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

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OBJECTIVE: This report presents an overview of the ways in which Member States have promoted the participation by employees in profits and enterprise results since 1991, following the adoption of the Council Recommendation of 27 July 1992 (92/443/EEC). SUBSTANCE: The report states that the incentive effect on profitability of employee participation schemes is undeniable. In all cases profit-sharing is associated with higher productivity. Other positive effects are on wage flexibility and employment. The development of financial participation schemes is strongly influenced by government action, in particular, by the availability of tax incentives. Since 1991 there have not been many great changes in the Member States: France and the UK, which have a long tradition in this area, have perfected their range of schemes. In Ireland, the Netherlands and Finland, government support appears to be increasing while in Germany, Spain and Italy, the social partners are called on to promote these schemes. In all the other Member States, support is limited or lacking. The report reviews the types of fiscal incentives offered by the governments to promote the PEPPER schemes: tax-free issue of shares or bonds to employees, tax-free amounts on distributed profits and exemptions from social insurance contributions. Some countries offer these incentives to both the employer and the employee. Sometimes employers are allowed to deduct the costs of the scheme. In some cases disputes arise about whether the benefits should be subject to social charges. In addition, in some Member States there are certain requirements linked to the tax relief: minimum percentage of personnel covered by the scheme, eligibility criteria, retention periods and statutory and trustee requirements, etc. The report also points out that some companies occasionally issue shares to their employees when they are facing economic problems and this is damaging to employees' perception of these schemes. Some countries organize information campaigns on the promotion of PEPPER schemes. However, there is no regular exchange of information between Member States either on legislation on good practices. The Commission therefore puts forward a number of ideas for exploration with a view to improving information and reinforcing the existing schemes: - considering the development of national framework legislation; - clarifying the distinction between wages subject to social charges and the advantages derived from PEPPER schemes; - extending the eligibility of these schemes to other beneficiaries; - providing for a stimulating climate by setting up national institutional bodies to promote PEPPER schemes; - setting demonstration projects on existing good practices in the Member States, aimed at the social partners; - setting up PEPPER schemes during privatization of public bodies; - integrating PEPPER schemes into programmes on employee involvement to unleash productivity and improve competitiveness and quality of production; - appealing to the social partners to promote these schemes during their negotiations by demonstrating their positive effects; - avoiding risks arising from share issue to employees when companies are in difficulties; - tackling problems with intra-Community schemes in subsidiaries in different national circumstances; - promoting the development of clear models for the introduction of schemes that are manageable and understandable by management and labour.