

# Employee financial participation: framework for promotion, following Pepper II.

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**PURPOSE** : to improve conditions for the financial participation of workers in companies. **CONTENT** : the European Commission has launched, with the present communication, an appeal to governments to improve conditions for the financial participation of workers in companies through share schemes, share options or profit sharing. This is the first time that the Commission has proposed benchmarking and publication of best practice in this area, which is well developed in some Member States and hardly at all in others. The objective of the initiative is to make it easier for companies to offer financial participation schemes and thus to benefit from the increased commitment of their workforce to the business, whilst giving individual workers a share in the resultant productivity gains. The Commission's Communication establishes the general principles which underlie national schemes, including the risks in the light of recent large-scale failures in such schemes (e.g. Enron). It sets up a high-level experts' group to examine the barriers which exist to Europe-wide financial participation schemes, and to issue recommendations. The Commission will establish best practice and benchmarking between Member States in order to assist the development of financial participation throughout the EU. The Commission Communication tackles three aspects of financial participation : 1) it identifies the general principles underpinning national policies. It also addresses the potential risks of financial participation schemes. Recent events in relation to the collapse of a number of enterprises such as the ENRON case which had share-ownership schemes in place, have demonstrated the need to analyse risks. This is particularly the case for schemes which form part of pension plans and in which basic principles concerning risk diversification and transparency must be applied. 2) it sets up a high-level experts' group to examine the transnational barriers currently impeding the introduction of European-wide financial participation schemes for companies with several establishments in Europe. These obstacles relate to differing tax and social security regimes, to differing administrative practices and to cultural diversities. The group will issue recommendations. 3) it launches a series of EU measures such as best practice and benchmarking which seek to improve mutual understanding of the different national policies and systems. National conferences will be organised in all Member States and the creation of networks of national organisations will be assisted by the Commission. It should be noted that this communication builds upon a number of previous initiatives at EU level: - in 1991 the Commission published the PEPPER I report on the 'Promotion of participation by employed persons in profits and enterprise results', which summarised the situation concerning financial participation in Europe at the time. - in the basis of this report, the Council adopted a Recommendation in 1992, which invited the Member States to acknowledge the benefits of a wider use of financial participation, taking into account the responsibilities of the social partners, in accordance with national law and/or practice. - the PEPPER II report on the application of the Council Recommendation underlined the fact that financial participation schemes are associated with a number of important benefits, especially in terms of higher productivity levels, employment and workers' involvement. It further stressed that the development of financial participation was strongly influenced by government action, in particular through the availability of tax incentives. However, it also concluded that the general approach of Member States' policies to Pepper schemes had not greatly changed and that there was little exchange of information. - in its Resolution on the Pepper II report, the European Parliament made a number of calls for action on the Commission, the Member States and the social partners, aiming at a wider diffusion of financial participation schemes.