

**CHANGING PATTERNS OF
EMPLOYEE FINANCIAL PARTICIPATION
IN EUROPE**

**A survey among listed firms in
Six European Member States**

Final Report by

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In cooperation with

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January 2006

Nijmegen School of Management

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* This project is made possible by a grant of the European Commission, Employment and Social Affairs DG under the heading of Social Dialogue and Industrial Relations. We thank the commission sincerely for their contribution.

Colophon

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Introduction

Financial participation has emerged as a major issue for European Union institutions, Social Partners, and member governments. The involvement of employees in the profits and ownership of enterprise has been recognised as a potentially major contribution to major social-economic goals of entrepreneurship and adaptability. At the level of the enterprise, participation of employees in profits and ownership appears likely to promote motivation, commitment, and good performance. It also facilitates the establishment of reward strategies that are linked to the particular circumstances and performance of the enterprise, and in this respect it is consistent with the devolution of pay determination systems that is occurring throughout Europe. For these reasons, many of the member states are engaging in active debates on the merits of financial participation. Several governments have taken action to promote the use of financial participation. These developments have been mirrored by developments at EU level such as the publication of the two Pepper Reports and the passing of the Community Recommendation on this topic in 1991. Financial participation is also seen as important since it represents a means of promoting social dialogue and employee involvement. This is an issue identified as an objective of the Commission's *Social Policy Agenda (2000-2005)*, in which it is proposed to 'launch a communication and action plan on the financial participation of workers'. In 2002, the Commission has issued this Communication on the topic (CEC 2002), calling on Member States to take steps to assist the development of financial participation. Most of the Member States have taken initiatives to promote financial participation, either directly or indirectly. Focusing on the countries in this study, France has implemented a new law to promote financial participation in SMEs, the UK has introduced two new share plans, and Germany has made changes to its company law that facilitate the use of stock options.

The Commission reports and communications and major reports of the European Foundation¹ have established the contours and legislative regulation of financial participation systems in member states, and give a broad picture of developments across the Union. However, it is becoming clear that we lack detailed information on the actual characteristics of financial participation schemes in action. Several major questions can be identified. At firm level, are financial participation schemes an active and central instrument of social partnership or are they simply 'add-ons' to the pay package? To what extent do the various actors at firm level share similar perceptions of the function and benefits of financial participation? To what degree are employees and/or their representatives involved in the design, implementation, and administration of financial participation schemes? Do financial participation schemes 'mesh' with existing systems and structures of direct and indirect participation, or do they develop independently? And eventually, what impact do these schemes have on outcomes that benefit employees and/or

¹ .

employers? Are there any changes in plan design and take up as a result of changing economic conditions and bookkeeping standards since 2001?

In the most recent document from the European Commission, financial participation is seen to take three main forms: profit sharing, employee share ownership, and employee stock options. Profit sharing may take the form of immediate cash bonuses, cash transfers to employee savings funds, or free equity shares. Employee share ownership may take the form of share purchase plans, free shares financed out of profits, or ESOPs (where shares are transferred to a collective trust financed by a loan secured against future profits). Employee stock options are where employees are granted a right to acquire shares at some future point at a price set when the right is granted.

This project, which involved partners from several EU countries, attempts to address these questions through a programme of empirical research and dissemination. The answers to these questions are actively disseminated to the Social Partners.

This report presents the results of a survey among companies listed at stock exchange markets in six European Member States.

Outline of the project

The situation in Europe regarding the application of financial participation schemes has developed slightly overall since the publication of the initial PEPPER Report. There is more encouragement given to financial participation than fifteen years ago in virtually all member states. However, there is a growing disparity between the acknowledged financial participation countries (such as France and the UK) and those countries with the least developed financial participation policies and institutions. Those countries committed to financial participation have taken active steps to develop financial participation further but these actions have not been followed by other member states. Part of the problem is that there appears not to exist any exchange of information between member states regularly either on legislation or good practices.

In summary we may formulate the state of the art as follows:

- There is an increase in the use of schemes in Europe.
- However, the substance of share ownership in Europe is generally small, which means that there are relatively isolated experiments going on.
- There is a growing awareness at both sides of industry that employee share ownership might be a new employee benefit to be applied.
- A growing number of trade unions develops a pragmatic attitude towards the phenomenon and tries to be involved.

- There is a growing need for sharing information and a growing need for models and exchange of experiences on best practices and on solutions for apparent problems that show up when practising these schemes.
- Moreover, following the research and discussions more insight should be acquired concerning employee choices and employee representatives' views.
- And more insight should be gained on the views of the social partners on this phenomenon.
- Due to bookkeeping scandals and subsequent impact on these types of schemes financial participation are much more critically approached than at century's end and may have lost broad based support.

Objective of the project

Given the findings of European Research and the recommendations of the Commission, the following objective is proposed for the project.

*Develop insight into the phenomenon of **broad based financial participation***

*by highlighting experiences of companies listed on the stock exchanges markets in Europe with **financial participation schemes in particular employee share schemes**,*

*the **objectives that are met or not met**,*

*the **obstacles they have faced**,*

*and **the changes companies have made since 2001***

Main Questions

Several key questions are relevant to policy-makers and Social Partners. We focus on:

- What is the purpose of financial participation schemes at firm level?.
- Do schemes meet the desired objectives of interested parties?
- What obstacles and solutions are there to financial participation schemes meeting desired objectives?
- How do financial participation schemes link, if at all, with existing institutions and practices of direct and indirect employee participation in decision-making?
- Which changes have been made to financial participation schemes as a result of the changing economic and regulatory environment?

Research strategies and dissemination practices

We investigated the practice of financial participation in six European countries. These are France, Germany, Spain, Netherlands, Finland, and the UK. The choice of the countries has been determined by two criteria. One, they represent the main geographical areas of the Union. Two, they provide examples of high (France, UK), medium (Netherlands, Finland) and low (Spain, Germany) users of financial participation schemes.

1. First activity was the construction of an inventory of characteristics of financial participation schemes for each country. The purpose of this activity is to extend the formal knowledge embodied in the earlier reports by including comprehensive summaries of the known characteristics of schemes at firm level and capital market developments. This activity involved primarily desk-based research, and included reviews of relevant literature, statistical sources etc.
2. The second main activity undertaken was to collect detailed data on a sizeable group of firms with financial participation schemes. This would enable us to develop an accurate and well-grounded picture of financial participation practices in each country. To obtain this information a questionnaire was sent or structured telephone interviews were conducted with those responsible for the management of schemes at company level. The objective of this exercise will be to collect mainly factual information so reliance on one respondent per company will be generally sufficient. The type of information sought will include the type of schemes used, the nature of involvement of the various actors in design and implementation etc. Selection of respondent companies in each country will be determined to reflect the distribution of financial participation firms by activity and size. It is planned too to weight the number of cases according to the extent of financial participation. The fieldwork was organised and conducted by the Institute of Applied Social Sciences (ITS) at Raboud University Nijmegen.

As a second stage of this process we did feed-back the results of the research activities (above) to social partners on country and EU-level. This is done by the organisation of a workshop October 14/15 2005, at Oegstgeest, The Netherlands. A separate report with contributions and discussions at the workshop is available.

Methodology

The research consisted of two types of studies. An inventory study per country and a survey among listed companies.

Inventory Studies

The inventory studies per country have the objective to present an explanation of the nature and background of development of financial participation systems in the country.

Survey

The survey consisted of a pre-structured questionnaire. It asked for a few details of the plan and opinions of the respondent on results and obstacles. It was sent to the officer responsible for management of the scheme or the HRM manager. We decided to take a national orientation in the study, that is the focus is not on global equity plans. This does not mean that companies that have a global plan were excluded, but we asked for the situation of this plan in the respective country where the company was listed. We focused on companies with a plan.

Names and addresses were collected from companies listed on the general stock exchange market in the respective countries. From the smaller Markets of Helsinki and Amsterdam all listed companies were contacted and in the other countries a selection took place: the top 200.

To elaborate a higher response the questionnaire was not only send by post. Also native speaking interviewees called the respondent after two weeks for reply. The possibility existed to do a computer aided telephone inquiry. In addition, the possibility was provided to fill in the questionnaire on the web.

Response rates

Country	# addresses	%	Response	Response rate
Spain	183	19,1	25	13,7
France	182	19,0	29	15,9
Germany	162	16,9	47	29,0
Netherlands	138	14,4	37	26,8
Finland	115	12,0	28	24,4
United Kingdom	178	18,6	11	6,2
Total	958	100,0	177	18,5

Our target was to have a response rate of minimum 30% per country and a minimum of 30 responses per country. The response rate is below the norm mainly due to the very low response in the UK.

Results from the inventory studies

The inventory studies discuss the following topics.

- Legal context of financial participation and government policy
- Description of types of financial participation
- Development and Diffusion of financial participation with a focus on broad based share ownership
- Relationship with corporate governance, including developments
- Relationship with industrial relations system, including developments
- Relationship with the development of capital markets
- Social partners views
- Research results (country) that covers the basic propositions of the research as far as possible

In general the inventory in the six countries under investigation discovered a few developments:

- There is generally a suppression of wage increases. Based on general, national talks and agreements the possibilities for differentiated higher wage increases are levelled off. This means that there is a tendency to look for other employee benefits for the sake of flexibility in remuneration on individual level.
- There is a slight tendency to decentralise the determinacy of labour agreements. This also made it possible to develop company level remuneration packages where stock options and share schemes get their place.
- In general we observe a move towards the diffusion of Anglo-Saxon shareholder concept, also on continental Europe. This holds not only for management concepts with more elements of performance related pay, but also for corporate governance systems where share holding is highly valued and more distributed to citizens.
- We observed an increase in market capitalisation which attracted much more new share holding and an increased interest from individuals and employees. In the course of this there is an increase of share holding by citizens and employees.
- The booming capital markets have boosted financial participation among listed companies in most Member States at century's end. However, there are indications that

companies may have tightened the schemes due to the less favourable economic climate and due to changing bookkeeping standards.

- Due to the aging population there is some erosion of pension systems. This has led to discussion about the financial basis of pensions in the future. We observed a slight tendency to move towards more private and defined contribution plans. In some cases this may be related to capital accumulation via employee share type of plans.

Differences between countries

As expected there are large differences between countries. The UK appears to be the country with substantial application of share schemes. France appears to be a country with mandatory profit sharing schemes. Spain appears to be a country with a tradition of co-operatives. Germany is a country with established capital accumulation plans for employees, and the Netherlands and Finland appear to be countries with a national wage saving system. These country differences determine the existence of schemes to a large extent. Most broad based employee financial participation appears to be a reaction to the possible benefits provided by government policy in certain European countries.

Supportive legal context and government policy

There is an increase of the use of these schemes in all countries. The development is supported by legislation in certain countries, most notably the UK and France. In these countries financial participation becomes sophisticated and to a certain extent part of national and sectoral income policy. The main arguments to promote the system is wage flexibility, productivity and wealth redistribution.

Slowly moving changes in industrial relations

Apparently with these developments there is an interest in these schemes from both social partners. However, it does not yet appear in front of the social dialogue and at agreements talks. In some occasions in some country there are examples where the topic is negotiated and ended up in an agreed financial participation arrangement. Trade unions tend to change their positions to a more pragmatic attitude towards schemes. They try to get hold of this new domain of additional benefits for employees.

Survey Results

Introduction

The questionnaire of the survey consisted of 7 sections (see the Annex for the questionnaire). First section asked about the existence of a scheme. The next section asked about the profit sharing system, if any. Following section asked details about share related schemes. Then questions were asked concerning the impact of the scheme and the last section asked question concerning participative practices, obstacles and background information.

The survey research investigated the following:

- What is the purpose of financial participation schemes at firm level?.
- Do schemes meet the desired objectives of interested parties?
- What obstacles are there to financial participation schemes meeting desired objectives?
- How do financial participation schemes link, if at all, with existing institutions and practices of direct and indirect employee participation in decision-making?
- What changes took place since 2001?

We start with a closer look to companies that responded and the use of schemes in general.

Financial participation in listed companies

Table 1 presents the overall picture of the use of forms of participation in the sample. Since we want to know the complementarities between different participation forms and financial participation, we focus on the 151 companies with any participation, including non-financial participation like representative participation and teamwork. From table 1 it appears that a large majority has some form of non-financial participation forms (83%). From the forms of financial participation, stock options and profit sharing are most popular. Stock options plans were found in 52% of companies and profit sharing systems in 54% of the companies. Compared with a similar survey done in 2001 there is not much change. Most of the companies have 2 schemes. If we break down the figure of financial participation schemes in schemes for all employees than profit sharing and share acquisitions are the most popular. Stock options appear to be used much more for management and selected staff. In the next table 2 we present more details per category of plan.

Table 1 Distribution of forms of participation

	%		N		
	no	yes	total	no	yes
Non-financial participation	17	83	151	25	126
Financial participation	26	74	151	39	112
Profit sharing scheme	46	54	151	69	82
Stock options scheme	48	52	151	73	78
Share acquisitions, other than options	54	46	151	81	70
Other	90	10	151	136	15
<i>For all or most employees</i>					
Profit sharing scheme	63	37	151	95	56
Stock options scheme	88	12	151	133	18
Share acquisitions, other than options	68	32	151	103	48
Other	94	6	151	142	9

Table 2 presents the results for all types of participation examined in the survey. Stock option plans are much more restricted for management and selected staff. How are types of schemes distributed over the countries? Table 2 shows this and as expected in France (52%), the Netherlands (45%) and Finland (52%) there is more use of all employee profit sharing schemes while in the UK all employee share schemes are more popular (91%). This is explained by the elaborate tax provisions for the different types of schemes in the respective countries. In France a certain type of profit sharing schemes is even mandatory. Management only profit sharing schemes were most found in Germany (35%). There is some path dependence here. The use of stock options was prohibited in Germany until 1998 and German companies used profit sharing schemes in stead. Since stock options became a possible remuneration German companies were catching up quickly and the figures show a higher score (45%) than in the UK for management only stock option schemes. French companies appear to use stock options mainly for management and selected staff (52%). Next to the UK all employee share acquisitions plans are more found in Germany and France. This is also in line with promotion policies and tax provisions in those countries.

Table 2 : Type of schemes per country

	Country						Total	Eta
	ES	DE	FRA	NL	FIN	UK		
N=100%	25	40	21	29	25	11	151	
Financial participation								
<i>For management only</i>								
Profit sharing scheme	20	35	10	14	16	9	20	.24 *
Stock options scheme	4	45	10	31	16	36	25	.36 **
Share acquisitions, other than options	8	23	10	17	8	9	14	.18
Other	0	5	0	7	4	9	4	.15
<i>For management and selected staff</i>								
Profit sharing scheme	16	15	5	21	8	9	13	.16
Stock options scheme	16	18	52	28	32	18	26	.27 **
Share acquisitions, other than options	4	13	10	10	16	9	11	.12
Other	0	0	5	10	4	0	3	.22
<i>For all or most employees</i>								
Profit sharing scheme	20	28	52	45	52	27	37	.26 *
Stock options scheme	4	8	5	28	12	18	12	.26 *
Share acquisitions, other than options	16	40	52	14	12	91	32	.48 **
Other	0	3	10	10	12	0	6	.20

More all employee profit sharing and share plans

Table 3 list the coverage per plan. More than two third (68%) of profit sharing plans are all employee plans. The same figure is found for share purchase plans (69%). As expected all employee schemes are more found in the UK and France. Also in Finland most companies practise an all employee scheme.

Table 3: Coverage per type of plan

	Total
N=100%	82
Profit share	
restricted access	32
all employee	68
only all employee	57
only management and selected staff	4
only management only	18
mix of these 3	21
N=100%	78
Stock options	
restricted access	77
all employee	23
only all employee	15
only management and selected staff	33
only management only	33
mix of these 3	18
N=100%	70
Share purchase	
restricted access	31
all employee	69
only all employee	57
only management and selected staff	11
only management only	20
mix of these 3	11

(Narrow based) stock options plans are popular

As expected, stock option plans are a popular reward instrument for management and selected staff. Stock option plans are typically only for management and selected staff (77%). Especially companies in Germany and France operate a restricted stock option plan. Broad based plans are slightly less likely a stock option plan. In case of broad based plans companies are more inclined to use also other type of plans, like share purchase and share savings plans.

On average companies operate two types of plans. In other words listed companies with share related schemes elaborated more plans.

The degree of participation of employees in share related plans is generally lower than in profit sharing plans. On average, broad based share plans has a participation rate of 60 %, with the median on 66% while for profit sharing plans the figures are 84% and 90%.

Generally, employees hold less than 5% of stock in these listed companies. The median is 1,0%.

What are the objectives?

From the literature and research the following objectives are mentioned in case of the application of financial participation in companies.

- Improve economic performance through productivity increase, profitability improvement and flexibility of remuneration.
- Gain tax advantages
- Source for finance
- Improve organizational performance through involvement and functional flexibility
- Improve industrial relations through reduced conflict and lower levels of absenteeism
- Organizational identification through intrinsic commitment, direct participation, job satisfaction and security
- Extrinsic commitment through instrumental orientation and investment attitude

Other more defensive objectives are:

- Autonomy in Pay Determination
- Take over defence

Are the objectives met?

The respondents indicated the following results concerning the stated objectives (Table 4).

Table 4 Which of the following impacts consider you as (very) successful? Per type of plan.

	Profit sharing	Share purchase	Stock options
N=100%	82	70	78
factor performance (total index of the next 8 performance measures)	55	31	42
1. productivity	48	20	33
2. attracting suitable recruits	46	24	41
3. work motivation	59	29	45
4. identification with the company	56	37	49
5. work satisfaction	49	24	37
6. entrepreneurial attitudes and behaviour among employees	43	23	35
7. labour turnover	17	10	23
8. showing employees that the company values them	55	36	49
additional pension provision	15	14	6
securing tax concessions	12	11	14
to raise capital		13	9
to inhibit take-overs of the company		9	1

This table presents the positive scores on objectives per type of plan. Obvious is that profit sharing appears to be able to better meet the objectives than share purchase plan and stock options plans, while stock option plans score better than share purchase plans.

In general, the objectives that are mainly met with profit sharing plans are:

- improve work motivation
- promoting identification with the company
- showing that the companies value their employees
- attracting suitable recruits and

Targets that were not very successfully met are:

- reduce labour turnover
- provide additional pension

In case of share purchase plans and stock options plans a similar pattern of objectives were met, that is:

- improve work motivation

- promoting identification with the company
- showing that the companies value their employees

Only in case of stock option plans these plans were more successful in attracting suitable recruits and reducing labour turnover. Note that stock options plans were mainly used for management and selected staff and thus appear to be an instrument for retention purposes much more than the other type of plans.

The targets ‘additional pension provision’ and ‘securing tax concessions’ is only relevant in some countries. Not surprising ‘securing tax concessions’ get higher scores in France for profit sharing. France (in case of profit sharing) and Germany (in case of share purchase) score high on ‘additional pension provisions’.

There are important differences between broad based share schemes and restricted schemes. Tables 5,6 and 7 present an overview per type of plan and for cases with restricted plans and all employee plans.

Table 5: Successful objectives of restricted and all employee profit sharing plans

	restri cted	all empl oyee	total	Eta
N=100%	26	56	82	
factor profit share performance	42	61	55	.17 *
Productivity	42	50	48	.07
attracting suitable recruits	42	48	46	.06
work motivation	42	66	59	.22 **
identification with the company	50	59	56	.08
work satisfaction	42	52	49	.09
entrepreneurial attitudes and behaviour among employees	46	41	43	.05
labour turnover	15	18	17	.03
showing employees that the company values them	46	59	55	.12
additional pension provision	12	16	15	.06
securing tax concessions	12	13	12	.01

The overall factor performance for all employee profit sharing is better than for restricted profit sharing plans. Looking at the different targets there is only a significant positive effect of all employee plans in case of work motivation.

In contrast, in case of stock option plans restricted plans are considered more successful in overall performance (Table 6). There are specific significant differences between restricted and all employee plans for improving work motivation and work satisfaction of selected staff.

Table 6: Successful objectives of restricted and all employee stock options plans

	restric ted	all empl oyee	total	Eta
N=100%	60	18	78	
factor stock options performance	47	28	42	.16 *
Productivity	35	28	33	.06
attracting suitable recruits	43	33	41	.09
work motivation	52	22	45	.25 **
identification with the company	52	39	49	.11
work satisfaction	42	22	37	.17 *
entrepreneurial attitudes and behaviour among employees	37	28	35	.08
Labour turnover	25	17	23	.08
showing employees that the company values them	48	50	49	.01

In contrast, all employee share plans are more successful than restricted plans especially concerning work motivation and work satisfaction (Table 7).

Table 7: Successful objectives of restricted and all employee share purchase plans

	restric ted	all empl oyee	total	Eta
N=100%	22	48	70	
Factor share purchase performance	27	33	31	.06
Productivity	18	21	20	.03
attracting suitable recruits	18	27	24	.10
work motivation	18	33	29	.16 *
identification with the company	32	40	37	.07
work satisfaction	9	31	24	.24 **
entrepreneurial attitudes and behaviour among employees	27	21	23	.07
labour turnover	14	8	10	.08
showing employees that the company values them	27	40	36	.12

Changes in plans due to bookkeeping standards?

We asked the respondents whether they have changed plans since 2001 due to economic problems or changing bookkeeping standards. Table 8 presents an overview. Only a limited number of companies have changed the plans. However, if they change the plan they put important limitations on the plan in terms tightening eligibility criteria, scale down participation levels and make any awards more forfeitable and performance related. This clearly means a move to less broad based schemes.

Table 8: Changes made to plans and its causes

	%		N=		N	
	0	1	100	0	1	1
	%					
<i>Changes made to current fp plans</i>						
Tightened eligibility criteria	93	7	112	104	8	
Capped or scaled-down participation levels	95	5	112	106	6	
Reduced the generosity of company matching	97	3	112	109	3	
Reduced the discount on exercise prices	100	.	112	112	.	
Made awards more performance-related and forfeitable	91	9	112	102	10	
Reduced option terms and narrowed exercise windows	99	1	112	111	1	
Switched from options to restricted shares	96	4	112	107	5	
Repriced options	100	.	112	112	.	
<i>Changes made due to:</i>						
Economic pressures	61	39	23	14	9	
Changing corporate governance, book keeping standards	52	48	23	12	11	
Introduction of international financial participation plan	96	4	23	22	1	
Changes in tax benefits	91	9	23	21	2	

What are the main obstacles?

Of course the situation in most European Member States is not that voluntary that it is easy to introduce financial participation schemes. There are several obstacles due to legal prescriptions, how the benefits are treated, the reactions of trade unions and employees, etcetera. We asked the respondents to indicate which obstacles are important. Table 9 shows that the major obstacles are:

- the legal framework; this is considered too restrictive and complicated (61%)
- little or no tax incentives for employees (56%)
- administration costs (52%)
- Securities requirements are complicated (49%)

Also, internationalization appear to be an important obstacle for further developments:

- International regulations
- Lack of cross border harmonisation

There are important differences between countries. Table 9 indicates also the significant differences between countries and mentions a few typical examples. In case of social security charges this obstacle is especially mentioned by respondents from France and the Netherlands while this is less an obstacle in Spain. A bit expected, in Spain trade unions' views are considered as an obstacle while not in the other countries. While in the Netherlands securities requirements are considered an obstacle this is less the case in the UK.

Table 9: % of companies that considers item as an obstacle for further development of financial participation

	Country						Total	Eta
	ES	DE	FRA	NL	FIN	UK		
N=100%	22	28	12	20	19	8	109	
<i>Obstacles to financial participation schemes</i>								
Little or no tax incentives for employees	27	68	50	65	68	50	56	.32 **
Social security charges	18	61	50	65	53	13	47	.39 **
Unions are opposed to plans	45	21	25	25	26	0	27	.26 *
Administration costs	45	54	58	65	47	38	52	.16
Employees are not interested in long term benefits	36	32	50	45	68	0	41	.35 **
Existing shareholders do not want empl. to hold shares	41	14	25	15	37	0	24	.30 **
Legal framework is restrictive and complicated	55	71	58	60	53	63	61	.14
Securities requirements are complicated	45	50	50	70	42	13	49	.28 *
Culture of the company	45	11	25	15	32	0	23	.34 **
International regulations (eg accounting regulations)	45	50	58	65	37	38	50	.19
Lack of cross-border harmonisation of schemes	32	46	58	55	37	50	45	.19

How is financial participation linked to participation arrangements?

We investigated the existence of several forms of participation and communication in the company. We also looked at the involvement of employee representative in the development and management of plans.

We investigated the relationship between the degree of participation, as measured by the number of forms, and the existence of type of schemes. There is an association between broad based plans and the participative nature of the company. In case of broad based plans there are slightly more forms of participation and communications.

Important is also that in case of broad based plans the higher the chance that there is an employee representative on supervisory board or board of directors. As expected, the chance to have an employee representative in the board that manages the financial participation scheme is also higher in case of broad based schemes.

Next there is a strong association between involvement of trade unions and/or employee representatives in settling the agreement and employee representatives on supervisory board, board of directors and board that manages the financial participation scheme. Also this participation is strongly related to broad based schemes.

In summary, broad based schemes are developed in a more participative company.

Conclusions

This report presented an overview of the situation of financial participation in six European Member States. A few conclusions:

1. There is a slight tendency to decentralise the determinacy of labour agreements. This also made it possible to develop company level remuneration packages where stock options and share schemes get their place.
2. In general we observe a move towards the diffusion of Anglo-Saxon shareholder concept, also on continental Europe. This holds not only for management concepts with more elements of performance related pay, but also for corporate governance systems where share holding is highly valued and more distributed to citizens.
3. We observed an increase in market capitalisation which attracted much more new share holding and an increased interest from individuals and employees. In the course of this there is an increase of share holding by citizens and employees.
4. The booming capital markets have boosted financial participation among listed companies in most Member States at century's end. Most share related schemes were introduced in the second half of the nineteen-nineties.
5. Companies listed on stock exchange markets operate generally more than one scheme; about 16 % operates all type of schemes.
6. Profit sharing schemes are generally broad based all employee schemes with a participation degree generally above 80%. Two-third of share related schemes are broad based plans with a participation degree of 60-65%.
7. From the share related schemes stock options plans are the most popular. Especially plans restricted to management and selected staff tend to be stock options plans.
8. The main objectives of all employee plans tend to be to increase work motivation and valuing employees.
9. The impact of narrow based plans for management and selected staff tends to be improvement of work motivation and increase in work satisfaction
10. The main obstacles for the development of an all employee share scheme are: the legal framework; this is considered too restrictive and complicated; little or no tax incentives for employees. In general, not availability of tax incentives were rated as the most important obstacle. This is especially mentioned in companies with broad based schemes. As expected, also security charges are more mentioned in case of broad based plans.
11. There are important differences between countries due to the differences in treatment of the plan approval and difference in treatment of employee benefits.
12. Although the main initiative for introduction of plans comes from the employer, broad based share plans tend to be negotiated and agreed with trade unions or employee

representatives. The involvement of employee representatives in the development and management of the plan is also higher than in case of narrow plans.

13. Broad based share plans are established in more participative companies.

Participation questionnaire

Supported by the European Commission

This questionnaire asks about employee participation plans in your company. Please answer even if you have none or very few forms of participation in your company.

The survey is aimed at companies in several European countries and is designed to collect information on differences in company practices between countries. As a result there may be some questions which use unfamiliar terms. We have endeavoured to keep these to a minimum but if you need clarification please contact the survey team at the address provided (see below)

Please base your answers on the position in your company as a whole in the main country of operations. Please ignore the position in overseas subsidiaries except where questions explicitly refer to these.

The information collected in this questionnaire will be used for scientific and academic research. The information you provide will be treated in the strictest confidence and will not be released to any third party.

At the end of the questionnaire you can indicate whether you want a summary report or a small report benchmarking your scores with the average of the survey.

Thank you for taking the time to assist. It is appreciated.

Dr. Erik Poutsma
Survey Director
Nijmegen School of Management
Radboud University, The Netherlands

If you need to contact us to clarify the meaning of any of the questions please contact

Country	person	Phone number	E-mail address
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France	Stephan Trebucq	+ 33 (0) 5 56 84 85 95	trebucq@u-bordeaux4.fr
Nederland	Erik Poutsma	+ 31 (0) 24 6778978	e.poutsma@fm.ru.nl
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For office use

Respondent number:

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PART A General

1. Which sector does your company belong to?

Please circle appropriate answer

a. agriculture	-1-
b. energy and water	-2-
c. chemical products, extraction and processing and non-energy materials	-3-
d. metal manufacturing; mechanical, electrical and instrument engineering; office and data processing machinery	-4-
e. other manufacturing (eg. food, drink and tobacco; textiles; clothing; paper, printing and publishing, processing of rubber and plastics)	-5-
f. building and civil engineering	-6-
g. retail and distribution; hotels, catering, repairs	-7-
h. information technology & telecommunication (ICT)	-8-
i. other transport & communication (eg. railroads, postal services)	-9-
j. banking ; finance ; insurance	-10-
k. other business services (eg. consulting, law firms, PR)	11
l. personal, domestic, recreational services (Health and fitness, cleaning and maintenance, bungalow parks and amusement centers)	-12-
m. health services	-13-
n. other services (eg. television and radio, R&D, charities, etc)	-14-
o. education (Including universities and further education)	-15-
p. other (please specify):	-16-

2. What forms of participation and communication are there in the company and when were they established?

TYPE OF PARTICIPATION	in use (circle as appropriate)	year of introduction
works council / social council	-1-	
trade union-based committee	-2-	
other employee representative body	-3-	
regular employee surveys	-4-	
suggestion schemes	-5-	
quality circles or quality improvement schemes	-6-	
semi-autonomous groups with some decision-making power	-7-	
social responsibility audit and report	-8-	
employee representative on supervisory board or on the company's main board of board of directors chosen by the union	-9-	
employee representative on supervisory board or on the company's main board of directors not chosen by the union	-10-	
employee representative on employee share scheme committee or trust	-11-	
employee representative on pension fund or savings scheme	-12-	
other, please specify:.....	-13-	

3. Do you have any of the following types of financial participation scheme for employees in your company?
(more than one answer is possible)

	for management only	for management and selected staff	for all or most employees
profit sharing scheme	-1-	-2-	-3-
stock options scheme	-1-	-2-	-3-
share acquisitions, other than options (share purchase plans, share distribution plans, participation in capital by employees etc.)	-1-	-2-	-3-
other (please specify):	-1-	-2-	-3-
none	-1-	-2-	-3-

If you have answered 'yes' to profit sharing in columns 2 or 3 of Q3 please answer questions in PART B. Please, go to question 4

Otherwise proceed to PART C: Please, go to question 11

If you have answered 'no' to all types of financial participation please proceed to PART F. Please, go to question 32

PART B Profit sharing

4. How long does an employee have to be employed in the company to be eligible for the profit sharing scheme?

..... months OR years (please write in)

5. What proportion of employees received a profit shares in the most recent profit share allocation?

..... %

6. How are profit shares distributed to employees?
(please tick as appropriate. More than one answer is possible)

equally	-1-
linked to salary level	-2-
linked to job grade or position	-3-
linked to length of employment	-4-
linked to employment type (full-time/part-time etc)	-5-

7. How large was the total annual profit share paid out relative to the total annual wage costs in the most recent profit share allocation?

..... %

8. In your view how important are tax concessions in influencing the use of profit-sharing in your company

very important	-1-
important	-2-
little or no importance	-3-

The following two questions ask about the objectives and the impact of the profit sharing plan.

9. How important are the following objectives in your company's use of profit sharing on a scale from 1 (not at all important) to 5 (very important indeed)

	not at all important	very modest importance	some importance	quite important	very important indeed
a. to increase productivity	-1-	-2-	-3-	-4-	-5-
b. to attract suitable recruits to the company	-1-	-2-	-3-	-4-	-5-
c. to improve work motivation	-1-	-2-	-3-	-4-	-5-
d. to provide additional pension provision	-1-	-2-	-3-	-4-	-5-
e. to promote identification with the company	-1-	-2-	-3-	-4-	-5-
f. to increase work satisfaction	-1-	-2-	-3-	-4-	-5-
g. to stimulate entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	-5-
h. to reduce labour turnover	-1-	-2-	-3-	-4-	-5-
i. to show employees that the company values them	-1-	-2-	-3-	-4-	-5-
j. to take advantage of tax concessions	-1-	-2-	-3-	-4-	-5-

10. What impact has profit sharing had on the following?

	very negative impact	negative impact	no impact at all	positive impact	very positive impact
a. productivity	-1-	-2-	-3-	-4-	-5-
b. attracting suitable recruits	-1-	-2-	-3-	-4-	-5-
c. work motivation	-1-	-2-	-3-	-4-	-5-
d. additional pension provision	-1-	-2-	-3-	-4-	-5-
e. identification with the company	-1-	-2-	-3-	-4-	-5-
f. work satisfaction	-1-	-2-	-3-	-4-	-5-
g. entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	-5-
h. labour turnover	-1-	-2-	-3-	-4-	-5-
i. showing employees that the company values them	-1-	-2-	-3-	-4-	-5-
j. securing tax concessions	-1-	-2-	-3-	-4-	-5-

PART C Stock options

If your company offers stock option plans to some non-managerial employees please answer the questions in this section. Otherwise please proceed to PART D

11. What proportion of employees received option awards in the most recent granting of stock options?

..... %

12. Are employees granted options by management OR do employees have to subscribe to an option plan (Tick appropriate answer)

managers grant option awards and all eligible employees are included when applied	-1-
employees choose to subscribe to an option plan	-2-

13. Is the stock option plan supported by an employee savings scheme (to raise the money to exercise the options)

yes	-1-
no	-2-

14. How long does an employee have to be employed in the company to be eligible for the stock options plan?

..... months OR..... years (please write in)

15. Is the size of stock option awards linked to any of the following? (Please tick as appropriate. More than one answer is possible)

equal to all employees	-1-
linked to salary level	-2-
linked to job grade or position	-3-
linked to length of employment	-4-
linked to employment type (full-time/part-time etc)	-5-
employee chooses	-6-

The following two questions ask about the objectives and the impact of the stock options plan.

16. How important are the following objectives in your company's use of stock options on a scale from 1 (not at all important) to 5 (very important indeed)

	not at all important	very modest importance	some importance	quite important	very important indeed
a. to raise capital	-1-	-2-	-3-	-4-	-5-
b. to increase productivity	-1-	-2-	-3-	-4-	-5-
c. to attract suitable recruits to the company	-1-	-2-	-3-	-4-	-5-
d. to improve work motivation	-1-	-2-	-3-	-4-	-5-
e. to provide additional pension provision	-1-	-2-	-3-	-4-	-5-
f. to promote identification with the company	-1-	-2-	-3-	-4-	-5-
g. to increase work satisfaction	-1-	-2-	-3-	-4-	-5-
h. to stimulate entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	-5-
i. to reduce labour turnover	-1-	-2-	-3-	-4-	-5-
j. to inhibit take-overs of the company	-1-	-2-	-3-	-4-	-5-
k. to show employees that the company values them	-1-	-2-	-3-	-4-	-5-
l. to take advantage of tax concessions	-1-	-2-	-3-	-4-	-5-

17. What impact have stock options had on the following?

	very negative impact	negative impact	no impact at all	positive impact	very positive impact
a. to raise capital	-1-	-2-	-3-	-4-	-5-
b. productivity	-1-	-2-	-3-	-4-	-5-
c. attracting suitable recruits	-1-	-2-	-3-	-4-	-5-
d. work motivation	-1-	-2-	-3-	-4-	-5-
e. additional pension provision	-1-	-2-	-3-	-4-	-5-
f. identification with the company	-1-	-2-	-3-	-4-	-5-
g. work satisfaction	-1-	-2-	-3-	-4-	-5-
h. entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	-5-
i. labour turnover	-1-	-2-	-3-	-4-	-5-
j. to inhibit take-overs of the company	-1-	-2-	-3-	-4-	-5-
k. showing employees that the company values them	-1-	-2-	-3-	-4-	-5-
l. securing tax concessions	-1-	-2-	-3-	-4-	-5-

18. In your view how important are tax and social security concessions in influencing the use of broad-based stock options in your company

very important	-1-
important	-2-
little or no importance	-3-

PART D Share purchase and distribution schemes

If your company offers share purchase, share acquisition, or share distribution plans to some or all non-managerial employees please answer the questions in this section. Otherwise please proceed to PART E

19. Are employees granted shares by management OR can employees subscribe to purchase shares
(Tick appropriate answer: more than one answer is possible)

managers grant share awards and all eligible employees are included	-1-
employees voluntarily choose to subscribe to a share plan	-2-

20. What proportion of employees were allocated shares in the most recent operation of the plan? (if relevant)

..... %

21. What proportion of employees subscribed to shares in the most recent operation of the plan? (if relevant)

..... %

22. How long does an employee have to be employed in the company to be eligible for the share plan?

..... months OR..... years (please write in)

23. Is the size of stock awards/purchases linked to any of the following?
(Please tick as appropriate. More than one answer is possible)

equal to all employees	-1-
linked to salary level	-2-
linked to job grade or position	-3-
linked to length of employment	-4-
linked to employment type (full-time/part-time etc)	-5-
employee chooses	-6-

The following two questions ask about the objectives and the impact of the stock acquisitions plan.

24. How important are the following objectives in your company's use of stock acquisition plans on a scale from 1 (not at all important) to 5 (very important indeed)

	not at all important	very modest importance	some importance	quite important	very important indeed
a. to raise capital	-1-	-2-	-3-	-4-	-5-
b. to increase productivity	-1-	-2-	-3-	-4-	-5-
c. to attract suitable recruits to the company	-1-	-2-	-3-	-4-	-5-
d. to improve work motivation	-1-	-2-	-3-	-4-	-5-
e. to provide additional pension provision	-1-	-2-	-3-	-4-	-5-
f. to promote identification with the company	-1-	-2-	-3-	-4-	-5-
g. to increase work satisfaction	-1-	-2-	-3-	-4-	-5-
h. to stimulate entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	-5-
i. to reduce labour turnover	-1-	-2-	-3-	-4-	-5-
j. to inhibit take-overs of the company	-1-	-2-	-3-	-4-	-5-
k. to show employees that the company values them	-1-	-2-	-3-	-4-	-5-
l. to take advantage of tax concessions	-1-	-2-	-3-	-4-	-5-

25. What impact has the share acquisition plan had on the following objectives?

	very negative impact	negative impact	no impact at all	positive impact	very positive impact
a. to raise capital	-1-	-2-	-3-	-4-	-5-
b. productivity	-1-	-2-	-3-	-4-	-5-
c. attracting suitable recruits	-1-	-2-	-3-	-4-	-5-
d. work motivation	-1-	-2-	-3-	-4-	-5-
e. additional pension provision	-1-	-2-	-3-	-4-	-5-
f. identification with the company	-1-	-2-	-3-	-4-	-5-
g. work satisfaction	-1-	-2-	-3-	-4-	-5-
h. entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	-5-
i. labour turnover	-1-	-2-	-3-	-4-	-5-
j. take-overs of the company	-1-	-2-	-3-	-4-	-5-
k. showing employees that the company values them	-1-	-2-	-3-	-4-	-5-
l. securing tax concessions	-1-	-2-	-3-	-4-	-5-

26. In your view how important are tax and social security concessions in influencing the use of broad-based share acquisition plans in your company

very important	-1-
important	-2-
little or no importance	-3-

PART E Employee involvement in financial participation plans

If you have any kind of financial participation plan please answer this section. Otherwise please proceed to PART F

27. Was the financial participation scheme introduced as part of a formal agreement with employees or their representatives?

agreement with trade union representatives	-1-
agreement with other employee representatives or works council	-2-
ballot of the workforce	-3-
no formal agreement - employer decided	-4-
other, please specify:	-5-

28. To what extent have employees or their representatives been involved in the following
Employee or representatives are...

	not involved in	informed about	consulted about and asked their opinion about	took part in decision making on
the drafting of the plan	-1-	-2-	-3-	-4-
the distribution principles	-1-	-2-	-3-	-4-
the eligibility criteria	-1-	-2-	-3-	-4-
plan administration	-1-	-2-	-3-	-4-
other:	-1-	-2-	-3-	-4-

29. How often do you typically communicate to employees about the profit share or employee share plans?

less than once a year	-1-
once a year	-2-
twice a year	-3-
three or four times a year	-4-
every month	-5-
every week	-6-
every day	-7-
other:	-8-

30. What proportion of the company's equity ...

is owned by employees%
is under option to them%
TOTAL%

31. To what extent are employees or their representatives involved in corporate decision-making?

no direct involvement in corporate decision making	-1-
employee share holders have voting rights	-2-
indirect voting rights via collective representation	-3-
at the shareholder meeting	-4-
representative on the board	-5-

PART F Discontinued or changed financial participation plans

Please answer questions in this section if you have recently modified a financial participation scheme or have discontinued one in the recent past.

32. Have you previously had a broad-based financial participation plan which has been discontinued? If so, please indicate the year when the scheme was discontinued

	discontinued?	year when discontinued
profit sharing scheme	-1-	
stock options scheme	-2-	
share acquisitions, other than options (participation in capital by employees; allocated or purchase)	-3-	
other (please specify):	-4-	
none	-5-	

33. Was this replaced by a new plan?

replaced by a new plan	-1-
not replaced	-2-

34. Have you made any of the following changes recently to current financial participation plans?

	yes	no
a. tightened eligibility criteria	-1-	-2-
b. capped or scaled-down participation levels	-1-	-2-
c. reduced the generosity of company matching	-1-	-2-
d. reduced the discount on exercise prices	-1-	-2-
e. made awards more performance-related and forfeitable	-1-	-2-
f. reduced option terms and narrowed exercise windows	-1-	-2-
g. switched from options to restricted shares	-1-	-2-
h. repriced options	-1-	-2-
i. other (please specify):	-1-	-2-

35. Did you make changes due to:

	yes	no
a. economic pressures	-1-	-2-
b. changing corporate governance and book keeping standards	-1-	-2-
c. introduction of international financial participation plan	-1-	-2-
d. changes in tax benefits	-1-	-2-

PART G General

All respondents please answer this section

36. Overall, what is your assessment of the effects of employee participation and involvement in your company on the following?

	very negative impact	negative impact	no impact at all	positive impact	very positive impact
a. productivity	-1-	-2-	-3-	-4-	5
b. attracting suitable recruits	-1-	-2-	-3-	-4-	5
c. work motivation	-1-	-2-	-3-	-4-	5
d. additional pension provision	-1-	-2-	-3-	-4-	5
e. identification with the company	-1-	-2-	-3-	-4-	5
f. work satisfaction	-1-	-2-	-3-	-4-	5
g. entrepreneurial attitudes and behaviour amongst employees	-1-	-2-	-3-	-4-	5
h. labour turnover	-1-	-2-	-3-	-4-	5
i. showing employees that the company values them	-1-	-2-	-3-	-4-	5

37. What was the turnover of the company in 2004?
(FINANCIAL YEAR ENDING IN 2004; ESTIMATE ACCEPTED)
 UK in GBP all others in €

€

38. What was the average number of employees in 2004?

.....

39. What was the market value of your company as of December 31, 2004?

€

40. How many countries does your company operate in

.....

41. How many European countries does your company operate in

.....

42. In how many of European countries do you operate an employee share plan?

.....

43. Which of the following indexes is your company in

	yes	no
FTSE100	-1-	-2-
FTSE250	-1-	-2-
Techmark	-1-	-2-
none	-1-	-2-

44. To what extent do you consider the following to be obstacles to the use of financial participation schemes?

	no obstacle	some obstacle	important obstacle
a. little or no tax incentives for employees	-1-	-2-	-3-
b. social security charges	-1-	-2-	-3-
c. unions are opposed to plans	-1-	-2-	-3-
d. administration costs	-1-	-2-	-3-
e. employees are not interested in long term benefits	-1-	-2-	-3-
f. existing shareholders do not want employees to hold shares	-1-	-2-	-3-
g. legal framework is restrictive and complicated	-1-	-2-	-3-
h. securities requirements are complicated	-1-	-2-	-3-
i. culture of the company	-1-	-2-	-3-
j. international regulations (eg accounting regulations)	-1-	-2-	-3-
k. lack of cross-border harmonisation of schemes	-1-	-2-	-3-

45. In your view, what could be done to make the use of financial participation easier ? (Please write in if you have any comments)

--

THANK YOU VERY MUCH

Please, return this questionnaire by using preferably the return envelop (no stamp required).
If you don't wish to use the return envelop, a stamp is required.

Our address is:
Institute for Applied Social Sciences
University of Nijmegen
P.O. Box 9048
6500 KJ Nijmegen
The Netherlands

The Institute for Applied Social Science Research of the University of Nijmegen, Netherlands will edit a summary report. If you would like to receive this report please fill in your address details and send it to us in the return envelope. No postage required.

Company Name:
Name:
Address:
Postal Code:
City:
Country:
E-mail:

It is possible to benchmark your company against those of all other companies in the survey. If you are interested to receive this information please tick the next box.

yes, I would like to receive this information

Note: The information on this page will not be added to the questionnaire-data file and only used to send you the summary report and requested information.

Complementarities of Financial Participation and
other Forms of Participation
Human Resource Management for Performance

REPORT

of the workshop on October 14th 2005,
Castle Oud Poelgeest in Leiden, The Netherlands

By: Erik Poutsma
Fred Rondeel

January 2006
Nijmegen: Nijmegen School of Management

Complementarities of Financial Participation and
other Forms of Participation
Human Resource Management for Performance

REPORT

of the workshop on October 14th and 15th 2005,
Castle Oud Poelgeest in Leiden, The Netherlands

Organization: Nijmegen School of Management, University of Nijmegen
Hosted by: Netherlands Participation Institute NPI, The Hague
Supported by: European Commission, Employment and Social Affairs DG
Chair: Prof Dr. Jan Kees Looise, Twente University
Reporters: Erik Poutsma & Fred Rondeel (Rondeel Media Consultancy), The Hague

Acknowledgement

The support of the European Commission, The Nijmegen School of Management and the Netherlands Participation Institute is greatly acknowledged.

Complementarities of Financial Participation and other forms of Participation Human Resource Management for Performance

Introduction

This international workshop is organised in the course of the project “Changing Patterns of Financial Participation in Europe”. This Project was awarded with a grant of the European Commission under the budget heading Social Dialogue B3-4000. Financial participation has emerged as a major issue for European Union institutions, Social Partners, and member governments. The involvement of employees in the profits and ownership of enterprise has been recognised as a potentially major contribution to major social-economic goals of entrepreneurship and adaptability. At the level of the enterprise, participation of employees in profits and ownership appears likely to promote motivation, commitment, and good performance. It also facilitates the establishment of reward strategies that are linked to the particular circumstances and performance of the enterprise, and in this respect it is consistent with the devolution of pay determination systems that is occurring throughout Europe. For these reasons, many of the member states are engaging in active debates on the merits of financial participation. Several governments have taken action to promote the use of financial participation. These developments have been mirrored by developments at EU level such as the passing of the Community Recommendation on this topic in 1992, the publication of the two Pepper Reports and the communications of the European Commission on the framework for the promotion of employee financial participation (COM (2002) 364). However, it is becoming clear that we lack detailed information on the actual characteristics of financial participation schemes in action. Several major questions can be identified. At firm level, are financial participation schemes an active and central instrument of social partnership or are they simply ‘add-ons’ to the pay package? To what extent do the various actors at firm level share similar perceptions of the function and benefits of financial participation? To what degree are employees and/or their representatives involved in the design, implementation, and administration of financial participation schemes? Do financial participation schemes ‘mesh’ with existing systems and structures of direct and indirect participation, or do they develop independently? In addition, what changes in strategies and policies concerning financial participation have been taken place due to public scandals (ENRON etc.) and the economic downturn since 2000?

This project, which involved partners from several EU countries, attempted to address these questions through a programme of empirical research and dissemination. The answers to these questions were actively disseminated to the Social Partners via the workshop (from which this report) and via summaries of the survey investigation and via websites of the partners.

In this report we summarise the lectures at the workshop. The programme can be found in Annex 1. The workshop was attended by more than 45 participants, representatives of social partners, governments and researchers from 13 EU Member States. In Annex 2 you find the list of participants.

Opening

Mr. Henk Kool, director of the Dutch Participation Institute (NPI) thanked his guests for attending the conference. Here is gathered the most distinguished company in financial participation in Europe, he remarked. Mr. Kool then gave the floor to the Chairman of the Conference, Mr. Jan Kees Looise. Mr. Looise is professor of Human Resource Management, University of Twente, in The Netherlands. Mr. Looise, who said it was an honor to act as chairman, introduced Mrs. Sofia Amor of the European Commission.

Sofia Amor: European Commission prioritizes follow-up research

Mrs. Amor is from DG Employment, Social Affairs and Equal Opportunities of the European Commission. Recently she has been put in charge of the financial participation dossier within DG Employment

Mrs. Amor: 'it's the intention of the Commission to continue giving a higher priority to the follow-up projects like this one and to take an active role in collaboration with the promoters during the entire projects' life. This means that the Commission continues to provide orientation for the further development of Financial Participation-schemes (FP) across Europe and to increase the application of FP-schemes. Furthermore the EC is willing to address transnational obstacles to the introduction of Europe-wide FP-schemes and is willing to propose actions to overcoming these.'

Website

FP schemes are well-known in some European countries but hardly developed in many others. The Commission calls on member-states, stakeholders and social partners to provide favourable conditions for FP, Mrs. Amor said. The Commission will continue to promote the development of financial participation schemes. It will do so by reactivation the sub-group of experts in 2006. The commission will also promote information-exchange by the creation of a website, located within the existing DG Employment-website.

The recent wave of restructuring of European companies has stressed more than ever the necessity to anticipate and manage changes at a company level. Workers-FP can and should be an important element in anticipating scenarios. It contributes to the productivity, competitiveness and profitability of enterprises. Furthermore it encourages workers involvement, improves the quality of work and contributes to more social cohesion, said Mrs. Amor.

The Commission will continue to support conferences and workshops such as this one. They are necessary to exchange information and best-practices. "They raise awareness and improve knowledge on financial participation schemes." Mrs. Amor: in 2000 the Commission provided funding for operations designed to promote the financial participation of workers of a total amount of more than 500.000 euros. The Commission shares the analysis of the promoters of this conference and realizes the growing need for sharing information.

Employee Ownership and High Performance Work systems

Erik Poutsma

Partner Research Group

Nijmegen School of Management

Radboud University Nijmegen

Mr. Poutsma thanked his guests for attending the conference. He then took his audience through twenty years of literature on strategic human resource management (HRM).

Embedding employee share ownership into strategic human resource management is something not often done in the financial participation literature, he remarked.

It seems to me though that ownership in itself deserves its place in general management-literature. Financial participation has always been a niche in financial literature. 'Our intention is to combine HRM-issue with Employee Share Ownership.'

Poutsma: Best Practices in HRM started twenty to 25 years ago. The aim was to find out what practices are important for better performance. This was boosted by the Resource-based view. This view suggests that it is not the reaction of companies to the environment but internal resources that make them more competitive.

If one develops his own resources one could become competitive in the sense that one cannot be imitated. One has a special system in itself which makes one less vulnerable to environmental forces.

This helped HR managers to think about their own role in this Resource-based view with human capital as main element. The aim is to unleash the knowledge and skills of the workforce for competitiveness. Question remains what practices we need to arrive at this point. Searching for the HRM-ractices that make the difference we arrived at High Performance Work Systems (HPWS), a general label.

One of the first professors to look into best-practices in HRM was Jeffrey Pfeffer. He studied a number of large and successful US-companies for 25 years to find out in what respect they differed from other companies. He classified seven practices: employment security; selectivity in recruiting; self-managed teams and decentralization of decision-making; relatively high compensation contingent on organizational performance (including ESO); extensive training; reduced status distinctions and extensive sharing of financial and performance information.

This rather resembles a European company. Problem is that every researcher produces different lists. This means a lot of contingencies regarding best-practices such as company strategy, social-cultural environment and organizational heritage.

In view of this, one might choose for bundles of practices, Mr. Poutsma said. He suggested an internal set of practices for a company. However, deadly combinations of practices versus powerful connections and a better performance are possible. Therefore it is necessary to look for complementarities, the fit between different practices. This we call a HRM-system with internal fit.

There is the problem with internal fit however, said Mr. Poutsma. It's not only the strategy. One has to think of the basic internal fit between those practices. What is the guiding principle for the choice of practices and what constitutes the fit?

Philosophy, principles, policies and practices

'Our idea is to look at the HRM-system itself in terms of Philosophy (beliefs about the relative role and value of workers), Principles (guidelines on how to treat and value people), Policies (enacting the guiding principles) and Practices (specific tools to execute the policies, to motivate needed role behaviors).

This combination is very important for the development of HRM-systems, apart from strategy and environmental forces.

In that sense it's thinkable that we come up with three HRM-philosophies as guiding principle. The first one is the external philosophy which views and values employees as outsiders; a labor-force that could be hired and fired. The second one, the internal philosophy, values people in terms of resources that should be developed and regards employees as insiders. We brought up a third one, the ownership philosophy which regards employees as equals

On the basis of that you might say we could develop a HRM-system based on a philosophy viewing employees as equals that gives us an opportunity to trust certain practices based on that philosophy. You get an employee ownership-HRM-system that boosts performance. This is more or less our model to be developed and to be researched.

Complementarities in Ownership High Performance Work System is not only based on the fact that there exists employee share ownership. There is a logic behind this idea of HRM treating employees as equals. An equal will aspire participation and partaking in decision-making. He or she will want to have ample financial information about the company. This will of course require training for business literacy.

Psychological ownership

Next step in the research will be to analyze what happens on workplace-level in terms of culture. The latest discussions and articles in this field regard the idea of ownership-culture and psychological ownership.

This is something that gradually develops in a situation where employees are treated as equals, where they are made share-holders. Being an owner develops an ownership-culture. This constitutes psychological ownership which changes the attitude and behavior of the employee. This is very important for commitment and performance.

This is the state of affairs for our research. Erik Kaarsemaker will try to come up with the proof for this kind of model. This means he's is trying to develop a work-related participation in decision making, finding its place in companies. This is a theoretical and a normative model. I know that people will say 'I can't find a company that does this in such a way. That is true. Not many companies will deal with ESO in this sense (of treating them as equals). But it could be a model to strive after, so to speak.'

Questions and Answers

Chairman: Jan Kees Looise (professor of Human Resource Management, University of Twente, The Netherlands)

Antonio Canals Coll (CCOO, Spain): how can a HRM talk to the worker, one by one or through the organization? Is there a communication path/system with the employees?

Poutsma: if you want some participation in decision-making you need to have information sharing on all levels. On company-, unit- and individual level, we know companies where employees can look into the whole system and find out how the company is running on that particular day. This also means feed-back from the bottom.

Rene Blijlevens (VNO-NCW, The Netherlands): you invented a model where employees are treated as equals. This looks a bit peculiar. There are always certain inequalities between employer and employee. Is there empirical evidence for your model? In some consultancies I know of, this equality exists, but the employees and the employer operate more or less on the same level. In many cases these employees are self-employed.

Poutsma: in general an employment-relationship means an asymmetric relationship. In that sense there is no equality. However, when employees are made owners, things change. Not the hierarchical relationship in operations but the increased possibilities of the worker to control the management. In this cultural sense they become more and more self-employed. There is empirical evidence for these combinations but not for the whole model.

Mrs. Iris Dembscher (Ministry of Economics, Austria) is in favor of the Poutsma-model. Austria does not know many FP-models. When established however, we must be very careful not to make the employee lose his employee-status. He would lose many social security-advantages. One may lose labor law protections so one would enter a dangerous field.

Poutsma: I'm totally aware of that.

Charles-Henri D'Arcimoles (Sorbonne, Paris): your model seems very enticing and effective but as you pointed out, it's not often implemented in reality. Why is that?

Poutsma: managers always will want cost-benefits on this issue. In most HRM-systems it's difficult to come up with the benefit first before the costs. Managers who choose for our model believe the philosophy of valuing the employees differently, more or less personally.

Ryszard Stocki (Jagiellonian University, Poland): if we could supply the managers with hard data, they might follow. Hard data however requires a huge number of cases. Do you have a methodology to confirm the model?

Poutsma: we have some methodology to do this. We monitor a number of companies with and without share-ownership and we try to investigate on the collective level what happens with all these things and at the same time a survey indoors of the company on employee-level. It is quite a huge project.

Kevin O’Kelly (IAFP, Ireland) also in reply of Ryszard Stocki: Erik and I have worked on some European projects where we looked at quite a wide range of companies, both regarding the area of direct participation and the link to financial participation. We found that there is definitely a positive link as regards the economic performance of the companies when the building blocks are in place. The evidence, I think, is very well there. Yet that doesn’t seem to convince managers. O’Kelly: ‘building on indirect participation through works-councils and building on direct participation through the delegation of decision-making is a holistic approach to the employment-relationships rather than an isolated financial-participation approach.’ Poutsma: there are indeed many problems to be investigated.

Carlos Bezos Daleske (CIREM Foundation, Spain): theoretically this model fits. What I miss is the key-role of managers in relation to their shareholders. How independent from their shareholders are they to be able to introduce your model in the company. Does it conflict with their identity and power? Will they not fear to lose power and control if their employees become more equal.

Poutsma referred to the study of Erik Maaløe from the Aarhus School of Business, called The Employee-owner, which describes case-studies of situations where employee- shareholders put pressure on managers. Are the managers independent enough etc. In most cases the companies found solutions for this problem. In the Netherlands some have the works-councils dedicated to other problems than the association of employee share ownership. As for the managers: they feel management needs some room to maneuver.

Simo Pinomaa (Confederation of Finnish Industries) called the model very interesting. He asked if the macro-economic consequences are analyzed. He wanted to know if countries perform better if their companies apply the model.

Poutsma: we haven’t looked in the macro-economic consequences yet. However, if one looks at the possibility that those companies perform better than others, you might find two effects that occur on the collective macro-level: one effect is that companies will follow. The other is that if we can prove that our model is more – internationally speaking – competitive than others, one might say we have developed a model that boosts the economy for a nation.

Stéphane Trebucq (University of Bordeaux, France): I’d like to comment on some key-words in your presentation. Employees as equals and in your model you use the word fairness. I would like to add other key-words: stakeholder and social responsibility. Your presentation could be related to a broader vision of companies within the stakeholder-theory framework. Social responsibility can also be linked to human resources policies. ‘We have some strong theoretical basis to support this model’.

Mrs. Aleksandra Kanjvo mrcela (Ljubljana University, Slovenia): your model depends very much on the strategies of those who are in power. Yours is a normative theoretical concept. How is the success of such a model related to the expectations of workers, persons being treated as equals?

Poutsma: key-word is a trust-relationship between employees and management.

Andrew Pendleton (University of York, UK): I think we have to look not only at what managers do, but at the employees as well. A key-thing we need to bear in mind is ‘what do employees actually want from ESO’. I think it’s dangerous to assume they want ownership in a meaningful sense, with control-rights, a sense of ownership and so on.

The reality of share-plans, certainly in large companies is that employees can’t hope to control the firm and be owners in a meaningful sense. I don’t think employees are looking for ownership when they go into a plan. They are perhaps looking for some kind of financial instrument which helps their long term saving. So I think we need to bring the employees back in.

Pendleton said to agree with Poutsma on his topic of increasing business literacy. ‘If we want to promote FP we also have to promote financial knowledge.’ On this Mr. Poutsma agreed.

Looise: the first step is necessary but be careful with the second

Jan Kees Looise (Twente University, The Netherlands) said to have observed two steps in the presentation of Dr. Poutsma. The first one is to incorporate financial participation in an HRM-theory. ‘I think that’s a very interesting approach.’ Up till now participation has been left out of HRM-practices and HRM-thinking. ‘I think it can be really fruitful to integrate not only financial participation but also the cluster of participation within the broader HRM-approaches and to connect with the performance-debate.

At the same time Dr. Poutsma makes another step forward. He’s also talking about self-management. That I find a little dangerous.

Prof. Looise feared that by the time managers are convinced to make the first step ‘they may have second thoughts if they hear about the nature of your second step’. Looise: they may regard this as a Trojan Horse-technique just to bring the employees to power. ‘I’m certain however that it’s very important to make the first step now.’

Participation and Performance: a European Study
Panu Kalmi, Helsinki School of Economics, Finland
based on joint work with Andrew Pendleton and Erik Poutsma

Mr. Kalmi pointed presented an empirical study based on the work of Poutsma and Pendleton. It refers to the complementarities between different forms of participation. 'The study is linked to a similar project we had four years ago in which we collected information on participation practices in publicly listed firms in European countries.'

Describing the various types of participation (financial participation, participation in decision; participation at work and participation in the design of the FP-scheme) he said there is reason to think there are complementarities.

One form of participation may not be effective without another, Mr. Kalmi said. Financial participation in its own may be ineffective, because of free-riding. Combining financial participation with participation in decisions enhances information-flows and creates a common bond.

There are counterarguments. Representative participation especially in European countries is very much influenced by the labor-legislation. In places where all participation is largely voluntary (such as UK or US), growth oriented enterprises may be unwilling to place constraints on managerial discretion although financial participation may still be popular in such firms. Finally there is the traditional argument that financial participation is a substitute for other forms of participation (e.g. to keep unions out).

Our questions were:

Do we observe more financial participation in firms that have different kinds of participation and do they coexist with each other?

Are they more successful than other forms and are there synergies between different forms of participation? The data was collected in 2001 via telephone-interviews in the UK, The Netherlands, Germany and Finland. In France and Spain we had problems with some non-comparability.

Our final analysis is based on 209 responses with a response rate of 31 %.

We concluded that financial participation is common among the respondents:

42 % of the respondents have broad-based profit-sharing;

37 % have broad-based equity scheme;

63 % have at least one type of broad-based financial participation scheme.

On our question does financial participation correlate with the existence of other types of participation no clear pattern emerged.

Profit-sharing is associated with more representative (indirect) participation but with stock options one can speak of the reversed case. With share-ownership plans there is no clear relation. This might have something to do with the fact that in many cases representative participation is much influenced by the industrial relations-context and the labor-laws. Furthermore there proved to be no relationship at all between on-the-job (direct) participation and financial participation.

Participation in plan design was positively associated with participation rates in profit-sharing and share ownership schemes, but had no relation with stock options.

'As we had no access to the financial income-statements and balance-sheets of the company, we asked the respondents to evaluate the effectiveness of their participation-schemes. The responses were moderately optimistic and varied from easing recruitment to reducing labor turnover. Most optimistic responses came from Germany. The most critical came from Finland.'

Less synergy than expected

Kalmi: of course the findings may be somewhat disturbing in a conference where the main topic is complementary between financial participation and other forms of participation. When taking these results seriously they at least give some kind of reason for thinking that these connections should not be taken as self-evident.

Our results suggest that synergies between different forms of participation may be fewer than previously had been expected.

Financial participation and other forms of participation may operate under different logic

Remarkable increase just prior to the study: may reflect the ICT boom

In general, financial participation in these firms may be at rather low level

Findings may not be generalized to unlisted companies or all countries

Kalmi: one of the things to keep in mind is that many of these plans are relatively new. Many of them reflect the stock-options boom and the schemes that were established in the late nineties. Our findings may not be generalized to unlisted companies and they also might not be generalized to all countries. At least for a handful of European countries we found some rather consistent evidence.

Questions and Answers

Pendleton: Some of your questions were perceptive, others were quantifiable.

Kalmi: that is true; we did not have access to the balance-sheets of the companies.

Pendleton: did you differentiate between the approaches?

Kalmi: yes, we did differentiate between the different kinds of schemes. Respondents with equity schemes were more satisfied with their schemes than those with profit sharing schemes. That also may be a surprising result.

Loek Groot (Utrecht University, The Netherlands): your study shows that no participation variable is significant and positive in any regression specification. What is the dependent variable?

Kalmi: the dependent variable was the perception that the respondent had about how well the schemes were meeting their expectations.

Mrs. Susana Bravo Santamaria (Trade Union UGT, Spain): did your study distinguish another form of financial participation, called social economy? In Spain these social economy-societies are important and increasing in numbers. Maybe that is why financial participation in Spain differs from the types used in other countries.

Kalmi: if you are referring to the cooperatives I agree absolutely. We sampled publicly listed firms and thus did not encounter social economy or cooperative firms.

It is very likely that you would find synergies in cooperatives in a very different way than in stock exchange-listed firms.

Remark from the audience: you have not selected France and Spain. Can you explain why?

Poutsma: We tried to have some clustering of companies in all countries in Europe. The problem was we could not find the proper researchers to do the research.

Looise: it has become clear that we're wrestling with a number of elements, such as the methodology of the research, the numbers especially and the relation between special practices and the outcomes. But these are common experiences we have in the HRM-research field. It's very difficult to relate practices and outcome. I can imagine that people from practice and policy are a bit disappointed about the results of the study Mr. Kalmi presented. However, I say we have made an enormous step forward in comparison with the last fifteen years. At that time the discussion went all about idealism. At the present time we are really searching for the effects of our measures. We need several research-methods to reach our goal. In my opinion the paper presented has made a very important combination between the different forms of participation. It gave me an enormous stimulant to think further along these lines.

The French effects of ESOPs on performance and risk

*Charles-Henri d'Arcimoles
Sorbonne University, France*

*Stéphane Trébucq
University of Bordeaux, France*

Mr. d'Arcimoles presented his empirical research on French employee ownership. It has proven very difficult to find any relation between an HRM-practice and organizational performance, he said. Mr. d'Arcimoles named four different reasons. Performance is a multi-dimensional result. Even if HRM-practices have an effect on performance, all the factors at stake can dilute the specific effect of HRM on performance.

The second reason is the problem of measuring, presenting a great difficulties to identify any relation between the two realities. How can we measure employee-ownership? Should we use quantitative data, is it enough to specify EO using qualitative data?

The third reason lies in the problem with time. There is often a time-lag between the implementation of HRM-practices and its effect on performance. To resolve this problem one should have longitudinal data. The latter is hard to come by.

Fourth point is: HRP-practice is only a part of the general human resources-system. Trying to identify the related effect of on practice on the other proved difficult. We were never sure if the effects we noticed were due to the one practice in particular or due to all practices in general. 'I think that for financial participation this problem is particularly important. Participation is often due to a certain philosophy. The participation-system can have a positive or negative effect on the whole, but it's difficult to find a specific effect of employee ownership.'

Mr. d'Arcimoles research focused on the positive but limited economic effects of ESOP's. He assumes that ESOP's have different effects depending on the context of their implementation. He tried to find an answer to the question why, if ESOP's effects are positive, many companies still hesitate to introduce employee share ownership plans. Furthermore he wondered if there is any optimal threshold of capital ownership, beyond which disadvantages of ESOP's exceed their positive effects.

According to Mr. Trébucq the many listed family-businesses in France are not keen to introduce financial participation. 'We carried out this study on a new data-set (Observatoire de l'Actionariat Salarié). Our sample is quite large, as we reviewed all French listed companies.' We found out that eleven of seventeen companies in the automobile-industry implement an employee stock-ownership plan. So a sector of the companies can have an impact on the ESOP-implementation. Moreover, the sector is correlated with the size of companies. It won't be a surprise if we find out, later in our study; there is a link between ESOP-implementation and the size of the sector. These large industrial sectors are vulnerable to strikes. Employee-ownership can be used in Human Resources to lessen the conflicts between employees and managers, was one the interesting results of our study.

'It's a strong argument that ESOP's are positively related to performance and positively related to systematic risk. However – according to our study - the significant effect of ESOP's on financial performance only applies to smaller firms.' Mr. Trébucq agreed with his colleague d'Arcimoles that it's difficult to measure the real impact of ESOP-implementation. To do this we should have access to the data of the initial plan and it proved very hard to obtain this material.

As a result of the study Mr. Trébuq presented the Workshop a theoretical model. Employee-ownership can be introduced as a management-tool, he said. We can explain these positive effects through the organizational and psychological impact of EO on the way social capital is developed within the firm. The effects of EO are however hard to predict, because it brings about maintenance-costs and other problems.

Three main empirical results were: ESOP-firms have higher market betas. We observed no optimal threshold of employee ownership for maximizing performance. Furthermore we found that although ESOP is positively correlated to performance it remains complex to prove this relation.

Questions and Answers

Pendleton: you said you are going to put the risk-meter in the determinants of share-plans.

D’Arcimoles: it may be that the meter was not the most significant variable related with the ESOP-presence. That doesn’t mean there’s no correlation. We extracted the meter from the Worldscope database. D’Arcimoles: we thought there was no relation between EO and risk for investors, but obviously we have to work further on that data. Maybe we could have some social determinants of Beta.

Marco Caramelli (Montpellier University, France): how do you define employee-ownership firms and is the correlation you found between EO and performance not the other way around? It seems possible that employees tend to buy shares only if they are certain the firm performs well.

D’Arcimoles: our sources and definitions are derived from data of the Observatoire de l’Actionariat Salarié and these are mainly related to figures disclosed by companies. Your second question is an interesting one. Of course our study is cross-sectional. We may induce some causality but in fact that’s impossible. This requires chronological data. ‘It would be marvelous to – with the aid of the European Commission – to be able to produce a large database. This database could observe these figures through time. The statistical institutes in France don’t have reliable data.’

Peter van der Meer (University of Groningen, The Netherlands): in which firm is an employee better off: one with or one without an ESOP?

D’Arcimoles: we didn’t explore this topic.

René Blijlevens (Dutch employers): why are family-owned businesses in France not enthusiastic about ESOP?

D’Arcimoles: this is an empirical observation.

Jan Kees Looise: the French study provided a large amount of interesting statistics, which makes us vision new correlations.

Improving entrepreneurship

Henk Wilbers, manager Arcadis

Mr. Wilders elaborated on the employee stock plan of Arcadis. This plan forms a bridge between the employees and the management. Arcadis is a public company listed on the stock market in Amsterdam and the NASDAQ in the USA. We are focused on three competences: infrastructure, environment and facilities. We are market leader in Europe in the realization of train stations and rail connections; we do urban development and do buildings.

We employ 10.000 people and have an annual turnover of one billion euros. The strategy of Arcadis is to become stronger in its home-markets.

Lovinklaan Foundation

Mr. Wilders, also member of the board of Lovinklaan Foundation. In 1982 Arcadis, a Dutch company under the name of Heidemij almost went bankrupt. The employees took mortgages on their houses and put the money in the firm and all the shares of the former Heidemij in the Lovinklaan Foundation. The company is now 100 percent owned by the employees.

For the Lovinklaan Foundation the continuity of organization is the main focus but we always take the interests of employees at heart.

In the board of Lovinklaan each competence of the firm is represented.

The employees who invested their money in 1982 were paid back. The shares however, stayed in Lovinklaan, but were in 1992 returned to the employees via employee stock purchase plans

The idea was that employees would be more involved if they shared the profits and the risks of their company.

Every new employee receives ten Arcades-shares. At the current stock price of 25 euros it represents a bonus of 250 euros, over which no taxes have to be paid. Shares can be bought every month with a maximum of 400 euros.

We have different share-plans in different countries due to the different tax regimes. In most countries, Germany, France and Belgium, the plans are very popular. They are the most popular in The Netherlands however, due to certain tax-incentives. Next year we're going to implement similar plans in Poland and the UK. We're implementing the plans only in countries where Arcadis has more than 50 % of the company-shares.

Wilders: 'last year the stock went up from 11 euros to 25 euros at this moment. The volume of shares sold on the market is about ten times as high as it was in the past. I bought my shares in 2002 for seven euros. One must have real confidence in our company not to sell them at this moment.'

Questions and Answers

Upon being asked Mr. Wilders said that the Lovinklaan Foundation, holds not only Arcadis-shares but also buys shares from other companies on the stock market. 'Reason is that if ever Arcadis is getting into trouble, we will be there to rescue the firm. Because at that moment the Arcadis-shares will be worth very little.'

Connection with performance

The plan was introduced in 2002. Ever since that year the involvement of employees in the company increased rapidly. Apart from working better, they're really interested in the on goings of the company. They scan the papers every morning for stock-market news, Mr. Wilders said upon questions.

Financial participation is a resulting phenomenon

Frans-Jozef Snoeks

Member of the board of directors of Atrivé

Mr. Snoeks proudly produced a recent Dutch magazine which had chosen his firm as the best employer of 2005 with the most satisfied employees.

For Atrivé, participation is not an independent phenomenon but deeply embedded in the company's philosophy. We are engaged in our clients, in our company and in each other as colleagues, said Mr. Snoeks.

Atrivé is a consultancy company for organizations such as housing corporations, local councils and care facilities. We have over one hundred employees, of which some eighty consultants. Of them, sixty percent has an academic education. Two-thirds of our support staff has a college education. Forty percent of our employees are male and sixty percent female. The average age of our employees is 42.

The salaried positions are market-conform. Our turnover is roughly 12 million euro per year.

Atrivé came into existence in 1999 as a result of the merger of the consultancy companies of the NCIV. The NCIV was at that time a union of housing corporations. At the same time as the merger, the shares were also taken over, a transaction that was externally financed. These shares were then incorporated into the HAAG B.V Foundation. HAAG B.V. hence certified these 800.000 shares. The interests of the shareholders are represented by the Certificate Holders Interests Foundation, whose Board is comprised by the members of Atrivé's supervisory board. One of the three members is elected by the employee council, and functions without special consideration.

Every one of our employees in permanent employment is eligible to participate and to own shares in our company. The number of shares one can obtain is however limited. The maximum is determined by the level of position.

At the moment roughly 500,000 of the 800,000 shares are in the hands of our employees. The remaining 300,000 are held by the Foundation. Our collective bonus-system pays bonuses partly out in shares. This makes all employees in fact shareholder. Roughly half of our employees have furthered their participation by buying shares.

An accountant determines the value of the 800.000 shares annually. The formula used is 2 times the intrinsic value plus 1 time the profit earning capacity, divided by 3. The yield requirement level of 12,5 % determines the profit earning capacity. This requirement level is standard procedure for consultancy companies.

Once a year, following the valuation of the accountant, share trading commences. At this time one may buy or sell shares, to or from the Foundation. Trade amongst one another is not permitted. In order to prevent speculative trade we have included time period limitations in the trading guidelines

Atrivé's research shows that our employees cite two predominant reasons for their participation: engagement in the company, and the financial benefits gained. Those who do not actively participate cite the following reasons: they need their money immediately or they want the freedom

to decide what to do with their money. Another striking point is the interest that the employees show for the company results, which are presented on a monthly basis.

Other forms of participation

Atrivé offers also other forms of participation, said Mr. Snoeks: 'at least I consider them forms of participation.' He named: participative business planning; employee benefits discussions with the elected employee council; the personal scorecard, different forms of remuneration; education, training and development and flex-benefits.

'All these forms are aimed at engendering a connection, under the motto: investing in you is investing in the company.'

Strategic Framework Assembly

Atrivé's strategy is not determined by the board, but rather, by the Strategic Framework Assembly. In its third year already, the Assembly is made up of 10 to 14 senior consultants, including 2 board members. The Assembly explores market and societal developments but also evaluates other crucial decisions against the determined company direction, for example, issues such as takeovers.

Human Resource Management

Our Human Resource Management policy includes the following characteristics: balance between hunting or chasing and nurturing or care; balance between output-direction and input-direction, between result and development; individual creation on a collective basis. We agree individual goals with all our employees on a yearly basis, and they differ from individual to individual. The basis for these objectives is the personal scorecard, where we define four arenas of achievement such as commercial results; personal development and client satisfaction.

Despite the fact that the employee's commercial achievements weigh heavily during the yearly evaluation, they are certainly not decisive. Personal development is just as heavily weighted and counts at least as much.

The yearly salary-increase is variable, and depends on the development of the individual employee. The increase is generally comprised of zero to five so-called delta's, which corresponds to zero to seven percent. There is an annual end-of-year bonus from between four and eight percent. In 2004 we gave a collective bonus of two percent in the form of shares.

Up until three years ago, Atrivé had a collective labor agreement with the trade unions. However the priorities of the trade union did not reflect those of our employees. For example, two of our major issues included a larger result-driven remuneration component for employee remuneration and the reduction of the gross-net progression, by means of a premium-free pension. Unfortunately an agreement could not be reached. Since then negotiations regarding employee benefits are conducted with Atrivé's own elected employee council.

'Employee development is, as outlined, an important matter. As such we also promote a number of standardized training-programs. These are not just aimed at furthering an employee's branch-related knowledge, but also at increasing competencies, skills and promoting personal growth.'

Apart from these training and education initiatives, we also encourage and organize multiple Expert Meetings throughout the year.

Results

Atrivé is financially sound. Snoeks: we have successfully eliminated all external financial dependencies, which is clear from our own healthy asset sheet. The years 2002 and 2003, widely acknowledged to have been difficult ones through circumstance, were ended with a positive result. The opening rate of exchange of the shares in 1999 was 28 euro cent. This rate of exchange has since then increased to 2 euro 28 throughout the year 2004. The last two years have furthermore seen a fixed yearly earning of 10 percent. Our goal is to continue to achieve a return on investment of at least 10 percent per year, apart from the increase in exchange rate. We are convinced that it is our strong commitment to further our organization and development, and to engender engagement, that has contributed to our tremendous success. Financial participation in our firm is not the dominant factor; it's the culture. Financial participation is a resulting phenomenon. I'd like to close by quoting Mintzberg: 'we are not Human Resources, we are human beings.'

Questions and Answers

Henk Kool (director NPI, The Netherlands): how would you describe the culture within your organization. It seems that your employees are extremely busy counting their financial benefits. Is there also some slowing-down? Furthermore: how exactly did you part with the unions? Did you stay good friends after breaking up the relationship?

Snoeks: there are many slowing-down moments. Our culture is rather horizontal and open. It emphasizes personal development. People tend to work hard but also take time for each other. We told the unions goodbye and were supported by all of our personnel. 'Now our relationship is non-existent'.

Erik Poutsma: a structure like yours is not established overnight. Obviously you had to overcome problems. Could you elaborate on those?

Snoeks: there were many problems as we stemmed from a bureaucratic organization. We had problems with the unions. We almost suffered a hostile take-over. When things got so far, some of our people got together to think of a new strategy. We had to change our culture. This made some people leave our organization, as our new culture is rather dominant.

Marc Mathieu (Secretary-General EFES, Belgium): this is typically a scheme promoted by the NPI in The Netherlands. Do you know other cases of such organizations in The Netherlands?

Henk Kool: in The Netherlands 10 percent of all companies have some kind of financial participation scheme. Of them 50 percent resembles the scheme Mr. Snoeks described.

Poutsma: it's a typical scheme that gives a rather idiosyncratic idea; typically dominant in a certain way. It's not possible to say there are more companies like Atrivé because they all do it in another way. What's typical for most of these companies is that they have a similar starting-process; similar problems and a culture developed by a dominant coalition.

Mr. Snoeks agreed to this. In reply to the question of Mr. Looise, if Atrivé could continue without financial participation, he replied negatively.

If employees leave the firm they have to sell back the shares, he answered Mrs. Dembscher (Ministry of Economics, Austria).

French unions not keen on FP

Jean-Claude Mothie

(Fédération Française des Actionnaires Salariés et Anciens Salariés FAS - French Federation of Employee and former employee-shareholders)

Mr. Mothie presented case-studies of FAS and the Thales Association. According to him a French specificity is called the Company savings plans PEE (Plan d'Épargne d'Entreprise) – regarded as a tax-heaven because it's tax-free. For trading unions it's less favorable because 'we overpass the solidarity-contributions which are taxes and social obligations.' That is why French trade unions are in general not very keen on financial participation, said Mr. Mothie.

FAS is in fact a think-tank for developing new financial formulas. The Federation's main objectives are to promote employee share ownership, to gather all the French Associations, to favor their dialogue and synergy and to federate their initiatives. FAS represents associations and acts as their spokesman vis-à-vis Government, authorities, legislator, trade unions, partners and media. FAS furthermore puts pressure on French employee ownership actors such as authorities, politicians, financial and institutional organizations. FAS also proposes new legislation.

In France we have a problem with the definition of employee share-ownership. We have a three-level principle in the Federation. The first is a financial and contractual one. The second is corporate governance. We want to take part in the decision-making. The third level consists of ethics and sustainable development.

Mr. Mothie highlighted one of the associations Thales Group (Association du Personnel Actionnaire de Thales). This association was born in 1995, before privatization and shares allocation, and has 3000 members. We have 5.1 % of capital in hands of employee shareholders. It's possible to vote with this five percent. We have a representative in the board of directors and we manage the fund.

The wish list of FAS and associations is long, said Mr. Mothie, and is as follows:

- development of employee share ownership
- employee shareholders same rights than individual shareholders
- representation by elected representative instead of trade unions
- democratic election on the basis of "one share one vote" for each representative function Board of directors membership
- management of Employee Shareholder Funds
- strategic committee membership
- official acknowledgement by its company and by law
- sufficient means (offices, communication)
- education by AMF Institute
- institutionalisation of FAS.

Questions and Answers

Mrs. Dembsher: are there in the French legislation other means to obtain a seat in the board of directors?

Mothie: there is way by means of the trade-unions.

Looise: you mentioned that in France saving plans were most frequently used in the past? Are the 26 association which are FAS members operating on basis of employee share-ownership?

Mothie: that is correct. The collective vehicle of these funds FCPE is inside the plan. Mr. Mothie gave a positive answer. They're all shareholders.

Statements for policy recommendations

Debate with Panel (Erik Poutsma, Daniel Albaraccin, Panu Kalmi, Andrew Pendleton, Stephan Trébucq and Eckhard Voss)

The workshop debated on the basis of four statements.

1. Employee attitudes towards employee share ownership (ESO) is not very well researched and most research take a rosy view of these attitudes.

Mr. Andrew Pendleton said, referring to the listed sector: maybe the employees are not looking for ownership but regard ESO as a savings instrument. There are different motivations and different outcomes. If we look at ESO as a savings decision age and income become extremely important. What do employees want? he wondered

Mr. Cees Vos (NPI) said that research on employee attitude is very difficult to perform. Pendleton said to be missing the political philosophy and the objectives of the schemes. The Croatian representative pointed at the Balance Score Card. That instrument tells us that explaining the strategy to the employees at the end will in the end improve the financial performance of the company.

Another member of the workshop, Mrs. Dr. Sen Gupta, remarked ‘we should not undermine the importance of the psychological aspect of share ownership schemes. There are however other avenues through which ESO might have an impact.

Why do managements introduce share ownership?’ According to her the discussion is often started with the assumption that companies expect enhanced performance and increased motivation. ‘I’m however not sure what might be the actual reason. It may well be that ESO is used by the management as a retention-policy. If employees van not cash the shares within five years this might influence employees to hold on to the shares for five years. This would have an impact on the employee turnover, which has other benefits for the organization in terms of capital investments, reduced labor cost benefits, tax-benefits associated with ESO and so on. It might help the cash-flow which allows companies to invest money back into the firm. It allows a company to create an illusion of paying employees without having to part with the cash immediately. So they are deferring the outflow of cash. There are so many aspects which seem to have been ignored at this workshop.’

Mr. Erik Poutsma agreed with Mrs. Gupta. ‘Researching employee-attitude we have to consider not only the many motivations of managements but also the many motivations of employees. There is a need to think about the management-motives and even the political philosophy behind such programs with a critical attitude on management itself.’

2. If we want to be sure that employees take a well-informed stand in the discussion on ESO we should develop business literacy.

The workshop agreed unanimously to this statement. Development of business literacy may be the key to success, they said. Decision-making can only be made if one is well-informed and

understands what happens in the company. Business and economic literacy is important for the whole wide area of employee representation. It is very important however to know who gives these business literacy-trainings.

3. There is no automatic synergy between forms of participation. The interaction is complex.

According to Mr. Trébucq, who said to agree with the statement, the statement is more related to the research presented by Mr. Panu Kalmi. The question is what we know about reality; how do we grasp the phenomenon. Is it enough to know about percentages of ownership? Can we really fathom the management-philosophy and the discourse of managers as well as the implicit objectives? Mr. Trébucq said to wonder if the managers-discourse isn't a new Macchiavellism and if communication isn't used to manipulate people. A challenge for the future should be able to build a huge database to help answer those questions.

4. If financial participation (FP) is introduced in an environment where employees are treated as outsiders there may be devastating effects.

One of the members of workshop, the representative of a Spanish union, thought this would make no specific difference.

René Blijlevens (Dutch employers) said that it's a fitting role for the European Union to support the sharing of information as Mrs. Amor suggested. The internet is a very powerful tool to use for sharing information. One needs however reliable information. He said to look forward to the website of the European Commission, so we can link it to our web-dossiers in the negotiation-processes. 'I hope it will be a very practical website, with tools and information about the different tax-systems in the member-states, labor law aspects and so on.

Recent research has shown that a good HRM-policy produces more profitability. The examples shown today are a bit atypical reason for introducing financial participation, such as hostile takeovers. But the examples also showed FP must be fitting in the culture of an organization. It must be embedded in HRM but also in management-style. The special attention for HRM will even be growing, due to the growth of the service industry and with it the human capital.

Financial participation as such is not a very big issue in the collective labor negotiations in The Netherlands. I consider FP as a form of result-related payment, Mr. Blijlevens remarked. 'But let it be a company-decision.'

Mr. Simo Pinomaa (Confederation of Finnish Industries) thanked the Dutch Participation Institute for hosting the workshop where he collected a great deal of practical information. 'Finnish employers are very interested in financial participation. We have lots of evidence that that result-based payment, profit-sharing and even stock options have an effect on productivity.'

Mr. Pinomaa found it easy to support the idea of Mr. Poutsma to incorporate the ideas of human resource management in FP. Financial participation must be seen as an important tool to enhance productivity. It might be wise to look into the effects of FP in the macro-economic performance of countries.

Referring to the study of Panu Kalmi Mr. Pinomaa suggested more analysis on the topic of synergy between different forms participation.

In countries where collective bargaining plays the major role in wage-formation the main obstacle to expand FP is probably the lack of economic information on local level. 'Maybe organizations, like the one I'm represented could make a contribution by organizing seminars on this issue.'

A fruitful workshop

Jan Kees Looise

In his closing speech Mr. Looise praised the workshop as a very successful one. 'We have learned a lot about actual research on financial participation, other forms of participation and the quest for connections between them.'

Although we haven't reached the end yet, we have made enormous steps forward, Mr. Looise said. Concepts become clearer.

Mr. Looise and Mr. Kool thanked the organization of the workshop and those who contributed to the discussions. Mr. Looise said to look forward to future workshops on the issue of financial participation and human resource management.

Mr. Kool said to be working on a new academic network. 'We are going to look for academics who are involved in financial participation. Our search will comprise all member-state of the European Union.' The new network will share information and knowledge by means of workshops, conferences and through the internet. Mr. Kool requested his audience their support in this new endeavor. 'Of course I shall ask support from the European Commission'.

Colophon

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ANNEX 1

WORKSHOP

Complementarities of Financial Participation and other Forms of Participation

Human Resource Management for Performance

Venue: Castle Oud Poelgeest, Leiden, NL

Organised by Nijmegen School of Management, University of Nijmegen
Hosted by the Netherlands Participation Institute, The Hague
Supported by the European Commission, Employment and Social Affairs DG

Chair of the Workshop: *Prof Dr. Jan Kees Looise*, Twente University

Friday 14 October

9:30 - 10:00 Reception and welcome

10:00 - 10:20 Opening speech

by Sofia Amor, European Commission, Directorate-General for Employment, Social Affairs and Equal opportunities

10:20 - 11:00 Employee ownership and High Performance Worksystems

by Dr. Erik Poutsma, Nijmegen School of Management, Radboud University

11:00 - 11:40 Participation and Performance: a European Study

by Dr. Panu Kalmi, Helsinki School of Economics

11:40 - 12:00 Break

12:00 - 12:45 Participation and Performance: The French Experience

*by Dr. Charles-Henri D'Arcimoles, Université de la Sorbonne
Dr. Stephan Trébucq, University of Bordeaux*

12:45 - 14:00 Lunch

14:00 - 15:45 3 Case presentations

Arcadis by Henk Wilbers

Atrivé by Frans-Jozef Snoeks

Thales by Jean-Claude Mothié

15:45 - 16:15 Tea / Coffee break

16:15 - 16:45 Discussing Complementarities on the Basis of Statements shortly introduced
by Partners of the Project and Invited Guests

16:45 Conclusions with statements from invited representatives of governments and the
social partners

17:00 Cocktail

19:00 Dinner