Basic information

1997/2008(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Promotion of participation by employed persons in profits and enterprise results, PEPPER II **Subject** 4.15.10 Worker information, participation, trade unions, works councils	

Key players

European Parliament	**Committee for opinion**	**Rapporteur for opinion**	**Appointed**
	ECON Economic and Monetary Affairs, Industrial Policy	MENRAD Winfried (PPE)	24/03/1997
Council of the European Union			

Key events

Date	Event	Reference	Summary
08/01/1997	Non-legislative basic document published	COM(1996)0697	Summary
29/01/1997	Committee referral announced in Parliament		
25/09/1997	Vote in committee		Summary
25/09/1997	Committee report tabled for plenary	A4-0292/1997	
14/01/1998	Debate in Parliament		
15/01/1998	End of procedure in Parliament		
02/02/1998	Final act published in Official Journal		

Technical information

Procedure reference	1997/2008(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/4/08556

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0292/1997 OJ C 339 10.11.1997, p. 0005	25/09/1997	
Text adopted by Parliament, single reading		T4-0029/1998 OJ C 034 02.02.1998, p. 0121-0151	15/01/1998	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(1996)0697	08/01/1997	Summary
Non-legislative basic document	COM(2002)0364	05/07/2002	Summary

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

1997/2008(COS) - 15/01/1998 - Text adopted by Parliament, single reading

In adopting the report by Mrs Marie-Thérèse HERMANGE (UPE, F) on the promotion of participation by employed persons in profits and enterprise results (PEPPER), the European Parliament observed that the Member States had not made much use of such systems. It therefore made a number of recommendations for their promotion and use. It recommended: 1) that the Commission: - conduct a study into the impact of financial participation schemes on employment, productivity and wage flexibility (including in small and medium-sized enterprises); - implement a programme to promote the exchange of best practice, together with training for both sides of industry in financial participation schemes; - set up a working party to promote the introduction of PEPPER schemes in equivalent conditions throughout the Community (it would include representatives of the European Parliament and of both sides of industry); - study the need for a Community initiative concerning various aspects of policy on capital; - facilitate the development of pilot projects in this field; 2) that Member States: - develop framework legislation on the subject (comprising tax incentives or bonuses); - instruct their national bodies to draw up schemes for promoting and encouraging financial participation schemes; - extend eligibility for financial participation schemes to all categories of employees, including part-time employees; - when setting up such schemes, consider ways of protecting employees against excessive losses in value; - develop alternative forms of investment where it is impossible for employees to participate in equity (particularly by means of systems making it possible to create jobs); 3) that both sides of industry: - organize information campaigns to raise public awareness of the schemes; - encourage PEPPER options as a feature of collective bargaining.

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

1997/2008(COS) - 08/01/1997 - Non-legislative basic document

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.

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.