capital are without negative impact, without dilution on existing shares.

Concretely, what has a company to do to carry out the objectives of participation?

Ludovic Wolf, Dexia

We initially made an analysis of what had been carried out in the three original companies. In the three cases, financial participation plans for employees existed. Dexia wanted to safeguard the local plans and to carry them on to the level of the group for all collaborators. After the analysis of former experiences, requiring legal and tax expertise, led to try to reach the greatest possible homogeneity at international level. Then, it was a pure work of human relations: to develop the communication and to integrate the plan in an overall package of remunerations. At Dexia, it is the director of human resources who set up this product.



Rainer Schluter

Rainer Schluter, Secretary-General, CECOP (European Confederation of Workers Co-operatives)

What are the elements which could be useful or be divisive at European level among the practices of firms? Thoughts are far from being completed. It is necessary that employee shareholders are considered as true shareholders, and it should be not be allowed that the mechanism is only temporary, that the positive impacts of financial participation could be lost (for example by individual and disordered sales at the end of the holding period).

In a general way, the collective management of financial participation (through a trust, a fund, an association, a co-operative...) seems most solid and most effective. This is remarkable. And if the instruments are collective, it would also be necessary to organize a council of supervision with representation of the shareholders. That can be a basis of European discussion, the topic of a social dialogue.

How is the real power really organized within a co-operative?

Adrian Celaya, Mondragon

We think that our system is very participative, whereas some analysts say the opposite.

From the beginning, efforts were carried out so that the attribution of ownership couldn't disturb the activities of management. The main objective being the responsibility of workers and good relations between managers and control bodies. This aspect was delicate and essential. It was necessary to educate these bodies (elected by workers!), so that they preserve the interests of company and workers. Professional training served to determine the system, being able to combine objectives on the short and the long-term. It allowed a change of mentalities in the relations between workers (accustomed to assert) and management.

In the co-operative structure, control bodies are lighter, motivation is larger, there are less conflicts, no strikes.

But it is still necessary to advance on the qualitative ground and to increase power at workplace level.

We saw the beneficial consequences of employee ownership for companies. On the other side, did employee participation have a positive impact on shareholders' approach about employees? How did Aventis integrate the German model where employee representation was largely marked out?

Philippe Subiron, Aventis

Corporate governance was the major subject of the integration of the two companies. We ended with an agreement between both sides of industry on the representation of employees within the board of trustees of the company. Half-way between French and German legislation (respectively no representatives and 50% employee representatives), the solution was found through collective bargaining, approved by trade unions and shareholders. We have 4 representatives with voting rights (and 2 without) of the European employees within the board of trustees of Aventis. For the moment, there are no representatives of employee shareholders as such, but a representation of all employees: it is an overhang for the European company.



CONCLUSIONS OF THE CONFERENCE

Concluding the conference, EFES Board wrote a "declaration of the conference" as following:

DECLARATION OF THE CONFERENCE OF THE BELGIAN PRESIDENCY OF THE EUROPEAN UNION ON EMPLOYEE SHARE OWNERSHIP AND PARTICIPATION Brussels, Egmont Palace, November 23, 2001

The Belgian Presidency of the European Union, represented within the conference by Minister of Finance Didier Reynders, expressed his willingness to go ahead in European PEPPER policies. Minister Reynders gave his support to the view expressed by the European Federation of Employee Share Ownership (EFES) on the next Communication of the European Commission ¹.

The governments of eleven European States ² joined him to ask the European Commission:

- to promote employee share ownership and participation, in preference to other forms of financial participation of workers;
- to set up a permanent working party composed of representatives of both sides of industry, employee owners organizations, members of the European Parliament, experts of the Commission and representatives of the Member States;
- to implement a European programme with adequate funding;
- to create a European institute for employee share ownership and participation, to promote exchanges of information and best practices;
- to develop training programmes on employee share ownership and participation;
- to adopt common principles and definitions (inter alia: the voluntary character of employee share ownership, and its accessibility to all employees and all types of firms, including SMEs);
- to remove the trans-national obstacles (tax, financial, social and cultural).

The European Commission, represented by Mr Rosendo Gonzales-Dorrego, Director in the Directorate-General Employment and Social Affairs, pointed out the initiatives taken in the past, in particular PEPPER Reports and the consultation were intended to prepare the next Communication of the Commission. The consultation brought a hundred reactions, including the views of EFES and the European social partners. It referred to the difficulties within the Commission, due to fact that many Directorate-Generals are interested in the initiatives related to employee share ownership (DG Employment & Social Affairs, DG Enterprises, DG Internal Market, etc).

The organizations of workers and the organizations of employers were represented by ETUC – the European Trade Unions Confederation ³ and by UNICE – Union of Industrials and Employer's Confederations of Europe ⁴. Both supported the development of employee share ownership while insisting on their own emphases: ETUC insists on the aspects of participation of the workers in general and in decision-making, and on the distribution of income and wealth; UNICE stresses the voluntary aspect of employee share ownership, and

¹ EFES opinion is available on page <http://home.pi.be/~pin13904/EFESOPINION.htm> on website www.efesonline.org

² Belgium, France, United Kingdom, the Netherlands, Germany, Spain, Ireland, Finland, Poland, Estonia, Czech Republic.

³ The ETUC has in its membership 74 National Trade Union Confederations from a total of 34 European countries, as well as 11 European industry federations, making a total of 60 million members.

⁴ UNICE is the voice of business in Europe, having as members the 33 principal business federations from 27 European countries, plus 6 federations as observers.

on its positive impact on motivation and productivity.

This is why the conference requires the lifting of tax and social security obstacles from the Member States and the Council of Ministers of the EU.

Then, a series of major European firms of various sizes, countries and branches of industry testified to their experiences and their practices in employee ownership and participation.¹ They also stressed the huge difficulties, for the firms, in implementing trans-national employee share ownership plans.

Eventually, the companies' representatives agreed on the importance of different collective ownership and ownership representation forms, besides the individual forms, and they supported the idea of creating a legislative framework for these collective forms (association, trust, stiftung, co-operatives, etc).



Myriam Biot all in smiles... thank you!

¹ Suez (170.000 employees), Aventis (100.000 employees), Mondragon (55.000 employees), Dexia (15.000 employees), Tullis Russel (1.000 employees), Sociudades Anonymas Laborales (average size : 5 employees)

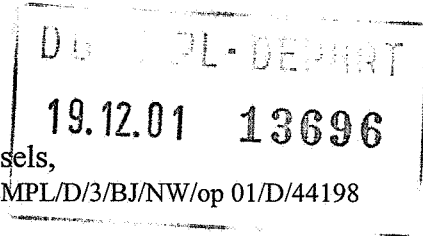
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EUROPEAN COMMISSION
EMPLOYMENT AND SOCIAL AFFAIRS DG

Adaptability, social dialogue and social rights
The Director



Brussels,
DG EMPL/D/3/BJ/NW/op 01/D/44198

Mr Marc Mathieu
Secretary-General
European Federation of Employee
Share Ownership
Avenue Voltaire 135
1030 BRUSSELS

Dear Mr. Mathieu,

The President of the Commission has asked me to thank you for your letter of 30 November. We have read this letter and the Declaration of the Conference with great interest.

As you will be aware, the Commission has been very active in the field of employee financial participation for a number of years. At the moment, we are in the process of preparing a Communication and an accompanying action plan on the issue, which will both be launched early next year.

We therefore greatly welcome your initiative in support of employee ownership and participation and can assure you that the Commission will continue to promote a wider dissemination of employee financial participation across Europe.

Yours sincerely,

Bernhard Jansen

THE PRIME MINISTER



RUE DE LA LOI, 16
1000 BRUSSELS

Brussels, 17 DEC. 2001
GV/PM/vv 03 0612


For the attention of
Mr. Marc MATHIEU
Secretary General
European Federation of Employee Share
Ownership
Avenue Voltaire 135
1020 BRUXELLES

Dear Mr. Secretary-General,

I would like to thank you for sending me a copy of " the Declaration of the Conference of the Belgian Presidency of the European Union on Employee Share Ownership and Participation" which was held in Brussels on the 23rd of November.

It's with great interest that I read it.

Yours Sincerely,



Guy VERHOFSTADT

**Conférence internationale
organisée le vendredi 23 novembre 2001
au Palais d'Egmont par la Fédération Européenne de l'Actionnariat Salarié**

**La nouvelle législation belge relative à la
participation des travailleurs**

**Présentation des lignes de force de la
loi du 22 mai 2001 relative aux régimes de
participation des travailleurs au capital et aux
bénéfices des sociétés**

**Intervention de
Monsieur Didier REYNDERS
Ministre des Finances
du Royaume de Belgique**

Monsieur le Secrétaire général,
Mesdames, Messieurs

Une implication maximalisée de chaque travailleur contribue, comme vous le savez, à améliorer les performances des entreprises qui peuvent ainsi faire face de manière plus adéquate à la pression résultant du marché unique. Dans cette perspective, la participation des travailleurs est un instrument privilégié pour stimuler cette implication. En outre, elle constitue également un instrument pour encourager la dynamique d'acquisition et de diffusion de la connaissance. La participation associe davantage les travailleurs à la politique de l'entreprise. Le régime de participation s'inscrit non seulement dans une évolution économique générale mais est aussi essentiel dans le contexte concurrentiel et d'ouverture croissante des économies des pays membres. Dans ce nouvel environnement concurrentiel, seules les entreprises qui stimulent la collaboration interne de tous les travailleurs peuvent préserver leur croissance et accroître leur rentabilité tout en augmentant le bien-être des travailleurs. Cette nouvelle dynamique de l'entreprise développera en son sein une plus grande transparence, un plus grand échange d'informations et une meilleure compréhension de celle-ci, ce qui ne pourra être que propice à la qualité de sa gestion.

L'implication des salariés (par l'intéressement aux résultats, l'actionnariat et la participation à la gestion) n'est pas une idée neuve. Certains pays, comme nos voisins français, pratiquent depuis longtemps diverses formes de "participation". La Commission européenne est elle-même favorable à la participation des travailleurs dans l'entreprise: faut-il rappeler les rapports *Pepper I* et *Pepper II* ainsi que la recommandation européenne du 27 juillet 1992 relative à la promotion de la participation des travailleurs aux bénéfices et aux résultats de l'entreprise?

Si l'idée n'est pas neuve, il est incontestable qu'elle connaît aujourd'hui un nouvel essor. La promotion d'une plus grande implication des travailleurs à la gestion des entreprises est très

claire au sein de l'Union. De nouvelles propositions tendant à améliorer ou parfaire les politiques en ces matières voient le jour un peu partout.

Ce nouvel élan est notamment soutenu par la volonté **d'impliquer de plus en plus de PME. aux systèmes de participation.** Il est primordial, compte tenu de la place qu'occupent les petites et moyennes entreprises dans l'économie des Etats membres, de créer des formules de participation adaptées aux spécificités de ces sociétés.

De plus, un **événement majeur**, est de nature à dynamiser encore le développement de l'actionnariat salarié: **l'adoption, le 8 octobre dernier, du Règlement n°2157/2001 relatif au statut de la société européenne (SE) et de la Directive 2001/86 complétant le statut de la Société européenne pour ce qui concerne l'implication des travailleurs.**

Ces textes ont été publiés au JOCE du 10 novembre 2001.

Je me réjouis de l'adoption de cette nouvelle forme sociétaire qui était l'une de mes priorités dans le cadre de l'actuelle Présidence belge. Je me suis convaincu que la **directive relative à l'implication des travailleurs dans la "SE"** permettra de donner un nouvel élan à l'intéressement des travailleurs dans les entreprises européennes.

A cet égard, je tiens à encourager la Commission européenne dans l'élaboration de sa prochaine communication sur la participation financière et du plan d'action qui l'accompagnera. Il est en effet primordial de poursuivre les efforts fait depuis plus d'une dizaine d'années en la matière.

Je tiens également à féliciter la Fédération Européenne de l'Actionnariat Salarié (FEAS) pour l'organisation de cette conférence internationale et je me permets de souligner le travail accompli par ses membres depuis plusieurs années déjà.

En effet, depuis sa création le FEAS a largement contribué à faire progresser l'actionnariat salarié et la participation des travailleurs. Pour s'en convaincre, il suffit de prendre connaissance du récent **avis** (23 octobre 2001) **de la Fédération Européenne de l'Actionnariat Salarié** sur le document de travail des services de la Commission relatif à "*La participation financière des travailleurs dans l'Union européenne*". Le FEAS insiste notamment sur:

- la mise en place d'un groupe de travail permanent composé de représentants des partenaires sociaux et des associations d'actionnaires salariés, de membres du Parlement européen, d'experts de la Commission et de représentants des Etats membres;
- la mise en œuvre d'un programme européen doté d'un financement adéquat afin de promouvoir les échanges d'informations, les bonnes pratiques et la formation et;
- la création d'un institut européen pour l'actionnariat salarié et la participation.

On ne peut que souligner toute la valeur ajoutée de ces propositions.

*
* *

En Belgique, si le principe même de la participation n'est pas encore suffisamment ancré dans notre culture d'entreprise, l'insécurité juridique n'y est sans doute pas étrangère.

En effet, **il manquait dans notre arsenal de mesures législatives existantes**, un instrument qui, à l'instar de ce qui existe notamment en France, aux Pays-Bas, en Grande-Bretagne et en Allemagne, permette à l'ensemble des travailleurs de bénéficier de la rentabilité de l'entreprise ou du groupe pour lequel ils travaillent.

Bien que la Belgique ait pris par le passé une série d'initiatives législatives afin de permettre certaines formes limitées de participation des travailleurs (je vise en particulier la loi du 26 mars 1999 relative aux plans d'options sur actions, la loi du 18 juillet 1991 insérant l'article 52 septies dans les lois coordonnées sur les sociétés commerciales (article 609 du Code des sociétés), les arrêtés royaux n°15 du 9 mars 1982 et n°150 du 30 décembre 1982 (connus sous le nom de "Monory-Declercq") complétés par la loi du 28 décembre 1983 (dite "Monory-Declercq bis"), il manquait un cadre légal complémentaire pour rendre attractives les formules de participation à l'égard de **toutes** les entreprises et de **tous** les travailleurs.

C'est pourquoi, le gouvernement a, dès le début de la législature, décidé de la création d'un cadre légal permettant de rendre la participation des travailleurs au capital et aux bénéfices de l'entreprise plus attrayante en Belgique de sorte que l'implication de tous les travailleurs dans l'entreprise devienne un leitmotif de l'entreprise.

Nous avons maintenant ce cadre légal dans lequel le travailleur occupé en Belgique, à l'instar de la plupart de ses homologues européens, puisse bénéficier d'un régime de participation au capital et aux bénéfices des entreprises sans pour autant que soient modifiés les systèmes légaux existants. Les travailleurs peuvent, sans qu'il en résulte une dépense personnelle dans leur chef, participer à la plus-value générée par l'entreprise qui est réalisée, de fait, avec le concours de leurs connaissances et de leurs efforts.

Les lignes de force de cette forme de synergie nouvelle ont été établies, dans le respect des recommandations européennes, sur la base de **l'analyse menée au sein d'un groupe de travail** mis sur pied par le Gouvernement et placé sous la présidence du Professeur Paul De Grauwe et qui rassemblait toutes les parties dans la vie d'une société, à savoir, entre autres, des représentants des organisations représentatives des travailleurs et des employeurs.

C'est pourquoi **la loi du 22 mai 2001 relative à la participation des travailleurs au capital et aux bénéfices des sociétés** et dont je vais vous présenter les lignes de forces, met clairement l'accent sur des modes de **concertation** (qui n'est pas un vain mot en Belgique) adéquats entre l'entreprise et son capital humain et qui constituent en soi une forme d'intéressement.

Ainsi, après plus de 10 années d'immobilisme au cours des différentes législatures, la création de ce cadre légal devrait permettre de rendre la participation des travailleurs plus attrayante en Belgique.

*
* *

Les lignes de force de la loi peuvent se résumer comme suit:

1° la mise en place d'un plan de participation des travailleurs se fait à **l'initiative de l'entreprise** et le plan est élaboré au sein de l'entreprise. Les entreprises ne sont dès lors pas obligées de mettre en place un régime de participation financière.

Le plan de participation peut être instauré tant au niveau de l'entreprise qu'au niveau du groupe.

2° **le plan de participation doit être le résultat de la concertation collective entre employeurs et travailleurs.** Le plan de participation fera l'objet d'une convention collective de travail ne portant que sur les seuls aspects du plan de participation concerné.

Les entreprises n'ayant pas de délégation syndicale - empêchant ainsi normalement la conclusion d'une convention collective de travail (sauf si l'employeur opte pour une intervention directe d'un secrétaire syndical externe) - **ont néanmoins la possibilité d'instaurer un plan de participation via un plan d'adhésion dont la procédure est**

comparable à celle appliquée à la rédaction et à la modification du règlement du travail en cas d'absence de conseil d'entreprise.

3° Le régime de participation peut prendre la forme d'une participation aux bénéficiaires ou d'une participation au capital. Dans le premier cas, le travailleur reçoit son avantage participatif en espèces et acquitte une cotisation de solidarité de 13,07 % sur le montant ainsi qu'une taxe assimilée aux impôts sur les revenus de 25 %. Dans le second cas, le travailleur perçoit l'avantage en actions, ne paie aucune cotisation sociale et un impôt de 15 % est retenu à la source.

4° Le montant total des allocations ne peut dépasser 10 % de la masse salariale brute totale de l'entreprise ou 20 % du bénéfice de l'exercice comptable concerné.

5° En cas de participation au capital, les actions sont rendues indisponibles pendant une période allant de 2 à 5 ans.

6° Le droit de vote attaché aux actions impliquant pour les PME (souvent familiales) des risques au niveau de contrôle, l'introduction d'une participation au capital ne constitue pas toujours la solution la plus indiquée. **C'est la raison pour laquelle, le dirigeant d'une PME a la possibilité d'instaurer un plan d'épargne d'investissement.**

Cela permet de garantir un lien plus solide avec l'entreprise que la pure participation aux bénéficiaires. Les travailleurs adhérents se voient attribuer chaque année une partie de résultat recueilli, qu'ils tiennent à la disposition de l'entreprise pendant une durée de 2 à 5 ans dans le cadre d'un emprunt non subordonné et moyennant un taux d'intérêt convenu. **Ce régime relève du même régime fiscal que la participation au capital.**

7° Le plan de participation doit, en outre, être proposé à l'ensemble des travailleurs au sein de l'entreprise. La participation des travailleurs doit avoir un effet mobilisateur. Elle englobe tous les travailleurs parce que l'implication de tout un chacun est importante. Contrairement à d'autres techniques complémentaires, comme les options sur actions par exemple, la participation des travailleurs n'est donc pas un instrument de motivation individuelle. Cette dimension collective de la participation des travailleurs a pour objectif de stimuler l'ensemble des travailleurs afin qu'ils s'impliquent dans l'activité de l'entreprise.

8° le plan de participation doit prévoir une formule prédéterminée où le lien avec les résultats de l'entreprise apparaîtra clairement. La participation des travailleurs implique une transparence dans la gestion de l'entreprise de manière à faire apparaître clairement le lien avec les résultats de l'entreprise. Ce principe doit être mis en relation avec les principes de "corporate governance" qui ont également fait l'objet d'une réforme en Belgique. Les participations aux bénéficiaires ou au capital des entreprises ne représentent dès lors pas une rémunération complémentaire pour les travailleurs, mais un avantage de type nouveau qui participe à la fois de l'avantage rémunérateur et du partage notamment entre les travailleurs du fruit des fonds investis dans l'entreprise. **Dans ce sens, la participation ne remplace pas la rémunération: il s'agit d'un revenu additionnel. Les travailleurs doivent pouvoir maintenir leurs rémunérations ordinaires lorsque l'entreprise enregistre des résultats moins satisfaisants.**

9° Dans le cadre de l'application du plan de participation au sein de l'entreprise ou du groupe auquel appartient l'entreprise, les travailleurs pourront bénéficier soit de participations aux bénéficiaires (c-à-d en cash) soit de participations au capital de l'entreprise soit des deux, dans les proportions fixées dans le plan de participation.

Pour les participations au capital, la loi prévoit en outre la possibilité de créer une société coopérative de participation ayant pour objet exclusif la détention et la gestion de la participation des travailleurs dans le capital de l'entreprise. Cette structure présente pour les travailleurs un double avantage: d'une part, elle se charge à leur place de la gestion des

titres et d'autre part elle leur permet de réunir leurs parts respectives dans l'entreprise et donc offrir un pouvoir décisionnel plus important au sein de l'entreprise.

10° En conséquence les participations au capital ou aux bénéfices de l'entreprise qui sont allouées dans le cadre de la loi ne constituent pas une rémunération au sens de la législation en vigueur et ne sont pas soumises au régime fiscal et parafiscal applicable à une rémunération.

En ce qui concerne son traitement fiscal et parafiscal, le nouveau système d'intéressement des travailleurs au résultats et au capital de l'entreprise présente d'indéniables avantages à la fois pour l'entreprise et les travailleurs par rapport, par exemple, aux bonus annuels.

Si l'on prend l'exemple d'une entreprise qui désire attribuer aux travailleurs un bénéfice avant impôt de 2,479 euros, ceux-ci recevront en poche, via un bonus annuel, 0,966 euro (en prenant pour hypothèse un précompte professionnel de 50%, hypothèse la plus fréquente), via une participation en actions, des actions d'une valeur équivalente à 1,24 euro et via une participation en espèces, 0,966 euro.

Le traitement fiscal et parafiscal des participations des travailleurs se résume comme suit:

Dans le chef de l'entreprise:

Les sommes distribuées aux travailleurs au titre de la participation bénéficiaire sont prélevées, à l'instar des dividendes sur les bénéfices de l'entreprise après application de l'impôt des sociétés. Les attributions à titre de participation bénéficiaire ne sont donc pas déductibles fiscalement comme des charges professionnelles.

Le montant de la participation bénéficiaire ne sera pas soumis aux cotisations de sécurité sociale à charge de l'employeur. Il est cependant prévu que pour assurer un financement adéquat du système de sécurité sociale, la moitié de l'impôt des sociétés affaissant aux participations distribuées par la société soit versée aux institutions de sécurité sociale.

Pour les PME, la participation au capital peut, sans perte du bénéfice du taux réduit de la retenue à la source pour les travailleurs, être remplacée par l'attribution d'une participation aux bénéfices en liquide, à la double condition que les sommes attribuées aux travailleurs soient immédiatement prêtées à l'employeur et que ce dernier investisse les sommes prêtées dans l'acquisition d'immobilisés corporels ou incorporels tels l'acquisition de machines, de brevets, investissements de nature donc à renforcer la rentabilité de l'entreprise.

Pour la société coopérative de participation, un régime fiscal est mis en place pour que son utilisation ne fasse l'objet d'aucune discrimination fiscale par rapport au mode d'attribution directe des participants au capital.

Dans le chef du travailleur:

Il est établi, à charge du travailleur, une taxe sur les participations bénéficiaires qui lui sont attribuées en vertu de la loi. Cette taxe n'est pas déductible pour le travailleur étant donné qu'elle n'a pas été supportée par ce dernier en vue d'acquérir ou de conserver un revenu professionnel.

Comme je vous l'ai déjà démontré à l'aide d'un exemple, **la loi instaure un régime fiscal et parafiscal plus favorable que celui actuellement applicable à la rémunération classique.**

L'attribution d'actions bénéficie d'un statut fiscal plus favorable que celle en espèces. Je rappelle que l'objectif du projet de loi est d'encourager la participation au capital de l'entreprise puisqu'il assure un lien plus solide et plus durable avec l'entreprise que la

simple participation aux bénéfices. De plus il convenait de prendre en compte le risque associé à un investissement en actions.

Lorsqu'il s'agit de participation aux bénéfices, le taux de la taxe est fixé à 25% du montant en espèces attribué au travailleur sous déduction de la cotisation de solidarité à concurrence de 13%, incombant au travailleur.

Lorsqu'il s'agit de participation au capital, le taux de la taxe est fixé à 15% du montant affecté à la participation au capital. Cette taxe de 15% sera frappée d'une taxe additionnelle de 10% en cas de non respect de la condition d'indisponibilité des actions ou parts reçues dans le cadre du plan de participation.

Lorsque les participations sont attribuées dans le cadre d'un plan d'épargne d'investissement et font l'objet d'un prêt non subordonné, le taux de la taxe est fixé à 15%, en raison de la philosophie sous-jacente à ce régime optionnel établi pour les PME. Ici, le régime fiscal est le même que celui qui s'applique aux participations aux bénéfices, y compris la sanction en cas de non respect de la condition d'indisponibilité.

De manière synthétique, on peut donc souligner que les travailleurs perçoivent un revenu net et la déduction de la retenue à la source est laissée aux soins de l'employeur qui en est responsable vis-à-vis du fisc. Cette retenue se fera suivant les mêmes formalités que celles déjà existantes pour la retenue du précompte mobilier sur les dividendes distribués par la société. *Il n'y a donc aucune obligation pour le travailleur de déclarer les participations dans sa déclaration IPP, et ce contrairement aux stock options.* Il s'agit là sans nul conteste d'une volonté de simplification administrative.

Enfin, il convient de souligner que la loi ne soumet pas les émissions publiques d'actions ou de parts qui se feraient dans le cadre d'un plan de participation au capital aux mesures de protection de l'épargne publique. **Il n'y a pas de saisine au préalable de la CBF (Commission bancaire et financière) en vue de demander soit une approbation du prospectus relatif à l'opération, soit d'accorder une dispense de prospectus.**

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Il convient de signaler que la loi du 22 mai 2001, pour être pleinement opérationnelle, doit encore faire l'objet de mesures exécutoires à prendre sous la forme d'arrêtés royaux. Il en est ainsi pour la date d'entrée en vigueur de la loi, pour les plans de participation offerts au niveau d'un groupe de sociétés et, en l'absence de conventions collectives du travail conclues au niveau des commissions et sous-commissions paritaires, pour la définition des critères objectifs servant à déterminer les clés de répartition du capital ou des bénéfices attribués aux travailleurs concernés.

Tout a été mis en œuvre pour rendre la loi opérationnelle le plus rapidement possible. Le projet d'arrêté royal fixant la date d'entrée en vigueur de la loi va dans le prochains jours être présentée à la signature royale. Il prévoit que la loi s'appliquera aux plans de participation, instaurés à partir de la date de publication de la loi au Moniteur belge, en vertu desquels un montant du bénéfice de l'exercice comptable qui se clôture au plus tôt le 31 décembre 2001 est attribué aux travailleurs comme participation aux bénéfices ou au capital.

En ce qui concerne les deux arrêtés-royaux permettant l'application de la loi au niveau du groupe, ils ont été rédigés de manière à englober le plus grand nombre de travailleurs occupés en Belgique pouvant bénéficier d'un plan de participation offert au niveau du groupe de sociétés pour lesquels ils travaillent.

Pour conclure, cette loi constitue une innovation incontestable en matière de participation financière des travailleurs dans leurs entreprise. Il est, je pense, de nature à satisfaire tant l'entreprise que ses travailleurs pour les raisons suivantes:

- le plan de participation se veut un projet commun à l'entreprise et ses travailleurs; il se construit en effet en collaboration avec ceux-ci via une procédure de concertation;
- le plan de participation se veut aussi égalitaire puisqu'il bénéficie obligatoirement à l'ensemble des travailleurs tant sur le plan du droit social qu'en ce qui concerne son traitement fiscal et parafiscal;
- le système se veut attentif à la protection des droits sociaux des travailleurs plus que d'autres législations (droit aux participations prorata temporis en cas de départ volontaire ou de licenciement hormis pour motifs graves; levée de la période d'indisponibilité des titres en cas de licenciement, de mise à la retraite ou de décès du travailleur);
- il offre une réelle possibilité aux travailleurs d'être plus largement informés des décisions prises par l'entreprise et de participer à la prise de décision et ce, d'autant plus facilement que la société coopérative de participation leur permet de réunir au sein d'une même entité leurs parts dans la société qui les emploie et;
- il assure un traitement fiscal et parafiscal des participations plus attrayant que le traitement réservé aux rémunérations ordinaires.

Pour ces différentes raisons, le travailleur occupé en Belgique devrait, grâce à cette nouvelle loi, être plus souvent associé au bénéfice de son entreprise de sorte que, des 5% des travailleurs actuellement associés en Belgique au bénéfice de leur entreprise, nous arrivions à court ou moyen terme, à un pourcentage similaire à celui que l'on peut observer aujourd'hui en France et qui est de l'ordre des 26%.

Tel est l'objet de cette législation ambitieuse et multidisciplinaire. Elle couvre en effet de nombreuses matières ayant trait au droit fiscal, au droit comptable, au droit des sociétés et au droit financier, sans oublier non plus les questions de droit social. Ceci explique la quarantaine de dispositions que comprend la loi et la soixantaine de pages de l'exposé des motifs qui se veut aussi complet, précis et pédagogique que possible afin de répondre aux questions des praticiens et commentateurs appelés à mettre en œuvre de tels régimes novateurs de participations bénéficiaires des travailleurs.

Je vous remercie de votre attention.

**Le Ministre des Finances
Didier Reynders**

October 23, 2001

**OPINION OF THE EUROPEAN FEDERATION OF EMPLOYEE SHARE
OWNERSHIP**
on the **COMMISSION STAFF WORKING PAPER**
on " **Financial participation of employees in the European Union** "
(Document SEC(2001)1308 of the 26.7.2001)

October 23, 2001

OPINION OF THE EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

on the COMMISSION STAFF WORKING PAPER

on " Financial participation of employees in the European Union "

(Document SEC(2001)1308 of the 26.7.2001)

Synopsis:

1. EFES' opinion - synthesis
2. About EFES
3. Method and opinions collected
4. Employee share ownership and participation, key elements of a European strategy for employment
5. The concept of financial participation is obsolete; it is advisable to substitute for it employee share ownership and participation
6. The program of the European Commission
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8. To set up a "permanent working party" and a European institute for employee share ownership and participation
9. Conclusion

OPINION OF THE EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

on the COMMISSION STAFF WORKING PAPER

on " Financial participation of employees in the European Union "

(Document SEC(2001)1308 of the 26.7.2001)

1. EFES' OPINION - SYNTHESIS

In substance, EFES' opinion is as follows:

Yes, the European Commission should plan for a Community initiative aimed at employee share ownership and participation.

The term we use is "employee share ownership and participation", rather than "financial participation". This distinction is significant. Indeed, the concept of "financial participation" had its origin and its relevance at the end of the 80's. Since then, practices as well as research have demonstrated the need for greater precision of terms. Among the different practices gathered under the concept of "financial participation", some have been shown to be beneficial and others negative ones. What we have seen though through the last decade is how practices of employee share ownership joined with participative management were characterized by their positive impact on economic and social dynamics. Share ownership and participation are simply two independent organizational variables. Neither the one or the other do in themselves necessarily lead to any significant improvements of company performance although they both may be appreciated for their own sake. It is first when joined that the potential of both are really released.

Actions should be taken in the European Union, and also in the candidate countries.

It is necessary to lay down general principles at the European level to encourage greater and more efficient recourse to employee share ownership and participation schemes.

The general principles and the actions which the Commission should include in its next Communication and its Action Plan are those defined in the "European Action Programme" of the European Federation of Employee Share Ownership.

This programme is based on the Resolution of the European Parliament of January 1998 and it was written as the conclusion of a workshop which had gathered together, within the European Parliament in Brussels, all European institutions, as well as the social partners and the organizations of employee share ownership.

This action programme calls on the European Commission particularly:

- to set up a permanent working party;
- to implement a programme with adequate funding;
- to set up a European institute for employee share ownership and participation.

This action programme is attached in its entirety to the present opinion, of which it forms an integral part.

The present opinion of EFES was discussed and concerted with CECOP – the European Confederation of Workers' Co-operatives, Social Co-operatives and Participative Enterprises; let us recall that CECOP is member of EFES, and reciprocally, EFES is a member partner of CECOP.

2. ABOUT EFES

EFES – the European Federation of Employee Share Ownership was constituted following the decision taken in May 1998 in Brussels, by a conference which brought together 250 participants from 28 countries. The Federation was quickly organized, under the statute of a not-for-profit international organization approved by the Belgian Government.

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

This ambition is being carried out. EFES counts members in the majority of the European countries, in the candidate countries as well as in the European Union. Among the members of EFES, there are individuals, companies, associations, trade unions, experts, researchers and national federations. The Board of Directors of EFES counts 22 representatives of 14 countries, and its Executive Office 7 people, who meet monthly.

3. METHOD AND OPINIONS COLLECTED

To prepare its opinion, EFES met and consulted a broad range of people and organizations: representatives of governments, members of the European Parliament, trade-union representatives at European level, employers' organizations, organizations promoting employee share ownership, etc.

EFES also organized a web forum on the topic of the consultation organized by the Commission. Some characteristic collected opinions are reproduced in appendix.

The reactions which we collected from a broad range of actors have the same general tone:

One can only be delighted by the will affirmed by the Commission staff "to relaunch the debate on financial participation at European level, associating all the players concerned".

There are many positive aspects in the document, but one omission in the general principles and – perhaps understandably - a glaring lack of proposals for action.

The good points are:

The Commission staff precisely affirms the preference for all-employee schemes.

The Commission staff highlight the fact that financial participation boosts productivity. This is the argument with the widest appeal, as productivity is associated with competitiveness, profitability and higher salaries and/or more leisure time. Yet it does not mention which degree of ownership is necessary, nor whether the increase is contingent on other factors as well.

The Commission staff shows that financial participation is being recognized widely as important.

The Commission staff also shows why it is necessary to take initiatives at the European level, not just the national level. This is important.

The general principles stated by the Commission staff contain a major omission. In fact, many studies show conclusively that financial participation only really works strongly when it is situated in a regime of participative management. The document emphasises clarity and transparency, which are aspects of communication by managers, but not involvement and consultation of employees in the management process of the business.

However with this argument we can win over trade union support, which is generally lacking, and which is necessary if we are to make progress in Europe in this field.

Besides the positive aspects, in a general way, the reactions and the comments express perplexity to the intentions and the steps taken by the Commission, an impression of inexplicable timidity, and disappointment, this expressing itself sometimes even in a sharp tone (cf opinion reproduced in appendix: "consultation or funeral?")

Within the European Federation of Employee Share Ownership itself, the impression which prevails is that of a disappointment with the past action of the Commission and the expectation of a firmer and stronger action in the future.

Indeed, EFES observes that the Summit of Lisbon raised the point in the European social agenda. EFES has uncovered a listening and growing support from the governments. As regards the European Parliament also, the supports for employee share ownership and participation has been strengthened. From the European Commission too, better support is awaited.

Among the questions and the reactions collected, let us note particularly:

Why wait until the 1st of August to launch this consultation? A worse date would be difficult to find, given that it was a universal holiday. Why such a short deadline for replying (until October 30)? All that rather discourages the reactions and hinders a real consultation. Furthermore, it is not clear from the document, what could have prevented it from being diffused 6 months or even a year before.

Of the Resolution of the European Parliament of January 1998, the working paper of the Commission staff retains only a general sentence, observing that "...the Parliament... made a number of calls on the Commission... It requested the Commission in particular to promote the exchange of information and best practice at transnational level, to study the impact of financial participation schemes on employment and wage flexibility, and develop pilot projects for financial participation in public undertakings in the CEECs in connection with privatisation". However, the Parliament's Resolution addressed to the Commission a whole of concrete, precise, practical requests. Not only were these requests not met by the Commission since 1998, but the document of consultation of the Commission omits them.

Lastly, it is strange that the document of consultation does not make mention anywhere of trade-unions. It is difficult to understand such major omission.

4. EMPLOYEE SHARE OWNERSHIP AND PARTICIPATION, KEY ELEMENTS OF A EUROPEAN STRATEGY FOR EMPLOYMENT

Employee share ownership and participation should be highly placed in a European strategy for employment. This is still not the case. There is an awakening which still has not reached the political decision makers.

Indeed the development of employee share ownership and participation positively influences economic and social dynamics and employment. This is not negligible, since it is estimated at 1% a year additional growth of the GDP. In terms of employment in Europe, that potentially represents a million additional jobs after a few years.

In the consultation document of the Commission, this factor is precisely highlighted (pages 8 and 9).

In the opinion of EFES, this is a key point of the question.

Much remains to be done to carry the conviction of governments and European decision makers in this direction. The document of the Commission indicates rightly that the general principles set forth in the PEPPER Reports have not yet been adequately incorporated into national policies.

However, during these last years, EFES has developed its relations with many governments and those show more and more interest in employee share ownership and participation.

In Belgium, the Belgian section of EFES was, at the sides of the Belgian Government, an active craftsman of a step which appears exemplary to us. Indeed, under the terms of a dialogue which fully associated the social partners, good new legislation was adopted, directly inspired by PEPPER principles.

With the support of the Belgian Presidency of the European Union, EFES is organizing an international conference on November 23 2001 in Brussels. The aim is to encourage the European Union and the European States to promote employee share ownership and participation.

We hope well that the European Commission will join the organization and the holding of this event.

5. THE CONCEPT OF FINANCIAL PARTICIPATION IS OBSOLETE: IT IS ADVISABLE TO SUBSTITUTE FOR IT EMPLOYEE SHARE OWNERSHIP AND PARTICIPATION

EFES thinks that it is employee share ownership and participation which should be the subject of a Community initiative, rather than "financial participation".

The concept of financial participation is too general: many studies, among which some supported by the Commission or the Dublin Foundation, have shown that financial participation can have all its social and economic benefits only if it is associated with a participative management. It is thus necessary to speak, as EFES suggests, of employee share ownership and participation, rather than just of financial participation.

This difference is very significant. Indeed, the concept of "financial participation" had its originality and its relevance at the end of the 80's. Since then however, practices and research have shown that the concept of financial participation, covering even contradictory multiple practices, is now largely obsolete.

Indeed, the concept of financial participation used by the Commission covers three categories of practices:

- profit-sharing;
- employee share ownership;
- stock options.

Among the practices covered by the concept of "financial participation", some have been shown to be beneficial and others negative. The practices of employee share ownership joined to participative management were characterized by their positive impact on productivity and economic and social dynamics.

Research shows that employee share ownership and participation have a positive impact on productivity, on economic and social dynamics in general and on the volume of activity and employment:

- When all-employees share ownership schemes are connected to participative management, the impact is particularly positive.
- When share ownership is just targeted at certain categories only (as is often the case in stock options schemes), the impact is positive but by far lower than when all employees are included.
- Lastly, profit-sharing may certainly have some impact, but a little or even a negative one.

Consequently, the conclusion should be drawn: one cannot any more, as at the end of the 80's,

to include in the same plan these various or contradictory practices.

It is indeed "employee share ownership and participation" which should be the purpose of a specific support, rather than the former obsolete concept of merely "financial participation". This difference was already the subject of several deepened debates, in particular within the framework of the European Workshop of April 1999.

In addition, the working paper of the Commission staff understates the effects of employee share ownership, when it states that "employee share ownership provides for employee participation in enterprise results in an indirect way, i.e. on the basis of participation in ownership, either by receiving dividends or the appreciation of employee-owned capital after the selling of the shares...".

Here still, the practice differed from concepts of the late 80's. Employee share ownership has been shown to be effective and significant, not only as participation in the financial results, but especially as a factor of commitment in ownership, motivation, company decision and management. This is also why the connection with participative forms of management has been shown to be a key element.

Let us repeat, it is the combination of employee share ownership and participation which has proved particularly beneficial. It is that which the Community actions should encourage.

We observed on this point a great convergence between our organizations of employee share ownership and the analysis made by trade unions.

In addition, convergence is full with the movement of workers' co-operatives represented at the European level by CECOP – the European Confederation of Workers' Co-operatives, Social Co-operatives and Participative Enterprises. Let us recall that CECOP is member of EFES, and reciprocally, EFES is a member partner of CECOP. The present opinion of EFES was discussed and concerted with CECOP.

In this connection, it is advisable to specify that, with the term "employee share ownership" (in French "actionnariat salarié"), we cover any situation where the employee is at the same time owner of a share of the capital of the company which employs him, in the form of shares (stocks), of shares of capital, social shares, shares of co-operators or other schemes, such as workers' co-operatives.

6. THE PROGRAM OF THE EUROPEAN COMMISSION

In its Resolution of January 1998, the European Parliament requested from the Commission "an adequately financed programme".

That the actions of the Commission fulfil a programme, appears indeed to us a significant condition of transparency and effectiveness.

It also appears very significant to us that the results of the actions taken or supported by the Commission would be published and made available.

The Commission precisely stresses through its various actions the importance of the exchanges of information in Europe. It would be desirable that the Commission itself takes a fully part in these exchanges and supports the communication between the actors. The Commission itself has information which should be accessible to these actors, in particular on the studies, conferences and other initiatives that it finances or causes, including through the European Foundation for the improvement of living and working conditions.

The purpose of this communication and this information on behalf of the Commission on financed actions, will be in particular:

- To support the exchanges and co-operation between actors, implementing projects.

- To establish criteria and correct, equitable and transparent procedures of selection.
- To encourage projects to complement each other.

In addition, in practice, the Commission finances currently only conferences, whereas the budgetary heading B3-4000 intended to finance actions aiming at the promotion of financial participation says "to support actions of promotion of good examples and networks as well as studies and measures of occupational qualification".

The means are not adequate, but also, the Commission did not propose a true programme. This one should support:

- Research, surveys, case-studies, cross-comparative including across-country analyses.
- Training (this concept being much broader than that of "measures of occupational qualification").
- Conferences, seminars, meetings (as it is currently the case).
- Actions of information and communication supplementing the preceding: publications, periodicals, web sites, reports and any action intended to disseminate the results of the studies and surveys and to make known to the public and the actors various aspects of employee share ownership and participation in Europe (stakes, obstacles, experiments and practices...)
- Web portals, catalogues... allowing to have an overall picture of the state of research and current debates, not only in the EU, but also in other countries. Currently, it is the web portal opened by EFES (www.efesonline.org) which answers this function best, but with too limited means.

7. ADEQUATE FUNDING

It appears significant to us that a policy of promotion of employee share ownership and participation should have a properly dedicated budgetary heading.

It is in this direction that the European Parliament in its Resolution of January 1998 went, by requesting from the Commission adequate financing.

When EFES was constituted, the first PEPPER Report went already back some 10 years and many participants were astonished to note that the Commission still did not have any dedicated budgetary means.

How indeed could we speak about policy or actions, if no means are allocated to it?

After the Resolution of the European Parliament of January 1998 and after the European Workshop organized by EFES at the European Parliament in April 1999 (workshop in which the Commission took part), one was still more astonished to see that no initiative seemed to be taken to assign means to the budget for 1999.

The astonishment was even larger, seeing the draft budget for 2000, which did not provide for anything either. Fortunately, EFES was able to discuss this with a number of Members of Parliament, and the draft budget was amended, by dedicating a share from the B3-4000 line "social dialogue" to assign it to the promotion of financial participation (and the situation was reproduced for the budgets for 2001 and 2002, since again, no initiative came from the Commission).

It must be noted that the assignment of a fraction of the B3-4000 line to financial participation is a lame solution, which still does not give "adequate" financing for a program aiming at the promotion of employee share ownership and participation.

Indeed, to reduce the promotion of employee share ownership and participation in a simple facet of social dialogue is to give it insufficient recognition.

Secondly, to equate actions promoting employee share ownership with the promotion of social dialogue, is to cause unnecessary arbitrations.

Lastly, it is still not to recognize the specific value of the promotion of employee share ownership and participation.

8. TO SET UP A "PERMANENT WORKING PARTY" AND A EUROPEAN INSTITUTE FOR EMPLOYEE SHARE OWNERSHIP AND PARTICIPATION

The points expounded here are still in line with the Resolution of the European Parliament of January 1998 and the European Action Programme of EFES, namely:

To develop indeed actions or a policy, one needs not only "an adequately financed programme", as the Parliament asked. It is also necessary to indicate bodies of execution and persons in charge. Without that, nothing organized will be done and, at best, things will remain as they are.

To take in hands the execution of a Community action or a policy, the European Parliament suggested the setting-up of a "permanent working party" associating all main interested parties: representatives of both sides of industry, of employee share ownership organizations, Members of the European Parliament and Commission experts.

In the prolongation of this working party, what is wished is the installation of a European institute for the promotion of employee share ownership and participation.

At the time of the European Workshop of April 1999, all interested parties decided in favour of the creation of such a working party (with the notable exception of the Commission representatives, who gave a report giving reasons to hold back).

In fact, the Parliament's Resolution did not receive any continuation and the lack of a body of execution explains certainly to a great extent, the lack of progress observed these last few years.

9. CONCLUSION - EFES' OPINION

As a conclusion, EFES' opinion is as follows:

1. Yes, the European Commission should plan for a Community initiative aimed at employee share ownership and participation.

We use the term "employee share ownership and participation", rather than "financial participation. Among the practices gathered under the concept of "financial participation", some have been shown to be beneficial and others negative. The practices of employee share ownership joined to participative management were characterized by their positive impact on economic and social dynamics.

2. Yes, actions should be taken in the European Union, and also in the candidate countries.

3. Yes, it is necessary to lay down general principles at European level to encourage greater and more efficient recourse to employee share ownership and participation schemes.

4. The general principles and the actions which the Commission should include in its next Communication and its Action Plan are those defined in the "European Action Programme" of the European Federation of Employee Share Ownership.

This programme is based on the Resolution of the European Parliament of January 1998 and it was written as the conclusion of a workshop which had gathered together, within the European Parliament in Brussels, all European institutions, as well as the social partners and the organizations of employee share ownership.

5. This action programme expects the European Commission particularly:

- to set up a permanent working party;
- to implement a programme with adequate funding;
- to set up a European institute for employee share ownership and participation.

This action programme is joined in its entirety to the present opinion, of which it forms integral part.

***For EFES,
Marc Mathieu
Secretary General***

In appendix :

Appendix 1: « European Action Programme » of EFES, adopted as the conclusion of the European Workshop of 30 April 1999 at the European Parliament in Brussels ; the programme gives an appendix reproducing the Resolution of the European Parliament of January 1998 and other reference documents.

Appendix 2: Some typical opinions collected through the forum on the web.

FINANCIAL PARTICIPATION OF EMPLOYEES IN THE EUROPEAN UNION

UNICE POSITION

INTRODUCTION

1. UNICE has noted the Commission working paper on financial participation of employees in the European Union, and hereby submits its contribution to the discussion.
2. The Commission wishes to relaunch the debate on financial participation of employees with a view to preparing a communication and an action plan at the end of 2001. It invites interested parties
 - to identify major obstacles to greater encouragement at EU level of profit-sharing and employee share ownership schemes;
 - to comment on the need for and content of a possible Community initiative and, more specifically, to provide it with views on the necessity to lay down general principles at Community level, based on the PEPPER reports and Council Recommendation 92/443/EEC, and to express views on the need for other specific measures.

GENERAL COMMENTS

3. In recent years, employee share ownership and profit-sharing schemes have developed and such instruments could become an important part of company remuneration policies. However, strong differences can be observed in the use of such schemes, which is more developed in some EU countries and sectors.
4. Companies recognise that financial participation schemes can be important tools to motivate employees by allowing them to share in the success of their company, to involve employees more closely in the life of the business, to align employees' interests with those of the company's shareholders and, thus, to link employees to the company over the longer term. In addition, worker participation models in the form of share purchase or share savings schemes also have the advantage that they make share ownership accessible to wider sections of the workforce and support wealth creation.
5. The business community broadly recognises the benefits of financial participation schemes and welcomes wider use of share ownership and profit-sharing schemes for both its economic and social benefits.
6. However important obstacles to wider use remain. These are essentially of a legal and tax nature. Not all EU Member States provide a legal and tax environment that sufficiently encourages companies to introduce such schemes.

7. Moreover, UNICE is preoccupied by the problems arising in a cross-border/transnational context. Different legal provisions, tax schemes and differences with regard to social security contributions generally prevent companies operating in two or more EU Member States from being able to apply one single corporate financial participation model to employees in different Member States. This generates high administrative costs.
8. In addition, the divergent and complicated fiscal treatment of financial participation models in cross-border situations has become an obstacle to the free movement of employees and a source of distortion within the Single Market for employers. As regards, for example, stock options, major problems for employees arise from the difference in timing of taxation and from the risk of double taxation. Distortions for employers may arise from no or double deductibility of related costs for corporate taxes.
9. As regards the “cultural barriers” identified by the Commission, UNICE is convinced that these are less predominant and will vanish progressively, due to a wide recognition in the business community of the usefulness of financial participation schemes and the need for a company to be a “competitive employer”. At the same time, in this context, the importance of providing the right legal and fiscal framework conditions should not be neglected. These framework conditions will finally determine how and to what extent financial participation schemes are more widely used.

SPECIFIC COMMENTS

Basic principles supported by UNICE

10. UNICE is attached to wider use of financial participation schemes at EU level, but recalls that such schemes must be voluntary for both employers and employees. It needs to be recalled that the introduction of financial participation schemes is a decision for the individual company/employer, in the light of existing national law and practice.
11. A large number of SMEs have introduced financial participation schemes, fully conscious of their potential and usefulness. But whereas wider use of financial participation schemes at SME level would be welcome, account needs to be taken of the fact that many SMEs are not in a position to generate the financial resources for worker equity participation or broad profit-sharing schemes, over and above already high wage costs.
12. As stated above, through financial participation schemes employers wish to motivate employees, create a close link between employees and the company and attract and retain qualified staff. Providing broad access to financial participation schemes may therefore be favoured, but no restrictions can be accepted on the employers’ freedom to decide the eligibility criteria for such schemes, in accordance with national law and practices and depending on the financial situation of the company.
13. Companies make use of both broadly and narrowly based financial participation schemes depending on their specific circumstances. Sometimes these two forms may even co-exist within the same company. Employers will choose the schemes deemed to be best suited for the pursuit of their human-resource-oriented goals and in that respect differentiation between groups of employees based on legitimate criteria such as qualification/responsibility may be necessary, and require different responses.
14. In particular, the Commission suggests that financial participation schemes should also be applied to fixed-term and temporary employees. It should however be noted

that, when an employer decides to make such incentives available to employees, this stems from the perspective of motivating and linking the employees to the company over the longer term. That companies would consequently see little benefit in including these categories of employees in such schemes who will only be affiliated to the company over a short period of time seems evident. It can also be assumed that fixed-term and temporary employees attach more importance to the actual salary than to additional forms of remuneration that may often only be interesting in the case of longer-term affiliation to a company.

15. The role of the social partners, and whether financial participation will be an issue for collective bargaining, will depend on national practice. Where this corresponds to national practice, financial participation schemes may allow for greater flexibility in collectively agreed remuneration systems, with fixed wage levels supplemented by pay components to reflect the success and performance of the company. This flexibility, beneficial to both employees and companies, should be promoted.
16. UNICE agrees that employers need to provide clear information on the nature and functioning of financial participation schemes and calculation formulas to employees who would be entitled to benefit from them.

Need for action at Member State and Community level

17. UNICE invites Member States to provide for a favourable fiscal and legal framework that further encourages equity participation and profit-sharing schemes and avoids putting financial and administrative burdens on companies that wish to introduce such schemes.
18. With regard to tax systems, the main responsibility remains at Member-State level. However, UNICE would welcome a process moving towards a certain degree of coordination of tax arrangements applying to financial participation schemes in a cross-border/trans-national context, which could help to reduce existing obstacles and distortions.
19. More specifically, as regards the treatment of stock options in cross-border situations, UNICE would be in favour of treating mobile workers in the same way as resident workers. This could be achieved through taxation exclusively by the Member State where the employee pays income tax when the stock options are granted, be it conditionally or unconditionally, regardless of where and when the exercise takes place. Even though other approaches such as exercise-based taxation exist, a common method of avoidance and proportional taxation could be considered. The approach suggested by UNICE could offer a robust and simple solution¹ for dealing with stock options in cross-border situations.
20. The Commission could in its forthcoming Communication present the current fiscal and legal framework in the different EU Member States, start a benchmarking exercise, and, via a follow-up report to its action plan, monitor progress in this field. An interesting element in a benchmarking exercise could also be a comparison between performances and practice/systems at EU level in relation to the USA, where a more developed financial participation culture exists.
21. Moreover, the Commission, in its future Communication, should also identify and examine the tax obstacles arising in a cross-border/trans-national context and, together with the EU Member States, explore ways of reducing these obstacles.

¹ More detailed arguments and an overview of the current tax treatment of stock options in the different EU Member States can be found in the UNICE working paper "Stock Options in the EU – Tax obstacles to cross-border mobility of employees in the Single Market" that will be published soon.

CONCLUSION

22. UNICE broadly recognises the benefits of financial participation schemes and welcomes wider use of share ownership and profit-sharing schemes for both its economic and social benefits.
23. It recalls at the same time that these schemes must be voluntary for both employers and employees.
24. UNICE notes that important obstacles to broader use of financial participation schemes remain. These are essentially of a legal and tax nature.
25. UNICE therefore calls on Member States to provide for a tax and legal environment that will favour the gradual development of a financial participation culture in the EU.
26. UNICE invites the Commission to examine in its forthcoming Communication the current fiscal and legal framework in the different EU Member States and to start a benchmarking exercise. It would also welcome an identification and examination of tax obstacles arising in a cross-border/trans-national context and the launch of a reflection process at EU level concerning possible ways to reduce these obstacles.

* * *



Working paper Financial participation for employees in the European Union” ETUC comments

The ETUC welcomes the Commission's intention to launch consultations on financial participation, with a view to giving a fresh impetus to the debate on financial participation at European level. However, the ETUC considers it somewhat less helpful to indiscriminately lump together a multitude of "actors" (see p.3 of the working paper). Like the Commission, the social partners and the Member States have a key role to play: the Commission must take that into account especially in the announced action plan.

The ETUC would like to stress that financial participation is a complement to employee participation. Financial participation will have a positive impact only if it is embedded in a whole system of workers' involvement, starting at the workplace and ending at the level of the undertaking or the group of undertakings.

Member States have extremely diverse systems for financial participation. The same form of financial participation is more or less pronounced depending on national circumstances and the country's industrial relations systems. No system and no form of financial participation can be merely transferred from one country to another, adjustments will always be necessary. Employee preferences are increasingly differentiated. That is another reason why every European action plan and every European measure for financial participation should be designed to afford the greatest latitude for tailoring to national specificities.

The forms of financial participation

There are different forms of financial participation:

- Asset formation and saving schemes
- Profit participation
- Capital participation

The Commission's paper focuses on profit participation and capital participation. The ETUC considers that capital participation and profit participation should both be more rigorously and accurately defined in the working paper.

„In the case of profit participation“, states the working paper, „profit is shared between shareholders and employees whereby, in addition to their wages, the latter receive a bonus which depends on the company's profit“ (p. 4). To say that employees are paid a profit-related bonus in addition to their wages tells us nothing of the relationship between wages and profit-related bonuses. It is conceivable, according to the wording in the working paper of the Commission's services, that wages would be made to vary with the amount of the bonus. Employees would thus carry a double risk.

In the ETUC's view, profit-related bonuses are sums paid over and above fixed wages. These sums can be paid in cash or in the form of shares or other securities. Where payment is in shares, disposal can be frozen during a relatively long blocking period. Whether or not one applies such blocking periods depends on the objectives attached to financial participation.

In the working paper, capital participation is defined as „a profit participation based on shares which is realised in the form of dividends, of capital gains on the sale of shares by an employee or by a combination of the two“ (p. 4). For the ETUC, capital participation means shares or a similar interest in an undertaking's equity offered by that undertaking to its employees for free or at preferential rates on the basis of an agreement concluded with employee representatives.

The ETUC demands that the Commission review the terms and definitions of financial participation set out in the working paper.

In the working paper, the Commission presents the purpose of financial participation too one-sidedly. It places the focus exclusively on the relationship between financial participation and productivity gains (pages 5, 8 and 9). A contrario, the ETUC stresses the fact that financial participation may have several objectives:

- Corporate objectives (such as productivity increase and encouraging employee loyalty to the company)
- General economic objectives (such as growth of overall economic productivity, promoting employment, price stability)
- Distribution policy objectives (changes in income and wealth distribution to the benefit of employees)
- Social policy objectives and objectives linked to the society (such as reducing the concentration of political and economic power in the hands of few)

The objectives linked to financial participation may vary according to whom pronounces himself in favour of financial participation. The ETUC demands that in the European action plan, the Commission take into particular account above all social and distribution policy objectives. The present draft is too one-sided and risks over-simplifying financial participation, by limiting financial participation to productivity gains only.

The Commission's working paper refers solely to employee participation at company level. There is no reference to schemes of financial participation that go beyond the company level. The ETUC invites the Commission to reflect on the following question: how can employees of small and medium-sized enterprises enjoy the benefits of financial participation. How can the employees of public sector and public services enjoy the benefits of financial participation? At a time when professional careers are no longer marked by a life-time's service in a single company, there should be some reflection on how to enable as many employees as possible to benefit from financial participation.

Need for critical reflection

The Commission's working paper contains several references to the abundant experience acquired in the most diverse Member States and repeatedly mentions the comprehensive studies undertaken on financial participation. All in all, however, the Commission's approach could be more critical. Many crucial questions are left unasked. The fact that in a country like Germany four decades of asset-building policy for employees has not succeeded in changing the trend of asset concentration or the assetless status of wide sections of the population should raise a few questions. The fact that, despite investing considerable legislative and financial means to promote financial participation, France has seen only very limited growth in the overall economic weight of profit and capital participation, or that the share of additional income generated by profit and capital participation schemes in the United Kingdom is very low (as recent studies show) is all the more reason why existing financial participation instruments must be re-appraised.

Financial participation needs to be part and parcel of a whole system of worker involvement

Financial participation is only one of many measures for promoting employee involvement. Financial participation can only succeed where it is part and parcel of a whole system of measures designed to promote employee involvement, where employees and their representatives are informed and consulted, where employees are capable of influencing decisions at company level and nominate representatives to administrative or supervisory bodies. Otherwise, if employee involvement is simply reduced to financial participation – considered, moreover, purely in terms of productivity gains – financial participation will fail. The ETUC asks the Commission to investigate this aspect more thoroughly in its announced communication and in the European action plan.

The Commission's working paper neglects two important preconditions for the success of financial participation measures: all employees within an undertaking must have the possibility of participating, and such measures

must be introduced on the basis of an agreement with employee representatives.

The ETUC has the impression that, in its working paper, the Commission takes the easy way out in dealing with the obstacles to financial participation. Cultural problems and acceptance difficulties on the part of employees are only too readily advanced. Acceptance problems on the part of employees cannot be eliminated by a public relations campaign. Employees' concerns must be taken seriously.

The ETUC submits the following proposals concerning for further reflection on financial participation:

Recommendation from the ETUC

The ETUC regards financial participation as an element, which complements real employee participation. The positive impact of financial participation is greater if it is embedded in a whole system of workers' involvement, starting at the workplace and ending at the level of the undertaking or group of undertakings, where strategic decisions are taken. Financial participation will utterly fail if it is understood as an alternative to workers' involvement.

Asset creation plans or saving schemes for wealth creation are the simplest form of financial participation. They often open up the road to further involvement, for example in building up employee share ownership. These more traditional forms of financial participation should therefore be encouraged in all member states.

The ETUC prefers collective agreements to set out at least a basic framework for financial participation. We do so because we think that all workers should have an opportunity to participate in employee share ownership or asset formation. Funds, which operate at branch level, would offer an additional advantage. The capital built up by workers could help, at least partially, to accelerate the innovation in businesses in their sector. Many small businesses are in desperate need of capital for modernising their activities. Member States should move all legal obstacles to the creation of such collective funds.

Provisions covering insolvency should be established.

The ETUC believes that financial participation should under no circumstances strengthen inequalities of income neither within companies nor in the society in general. The ETUC prefers that financial participation would cover all workers within companies where it is adopted and that specific attention is paid to its impact on gender equality. However, precautions

must be taken in order to avoid that the practice of financial participation replaces wage negotiations and regular wage increases. The ETUC is sceptical concerning the idea of a wage system, where a part of wages would be reinvested in financial participation, out of principal reasons and because this would produce under-consumption, which would be rather dangerous under present economic circumstances.

For the ETUC, productivity gains are part of the wage strategy. The discussion on financial participation should be dissociated from any discussion on wages. Plans for financial participation should rather be linked to employment strategies.

Any collective funds established should be run jointly by the social partners (which are partners to the collective agreement). If there are employee investment funds at branch level, the day-to-day management should be carried out by professional managers supported by an administrative council, which should set guidelines for the funds. Spreading the risk should be the general principle to be applied in investments. Supervisory Councils of such collective funds should be made up of employers' and workers' representatives in equal numbers. A fund is less vulnerable than a company in the event of insolvency.

We may imagine a code of conduct for fund management regulating the framework of investments in all Member States of the EU: forbidding investment in the arms trade, encouraging investment in the ecological sector, transferability of capital from one country to another etc. (A code of conduct for pension fund management has been drawn up by Euresa and is supported by the ETUC).

In conclusion:

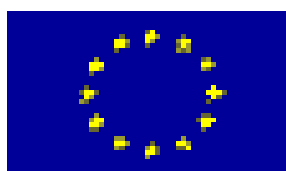
1. Financial participation is complementary to other forms of participation and works best, where it is embedded into a network of workers' involvement. Financial participation rimes well with participation in decision-making at all levels of the undertaking.
2. The modalities for financial participation should be introduced through negotiation.
3. Financial participation should operate on an ongoing, continuous basis and should not be a singular experience.
4. Collective agreements should set the framework for financial participation.
5. There should be provisions for the insolvency.
6. Workers and management should jointly manage funds.

7. Financial participation provides additional income and is no alternative for wages. Neither is financial participation an alternative to public pensions or to collectively agreed pension schemes.

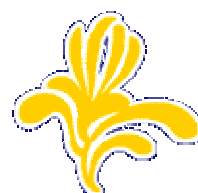
We call on the employers' organisation UNICE to make sure, jointly with the ETUC, that collective systems of financial participation are given prominence and that financial participation is well embedded into a general system of workers involvement, consisting of information, consultation and participation of workers and their representatives.

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