Financial participation of employees in companies' proceeds

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The Committee on Employment and Social Affairs adopted the own-initiative report by Phil BENNION (ADLE, UK) on financial participation of employees in companies' proceeds.

The Committee on Economic and Monetary Affairs, exercising the prerogative of an associated committee in line with Rule 50 of the Rules of Procedure, were also consulted to give an opinion on the current report.

The Members recalled that employee financial participation (EFP) schemes can offer employees direct financial benefits above and beyond agreed basic remuneration structures. These schemes mainly take three forms:

- profit sharing (cash-based, deferred or in shares),
- individual employee share ownership (employee shares or stock options),
- employee stock ownership plans (ESOPs).

For a reconciliation of existing EFP schemes without harmonisation: the Members recall that EFP is affected by national taxation rules and it is not appropriate to develop a comprehensive 'one size fits all' model for EFP at EU level. However, barriers to the adoption of EFP should be **lifted** in the European Union, notably the **transnational obstacles** facing both companies offering schemes to employees in several Member States, and for employees, for whom double taxation may represent an infringement of the right to freedom of movement.

They emphasise that in some cases it might be useful to bring about the **gradual convergence of existing financial participation schemes** and the related national legislation so as **to enable employers in future to offer schemes in the same or a similar form in all Member States** where they have employees.

They call for a strengthening of the information on the financial participation schemes in place especially in SMEs as well as greater transparency in tax matters. The Members particularly stress the need to implement measures preventing double taxation when employees work in various Member States. Guidelines on the taxation of EFP should therefore be presented by the Commission.

Recommendations: the Members made a series of recommendations calling on the Commission and on Member States to consider appropriate measures to encourage companies, acting voluntarily, to develop and offer EFP schemes, open to all employees, in association with social partners. They anticipate the results of the Commission's pilot project on the Promotion of employee ownership and participation.

Fora potential opt-in 29th regime: the Members view with interest a potential opt-in 29th regime as **an optional single legal framework open to employers throughout the EU**, which would respect areas of Member State competence on fiscal and labour law, based on a market-based approach, improved transparency and access to information to facilitate equal implementation in different Member States. This model would be applicable at the national and/or EU level when needed and not being restricted to cross-border companies.

They encourage the Commission to present an independent impact assessment on such a regime. Following the publication of the independent impact assessment, the Members call on the Commission to

consider developing a set of basic guidelines for successful EFP schemes encompassing the following elements:

- objective-led: companies should determine the objectives of an EFP scheme in order to select the model that is most appropriate for them;
- flexible in operation and **voluntary**, operating differently in different sectors, companies of different sizes and types and offering employees a choice about how to benefit from a closer financial relationship with their employer;
- additional/complementary to contractual remuneration;
- negotiated by social partners;
- clear information must be given to employees on the risks and rights attached to opting into an EFP scheme.

Involvement in governance should also be noted with workers enabled to become directly involved in the governance of a company.

In any case, **the EFP should not aim to replace the wages of the workers**.

Better employee awareness of the advantages of EFP: finally, the Members call on the Commission and the Member States to better organise information campaigns and to encourage the cross-border transferability of best practice schemes among Member States. They encourage Member States, in cooperation with social partners, employee ownership

organisations and the Commission, to use existing single information portals – one stop shops – accessible to employers and employees, or to develop new ones, in order to explain the benefits and advantages as well as risks of EFP, the national incentives available and the different models which exist.