

Taking Action: Promotion of Employee Share Ownership – Debating concrete policy options

Thursday 30 Jan 2014, Brussels

Summary

The conference “Taking Action: Promotion of Employee Share Ownership” on Thursday 30 Jan 2014 in Brussels gathered high level representatives of all relevant stakeholders in EU policy-making to discuss options to promote Employee Share Ownership (ESO) in Europe. In line with the Commission’s initiative as well as the European Parliament’s resolution of 15 January 2014, the following five priorities broadly shared by the participants can be summarised from the discussions:

1. Establishing a Legal Framework on ESO

We should work to create an optional legal framework at the EU level that in particular would facilitate cross-border ESO schemes. An EU framework is needed to establish a level playing field that would especially create opportunities for SMEs which are most affected by the consequences of the financial crisis. SMEs should receive more policy support, in particular considering the significant unexploited potential for ESO. In this context establishing a so-called 29th regime on Employee Financial Participation (EFP) appears a promising option. Hence, it seems justified that the Pilot Project should include a preliminary impact assessment of such a regime.

2. Promoting the exchange of best practice

In order to establish a functioning exchange of best practice, systematic processing and editing of information is very important. Rather than producing “another study for the shelf”, we should look into the creation of one-stop shops. A “Virtual Centre for EFP” (as presented during the conference) could be a first step in that direction.

3. Providing transparency with regard to fiscal treatment and tax incentives

Tax incentives are not a prerequisite for successful implementation of ESO, but they do effectively promote such schemes. Therefore, while harmonisation is not a condition, transparency with regard to the different national fiscal treatment of ESO is key. In particular, an Effective Tax Rate Calculator (as presented during the conference) could provide a useful decision-making tool for companies with cross-border activities that plan to introduce EFP schemes.

4. Combining economic and labour market policies and reducing inequality

ESO fits logically into the EU’s multi-dimensional approach of combining economic and labour market policies. ESO schemes may help to create and secure jobs, reactivate unemployed and facilitate business succession in SMEs. In order to establish equality of arms, we should develop recommendations at EU level for fiscal and other incentives for SMEs interested in implementing ESO schemes. In this respect, investigating and promoting the transferability of best practice ESO schemes like the *Sociedades Laborales* and Employee Stock Ownership Plans (ESOPs) is important.

5. Incorporating ESO into Corporate Governance and Long-Term Investment strategies

Turning workers into shareholders of their employer company helps to improve corporate governance by promoting transparency, sustainability and responsibility in corporate decision-making, which is one of the main objectives of the EU’s corporate governance policy. Therefore, integrating ESO into this policy should be strongly considered. Further, as ESO can foster growth of SMEs and facilitate business succession, financing ESO schemes should become one of the objectives of the Commission’s Long-Term Investment strategy. In particular it should be considered to integrate ESO in the EIB products for SME financing and incorporate ESO into the Commission’s proposal for the regulation on European Long-Term Investment Funds (ELTIFs).

In order to achieve these aims, social partners and all other relevant stakeholders should be closely involved in the process. Further, any promotion of ESO should respect the relevant fundamental principles as identified by the 1992 Commission Recommendation on EFP and reiterated in the EP Own-Initiative Report of 15 January 2014. After many years of research and fruitful discussion the time has come for concrete actions: **Let’s make ESO a positive priority in Europe!**