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

2002/2243(INI) - 05/06/2003 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Winfried MENRAD (EPP-ED, Germany) on employee financial participation. Parliament stated that financial participation by employees in their undertaking is one of the preconditions for achieving the European social model, improving social cohesion and productivity and creating jobs. It endorsed the proposals in the Commission's communication and called for better mutual recognition of the different national systems. Parliament considered that the following principles are essential for the functioning of a model of financial participation: - participation must be voluntary - all employees must be included in the participation scheme offered by the employer without any discrimination; particular attention must be paid to include part-time workers and women; - the scheme must be clear and transparent, in line with the situation of the company, the undertaking and the economy; - unreasonable risks for employees should be avoided wherever possible; - where possible, avoidance of a pro-cyclical impact on Member States' national economies, for example, in cases of excessive growth in employee incomes and wealth in good times for the economy, or 'double' losses occurring during negative economic growth; - the scheme must be compatible with worker mobility; Serious reservations on the part of both sides of industry must be borne in mind. The premise must be that employee participation will always be an additional component, and should not replace the customary basic wage or wage components, in particular pension schemes or customary wage increases. Parliament recognised that as well as opportunities, financial participation also involves risks and difficulties, in particular: - the dual risk for employees with shares in the company where they work: in the event of the company's bankruptcy they would lose both their job and the value of their shares; - obstacles in relation to taxation law, social security law and labour law in transnational undertakings; - SMEs are facing particular difficulties as regards the implementation of the system of employee participation. The cost and the administrative problems may be considered prohibitive. Parliament proposed alternative investment outlets outside the workplace for profit-shares earmarked for investment if in-house solutions are not possible in SMEs. This involved SME employees' share of profits not invested in their own company being channelled back to SMEs as a beneficial way of financing jobs. Parliament also felt that equity participation which funds jobs is more deserving of Member State support than profit shares handed out in cash to employees. It urged the Commission to set up of working group of independent experts, particularly to analyse transnational challenges to employee financial participation. Finally, Parliament stressed that attention must be paid to the new Member States, where financial participation has not developed to any great extent and the requisite legal and taxation frameworks are lacking.