Promotion of participation by employed persons in profits and enterprise results, PEPPER II

1997/2008(COS) - 05/07/2002

This report consists of a communication from the Commission on a framework for the promotion of employee financial participation. With this communication, the European Commission has launched an appeal to governments to improve conditions for the financial participation of workers in companies through share schemes, share options or profit sharing. The objective of this initiative is to make easier for companies to offer financial participation schemes and thus to benefit from the increased commitments of their workforce to the business, whilst giving individual workers a share in the resultant productivity gains. The communication establishes general principles which underlie the national schemes , including the risks in light of the recent large-scale failures in such schemes (e.g. Enron in the untied States). The Commission communication tackles three aspects of financial participation: - it identifies the general principles underpinning national policies. It also addresses the potential risks of financial participation schemes : recent events in the relation to the collapse of a number of enterprises such as the Enron case which had share-ownership schemes in place, have demonstrated that the need to analyse risk. 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; - it sets up a high-level experts' group to examine the transnational barriers currently impeding the introduction of the 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; - it launches a series of EU measures such as best practice and benchmarking which seek to improve mutual understanding of the different 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. Following its previous initiatives in the matter, the Commission stated in its Social Policy Agenda of June 2000 that a Communication on the promotion of financial participation schemes and an action plan were to be prepared. The Commission previously issued a report in 1991 on the "Promotion of Employee Participation in Profits and Enterprise Results " known as the Pepper I report. In 1992 the Council adopted a Recommendation inviting Member States to acknowledge the potential benefits for companies, employees and society in general of the use of these schemes. In 1997 a new Pepper II report presented an overview of how Member States have promoted employee financial participation and noted no great change in the Member States' general approach to such schemes, since in half of the Member States schemes had received little or no government support.