Basic information

2002/2243(INI) INI - Own-initiative procedure	Procedure completed
Employee financial participation: framework for promotion, following Pepper II. **Subject** 4.15.10 Worker information, participation, trade unions, works councils	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
EMPL Employment and Social Affairs	MENRAD Winfried (PPE-DE)	04/09/2002

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	LIPIETZ Alain (V/ALE)	01/10/2002
ITRE Industry, External Trade, Research, Energy	FOLIAS Christos (PPE-DE)	08/10/2002
FEMM Women's Rights and Equal Opportunities	FIGUEIREDO Ilda (GUE/NGL)	26/11/2002

European Commission

Commission DG	Commissioner
Employment, Social Affairs and Inclusion	

Key events

Date	Event	Reference	Summary
05/07/2002	Non-legislative basic document published	COM(2002)0364	Summary
21/11/2002	Committee referral announced in Parliament		
24/04/2003	Vote in committee		
24/04/2003	Committee report tabled for plenary	A5-0150/2003	
04/06/2003	Debate in Parliament		
05/06/2003	Decision by Parliament	T5-0253/2003	Summary

05/06/2003	End of procedure in Parliament		
18/03/2004	Final act published in Official Journal		

Technical information	
Procedure reference	2002/2243(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/5/16912

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A5-0150/2003	24/04/2003	
Text adopted by Parliament, single reading		T5-0253/2003 OJ C 068 18.03.2004, p. 0330-0429 E	05/06/2003	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2002)0364	05/07/2002	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0284/2003 OJ C 095 23.04.2003, p. 0029-0034	26/02/2003	

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

2002/2243(INI) - 05/07/2002 - Non-legislative basic document

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 CouncilRecommendation 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.

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.