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REPORT

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

Committee on Employment and Social Affairs

Rapporteur: Renate Weber

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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

The European Parliament,

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

¹ OJ L 307, 18.11.2008, p. 11.

Parliament's resolution of 5 June 2003 thereon¹,

- having regard to the opinion of the European Economic and Social Committee (EESC) of 21 October 2010 on employee financial participation in Europe,
- having regard to its resolution of 15 January 2013 on information and consultation of workers, anticipation and management of restructuring²,
- having regard to its resolution of 14 January 2014 on financial participation of employees in companies' proceeds³, and the opinion of the Committee on Economic and Monetary Affairs (2013/2127(INI)),
- having regard to the study requested by Parliament's Committee on Employment and Social Affairs entitled 'Employee financial participation in companies' proceeds', which was published in September 2012,
- having regard to the Mid-Term Review of the Capital Markets Union Action Plan published on 8 June 2017 (COM(2017)0292),
- –having regard to the Commission's pilot project entitled the 'Promotion of employee ownership and participation', of which the final version was published in 2014,
- having regard to the PEPPER IV Report, entitled 'Benchmarking of employee participation in profits and enterprise results in the member and candidate countries of the European Union', which was published in October 2009 by the Free University of Berlin,
- having regard to the PEPPER III Report, entitled 'Promotion of employee participation in profits and enterprise results in the new member and candidate countries of the European Union', which was published in June 2006 by the Free University of Berlin,
- having regard to the report of 18 December 2003 of the high-level group of independent experts on transnational obstacles to the growth of employee financial participation in transnational enterprises,
- having regard to the PEPPER II Report, entitled 'Promotion of participation by employed persons in profits and enterprise results (including equity participation) in Member States', which was published by the Commission in January 1997 (COM(1996)0697),
- having regard to the PEPPER I Report, entitled 'Promotion of employee participation in profits and enterprise results', which was published in March 1991 by the Commission and the European University Institute,
- having regard to Rule 52 of its Rules of Procedure,
- having regard to the report of the Committee on Employment and Social Affairs (A8-

¹ OJ C 68E , 18.3.2004, p. 429.

² OJ C 440, 30.12.2015, p. 23.

³ OJ C 482, 23.12.2016, p. 41.

0293/2018),

- A. whereas there are several employee financial participation (EFP) models an employer can choose from: profit sharing, individual employee share ownership, worker ownership in cooperative models and employee stock ownership plans (ESOPs);
- B. whereas the most appropriate EFP model must be carefully chosen by the individual company and its workers, taking due account of the specific national taxation rules and sectoral context, and will mostly depend on the size, activity and status of the company, especially if it is listed; whereas it is not appropriate to develop a comprehensive ‘one size fits all’ model for EFP at EU level;
- C. whereas, according to data from the 2013 European Company Survey¹, EFP schemes can vary greatly according to company characteristics; whereas 62% of European establishments use some form of variable pay, with profit sharing accounting for 30% and pay linked to group performance 25%; whereas share-ownership schemes are used by 5% of establishments; whereas these EFP schemes are more prevalent in the private sector than in the public sector (with some national exceptions), as well as in certain economic sectors, particularly information and communications technology, finance, insurance, and consultancy; whereas larger companies are more likely to use these EFP schemes than small and medium-sized enterprises, and they are also more common in foreign-capital or multinational companies and in companies located in economically² central or advanced regions;
- D. whereas ESOPs are a form of EFP using an intermediate entity able to exercise voting rights or other forms of governance on behalf of employees, who could voluntarily chose them;
- E. whereas EFP schemes involving workers in consultation and decision-making have proven³ benefits for both employees and the company, including in terms of sustainable governance, transparency, social dialogue, mutual respect between employers and employees, and other aspects such as recruitment, retention, motivation, job satisfaction and skills development, as well as overall performance and profitability;
- F. whereas employee participation in decision-making could improve organisational performance and employees’ quality of working life, and whereas it could act as a workplace innovation tool⁴ to promote a sense of ownership, enhance the flow of information in the company and improve levels of trust between employers and employees;
- G. whereas EFP schemes can have positive impacts on the economy of Member States by supporting companies, including SMEs, and the job market; whereas workers’ financial participation in their company can contribute to job satisfaction, a sense of ownership, mutual respect between employers and employees and overall performance, and can help employees find opportunities in their home countries;

¹ Third European Company Survey, Eurofound, 2013.

² Changes in remuneration and reward systems, Eurofound, 2016.

³ Annual economic survey of employee share ownership in European countries.

⁴ Workplace innovation in European companies, Eurofound, 2016.

- H. whereas, in the context of the development of the Capital Market Union (CMU), EFP could contribute to the CMU objectives of inclusive growth and transparency in economic activity; whereas EFP, if coupled with training for participants provided by companies and Member States, could improve financial education amongst EU citizens, potentially reducing their reluctance to invest, and potentially increasing retail investment;
- I. whereas the European Employment Strategy and the Europe 2020 Strategy set priorities to improve the quality of jobs and ensure better working conditions; whereas increasing employee participation in company financial results and offering better rewards could help meet these goals;
- J. whereas EFP must go hand-in-hand with a high level of information, training and consultation with staff so that they are fully aware of the functioning of the financial participation schemes that they could join, to enable them to make a fully informed assessment of the potential benefits and risks of these schemes, such as in the case of the company's bankruptcy;
- K. whereas, through EFP, enhanced social dialogue and strategic decision-making, employers might invest in development opportunities for their workforce, thus contributing to the fight against social exclusion and ensuring a high level of training;
- L. whereas, by involving employees in the decision-making process, depending on the specificity of the scheme, EFP can, in some cases, help companies, including SMEs, with respect to restructuring and business continuity by addressing company succession and generational renewal problems, for example in family businesses;
- M. whereas it should be borne in mind that EFP has positive and negative elements to it;
- N. whereas EFP bears some financial risks, but might also act as a shock absorber, allowing bonuses or other rewards and also ensuring that workers have a portfolio of saved shares; whereas ESOPs in particular may be an example of an employee buy-out model for non-listed companies where the priority buy-out process could allow employees to potentially safeguard their own jobs when there is the possibility of buy-outs by other companies;
- O. whereas measures are therefore needed to protect employees from facing risks such as losing both their job and the capital invested when their employer is impacted by a crisis; whereas EFP may not be used to reduce the social and employment rights acquired by employees, must not replace normal basic pay, other forms of remuneration or contributions to pension schemes, and must not be a way to transfer risks onto the worker or not to comply with labour law;
- P. whereas participation in the EFP should remain voluntary for employees, particularly in SMEs, while not affecting their labour market mobility, their social security or their right to take collective action; whereas employees should therefore have access at all times to information regarding the economic situation of the company, with the exception of its trade secrets and commercially sensitive information, and be informed of the advantages and disadvantages of each EFP scheme available;

- Q. whereas fiscal incentives are key elements to promote EFP that could pay off in a medium to long term, considering that countries which have a long tradition of employee financial participation also have the most developed employee ownership and the highest fiscal benefits;
- R. whereas proactive employment policies such as support for genuine self-employment and regular and social entrepreneurship are critical tools for the reintegration of the unemployed into the labour market, in line with the European Entrepreneurship Action Plan adopted in January 2013;
- S. whereas the current European Social Fund promotes social entrepreneurship and the social and solidarity economy, and the upcoming ESF Plus should continue to do so; whereas EFP can make a valuable contribution to the development of the social and solidarity economy by, for example, making investment or funding more accessible;
- T. whereas EFP can be complementary to EU programmes aimed at improving access to capital, especially for SMEs, such as the COSME programme, the InnovFin programme, the Creative Europe programme and the European structural and investment funds;
- U. whereas EFP could be a complementary tool to the European Globalisation Adjustment Fund which helps people who have lost their jobs as a result of major structural changes due to globalisation or the economic and financial crisis with respect to re-skilling, training, supporting self-employment, business start-ups and employee takeovers;
- V. whereas EU guidelines for EFP could help Member States develop frameworks for EFP schemes that could potentially lead to benefits both for employers and employees and also increase public awareness of EFP;
- W. whereas information about the economic situation of the company concerned, as well as information about the attached risks, should be available to the workers concerned at all times;
1. Calls on the Commission to consider appropriate recommendations to encourage Member States and companies, particularly SMEs, to develop and offer EFP schemes for the benefit and in the interest of both employees and companies; stresses that these schemes should:
 - protect workers' income safety,
 - not exploit workers in a crisis situation,
 - not shift entrepreneurial risk to workers,
 - guarantee a high level of protection for workers' investments;
 2. Calls on the Member States to provide non-mandatory incentives, including tax incentives that do not override national taxation rules, in line with best practice principles, when promoting employee ownership schemes among companies and employees, at the same time as supporting the highest standards of social protection for employees and safeguarding their right to collective action;
 3. Underlines that EFP has to be embedded in a system of workers' involvement, for example in company decision-making, including through workers' representatives, and

that EFP must not be a substitute for fair and decent pay, nor an alternative to public pensions or to collectively agreed pension schemes;

4. Calls on the Commission to implement the ‘five-point action plan’ included in the final report of the pilot project for the promotion of employee ownership and participation of 2014;
5. Recognises the link between legislative measures at national level favouring EFP schemes and the number of companies and employees using them;
6. Highlights the transnational obstacles that are faced by both companies offering such schemes in several Member States, and employees, namely discrepancies in legislation and the risks of double taxation which may incur substantial administrative costs and impinge on the freedom of movement of workers, which plays an important role in combating the scourge of unemployment and enhancing convergence and integration among Member States;
7. Calls on the Commission and the Member States to raise awareness as advised in the final report of the pilot project for the promotion of employee ownership and participation from 2014, to capitalise on the findings of research projects and encourage the cross-border transferability of best practices, and to propose a set of simple, elementary and basic supportive models;
8. Calls on the Commission and the Member States to provide dedicated websites that would include model profit-sharing agreements for SMEs and VSEs for ease of implementation, as well as information about attached risks and other relevant material; further calls on the Commission and Member States to continue collecting data on the use and spread of financial participation schemes, as well as to examine the impact of financial participation on the functioning of the company, the quality of its work and its retention of workers, with the help of the European Foundation for the Improvement of Living and Working Conditions;
9. Calls on the Member States and the Commission to assist companies which show an interest in EFP with solutions and specific support measures to avoid excessive administrative and development costs associated with implementing EFP, especially in SMEs, and to encourage outsourcing operators such as banks and investment funds to propose simple EFP schemes tailored to suit this type of company, while making sure that intermediaries do not take advantage of the smallest companies, and that there are no hidden costs;
10. Calls on the Commission and the Member States to promote financial education in order to empower EU citizens and raise awareness about the implications of EFP;
11. Calls on the Commission and the Member States to engage with social partners, employee ownership organisations and other stakeholders at the beginning of the process in order to design the most appropriate EFP frameworks, and when an EFP scheme is considered relevant, to negotiate it on a ‘plant-by-plant’ basis while considering the size and type of company, its workforce and financial situation, but also the national legislation and practices;

12. Recommends negotiating employee savings schemes and tools at a branch-by-branch level in order to provide SMEs and VSEs with standard agreements that can be implemented directly and conveniently by these companies;
13. Highlights that EFP should be open to all employees on a non-discriminatory basis, regardless of age, gender, nationality, full-time / part-time work arrangements, etc.;
14. Adds that differentiation between employees may be justified to meet the different needs and interests of the employees, such as restricted shares plans that are confined to executives;
15. Considers that ESOPs should also allow employees to use the ESOP account for other equity than that of the current employer, so as to mitigate concentration risk, particularly for SMEs;
16. Recalls that the decision to join EFP schemes should be totally voluntary, meaning no action should be taken against employees if they decide not to join and when they agree, their participation should be based on appropriate training and the informed consent of the employee, who is fully aware of his or her entitlements, obligations and risks, of the situation of the company, of the advantages and disadvantages of each scheme, of the taxation effects when joining the scheme and of the conditions which apply when he or she leaves the company or the scheme;
17. Considers that EFP should not replace or diminish normal basic remuneration or any other form of contribution such as social security contributions, but should be complementary to all social and contractual rights, this being a pre-condition to implementing EFP;
18. Believes that more links should be developed between EFP and the social economy, especially through programmes such as Creative Europe which offer microloans up to EUR 25 000 to small companies and social businesses;
19. Calls on the Commission and the Member States to consider the rapid evolution and change of the labour market and the consequent challenges regarding skills, digitalisation, automation, wealth inequalities and social security cuts, and the continuous creation of new opportunities to support and protect workers and enable them to adapt and develop professionally and personally;
20. Stresses the important role that EFP can play in fostering entrepreneurship and an entrepreneurial mind set by facilitating research and access to capital, especially for start-ups;
21. Highlights that although micro-enterprises play an important role in the economy of most EU Member States, no supportive measures for employee share ownership are implemented for them as yet;
22. Welcomes initiatives led by directorates-general of the Commission such as DG EMPL, FISMA and GROW supporting employment, SMEs and the capital markets union, and calls for a coordinated approach for the best use of available resources, remembering that the final beneficiary is the European citizen;

23. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

In the last 30 years, employee financial participation (EFP) has developed a lot through Europe. In 2018 there are around 10 million employee shareholders in Europe and 20 EU countries have some sort of EFP incentive regulation¹. 2017 was a record year for EFP with nearly 400 billion euro held by employees².

Nevertheless, the development of employee share ownership is geographically unbalanced within the European Union, with a lag of 30-40 years between lead and late European countries. These differences between Member States can be explained by the existence or not of adequate legislations. For instance, in some countries like Czech Republic, Estonia or Slovakia, employee share ownership plays no major role in the economy and none, or very few, policies were implemented by the Member State. On the contrary, significant fiscal incentives favouring employee share ownership can be observed in 15 countries of the EU (only 12 in 2015), like Spain, France, Sweden or Cyprus. Other countries also provide a legal framework for employee ownership schemes but without any fiscal incentive³.

Employee share ownership has a potential to stabilise the European economy as a whole. Studies from the US clearly show that companies offering their employees a stake of the business capital create more jobs than companies that do not have the same instruments in place. Employee shareholders accumulate more assets for retirement purposes, receive better wages and are less likely to become unemployed compared to other employees. As income of private households currently depends highly on wages, employee shareowners benefit from raising capital incomes, which decreases wealth inequality in the society⁴.

ESOPs, in the United States, for instance, have been found to boost sales and employment by more than 2%⁵ a year compared to similar companies without ESOPs. Productivity increases of up to 4-5% on average in the year an ESOP is adopted⁶. In Europe, it has been proved that, also, the social performance of a company having employee share ownership is 52% higher than in companies which have neither an ESOP nor employee savings plan⁷.

The demand for EFP is growing in the EU and it has proven its benefits⁸. A clear set of broad

¹ Annual economic survey of employee share ownership in European countries in 2016, EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP (EFES), 2017

² Annual economic survey of employee share ownership in European countries in 2017, EFES, 2018

³ EFES position paper responding to the public consultation on the CMU Mid-term review of 2017 entitled "Employee share ownership for building the Capital Market Union – Again: the need for a European Action Plan".

⁴ Employee Share Ownership as Pivotal Part of the Capital Markets Union, Deutsches Aktieninstitut e.V., Position Paper, 16 March 2017

⁵ <https://www.nceo.org/articles/research-employee-ownership-corporate-performance>

⁶ <https://www.nceo.org/articles/research-employee-ownership-corporate-performance>

⁷ http://archives.strategie.gouv.fr/cas/system/files/na210-performancesociale-2011-02-21_0.pdf

⁸ « The Promotion of Employee Ownership and Participation », 2014,

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

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

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

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

Overall participation in EFP schemes is nevertheless still relatively low. Despite the increases in interest, 68% of the firms in the EU do not provide any type of EFP scheme². Without asking for new legislative instruments at EU level, this INI report aims to stimulate the development of EFP in Europe by:

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

¹ Promotion of employee ownership and participation proposals for the European action plan, EFES, 2014, <http://www.efesonline.org/EUROPEAN%20COMMISSION/2015/EFES%20Proposals%20for%20the%20European%20Action%20Plan.pdf>

² Presentation on the Pilot Project on Promotion of Employee Ownership and Participation, 2014, <http://www.europarl.europa.eu/document/activities/cont/201411/20141107ATT92852/20141107ATT92852EN.pdf>

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	24.9.2018
Result of final vote	+: 41 -: 0 0: 1
Members present for the final vote	Guillaume Balas, Enrique Calvet Chambon, David Casa, Ole Christensen, Michael Detjen, Geoffroy Didier, Martina Dlabajová, Lampros Fountoulis, Marian Harkin, Agnes Jongerius, Rina Ronja Kari, Agnieszka Kozłowska-Rajewicz, Jean Lambert, Jeroen Lenaers, Javi López, Thomas Mann, Anthea McIntyre, Miroslavs Mitrofanovs, Elisabeth Morin-Chartier, Emilian Pavel, Dennis Radtke, Robert Rochefort, Renate Weber, Jana Žitňanská
Substitutes present for the final vote	Maria Arena, Georges Bach, Amjad Bashir, Lynn Boylan, Deirdre Clune, Rosa D'Amato, Eduard Kukan, Paloma López Bermejo, António Marinho e Pinto, Anne Sander, Birgit Sippel, Helga Stevens, Neoklis Sylikiotis, Csaba Sógor, Monika Vana, Flavio Zanonato
Substitutes under Rule 200(2) present for the final vote	Anna Hedh, Marco Valli

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

41	+
ALDE	Enrique Calvet Chambon, Martina Dlabajová, Marian Harkin, António Marinho e Pinto, Robert Rochefort, Renate Weber
ECR	Amjad Bashir, Anthea McIntyre, Helga Stevens, Jana Žitňanská
EFDD	Rosa D'Amato, Marco Valli
GUE/NGL	Lynn Boylan, Rina Ronja Kari, Paloma López Bermejo, Neoklis Sylikiotis
PPE	Georges Bach, David Casa, Deirdre Clune, Geoffroy Didier, Agnieszka Kozłowska-Rajewicz, Eduard Kukan, Jeroen Lenaers, Thomas Mann, Elisabeth Morin-Chartier, Dennis Radtke, Anne Sander, Csaba Sógor
S&D	Maria Arena, Guillaume Balas, Ole Christensen, Michael Detjen, Anna Hedh, Agnes Jongerius, Javi López, Emilian Pavel, Birgit Sippel, Flavio Zanonato
VERTS/ALE	Jean Lambert, Miroslavs Mitrofanovs, Monika Vana

0	-

1	0
NI	Lampros Fountoulis

Key to symbols:

+ : in favour

- : against

0 : abstention