



COMMISSION EUROPÉENNE

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Keynote speech for the Conference on Employee Share Ownership

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Conference "Taking action to encourage employee share ownership throughout Europe"

Brussels, 30 January 2014

Ladies and Gentlemen,

It is a pleasure to join you today to discuss and share views about employee share ownership.

This discussion is very timely. The economic situation in Europe remains fragile following the crisis. It is important to use all means at our disposal to encourage economic recovery and support European citizens and companies. As underlined by the Commissioner, employee share ownership can play a vital role in this context.

It can increase competitiveness of companies, improve their corporate governance and help to alleviate succession problems in SMEs and family businesses. More generally, it can also make it easier for employees to participate in the relaunch of the European economy. Exiting the crisis should not only mean improving the economic prospects of European companies. It should also improve those of their employees.

The concept of employee share ownership is not new. It has a long tradition in some European countries and it has proven very popular in the United States. It is also a very well researched and discussed topic at EU level. Today we would like to build on what has been done so far:

- (1) By raising awareness about employee share ownership and focusing more attention on it through this high-level conference; and
- (2) By facilitating the sharing of information and bringing everyone concerned together to exchange concrete ideas.

Today's event will provide us with a very comprehensive overview of all the relevant aspects and points of view regarding employee share ownership. From best practices in Member States where employee share ownership schemes are well used to the experience under Employee Stock Ownership Plans in the US. We can also today benefit from the private sector perspective, both from bigger and from smaller companies. The challenge for us will be to bring the wide-ranging expertise and experiences in this room together and to formulate concrete proposals that can make a difference.

I am delighted that all the parties involved in work in this area are represented here today. I am very pleased that Ms Berès, the Chair of the Employment and Social Affairs Committee in the European Parliament and Mr Bennion, the rapporteur for the recent EP resolution, can also join us to take part in the discussions.

Ladies and Gentlemen,

Despite the positive effects of employee share ownership, still 80% of European companies do not provide any schemes for their workers. Only in a handful of Member States such schemes have been extended to a significant proportion of the working population. What can be done at EU level to improve this situation?

The Commissioner has just outlined three main areas for further analysis:

- (1) a stable legal framework;
- (2) transparency about national fiscal measures; and
- (3) taking account of employee share ownership schemes in the context of EU's long-term investment strategy.

Let's look into these issues in more detail.

(1) First, a stable legal framework is important to allow for sustainable development of employee share ownership schemes. In practice it can actually be more important than other incentives available. At the moment, the national approaches diverge across the EU. These differences and the related costs and administrative complexities make introducing employee share ownership schemes at cross-border level difficult.

In this context, sharing of best practices among Member States, companies and employees can play an important role. It can spread the information about how to design efficient schemes and therefore, reduce the costs of doing so.

The need for best practice rules across the EU-28 – e.g. through an optional 29th regime – has been raised in the recent EP resolution on financial participation of employees in companies' proceeds. Such a European regime would exist in parallel to the relevant national rules. Employers and employees would be provided with a choice between the two alternatives. We need to further explore this idea.

The Pilot Project on the promotion of employee ownership and participation, which is currently being carried out for the Commission, will assess the merits, costs and impacts of the 29th regime. Prof. Lowitzsch and Prof. Hashi will cover this issue in more detail when presenting the initial results of the Pilot Project.

(2) Second, tax incentives are one of the most effective levers to promote employee share ownership. Their introduction and scope is the responsibility of Member States. However, at EU level we can help by making more transparent the fiscal treatment of employee share ownership schemes and the related social security contributions. Transparency is essential to facilitate cross border plans and avoid double taxation or discrimination.

How can we best ensure that there is an easy access to up-to-date information about employee share ownership schemes and their fiscal treatment? The possibility of setting up "European centres for employee ownership" across the EU was raised during a public hearing at the European Parliament in 2012. An alternative solution of making information available through an online centre was mentioned in the recent EP resolution. Both require careful analysis, although we should not forget that we live in a time of budget constraints and of unknown digital solutions. The Pilot Project will look into the feasibility, costs and impacts of these options.

Any additional specific tools, e.g. a tool to help calculate effective tax rates on employee share ownership schemes in different countries, could also be very interesting to explore. We will hear in more detail about the information centres and the Effective Tax Rate Calculator from Prof. Lowitzsch and Prof. Hashi a bit later this morning.

(3) Third, employee share ownership schemes can facilitate financing for SMEs, which are often affected by insufficient financing from the EU financial markets. We need to analyse how these schemes can fit in the context of the EU policy on long-term investment.

For instance, to what extent could such schemes be recognised as eligible assets for the anticipated European Long-Term Investment Funds? Since employee share ownership schemes fall under the definition of a long-term asset, the long-term investment funds could be encouraged to invest into them. The European Investment Bank could also play an important role in financing business transfers to employees. Both issues are going to be discussed in detail in panel 3.

Before finishing, let me add a few words on the importance of employee share ownership for SMEs in particular. SMEs find it especially difficult to set up employee share ownership plans, often due to high costs involved. According to the 2009 European

Company Survey, only 4.6% of small European private firms had such schemes in place as compared to 7% for medium and 12% for large firms. At the same time, calculations done for the Pilot Project show there is considerable potential for SMEs: around 225,000 small firms could be expected to introduce such schemes if action was taken in this area.

Employee share ownership may also provide part of a solution for the looming succession problems in European SMEs. According to 2011 figures, 450,000 firms change hands each year in the EU, affecting 2 million employees. Every year, there is a risk of losing approximately 150,000 companies and 600,000 jobs due to inefficient business transfers. In particular in the case of SMEs, which might struggle to find a buyer and risk being closed down, employee share ownership schemes can offer an interesting alternative to selling a company to an outsider. In this way, they can also increase job security by safeguarding workers' own jobs.

I am pleased that in the afternoon we will find out more about the experience of Spanish *Sociedades Laborales*. These are mostly small and micro companies, majority-owned by its employees, which have positively contributed to reactivating the unemployed in Spain. Learning how such schemes have been made to work for Spanish micro-enterprises should provide us with suggestions for improvements in other national contexts.

I have touched briefly upon some of the ways in which we can encourage employee share ownership. All the presentations and panels during the conference will provide further information and ample opportunities to analyse and debate these issues in depth.

I wish you fruitful discussions and I am looking forward to seeing the concrete results and proposals from this conference.