



Industrial relations and employee financial participation

info sheet

'Financial participation is an important element in the modernisation of work organisation.'

Commission Communication, 'On a framework for the promotion of employee financial participation'



WHAT is the context?

The issue of employee financial participation is the focus of increasing attention across the European Union. There is, moreover, concern at European level that costs and administrative complexities have hampered the large-scale introduction of financial participation schemes. In an effort to move the issue forward, the Commission published a Communication in 2002, 'On a framework for the promotion of employee financial participation'. In this document, the Commission acknowledges Foundation research in the area of employee financial participation and calls on the Foundation to continue this work. Recent opinions drafted by the European Economic and Social Committee and the European Parliament further underline the importance of collecting information on financial participation, particularly in relation to small and medium sized enterprises.

WHY this research?

In 1999 the Foundation began a major research project on the nature and extent of financial participation in the EU. The first phase, culminating in a report, *Recent trends in employee financial participation in the EU*, updated the legislative and financial practices in the Member States and the information contained in the European Commission's Pepper I and II reports. The second phase looked at the incidence and characteristics of share ownership and profit-sharing schemes in the Member States (excluding Luxembourg). The report, *Employee share ownership and profit-sharing in the European Union*, gives a comprehensive overview of the structural and human resource management characteristics of companies with financial participation. The third phase, launched in 2001, analysed the views and policies of the national governments and social partners regarding financial participation.

WHAT are the findings?

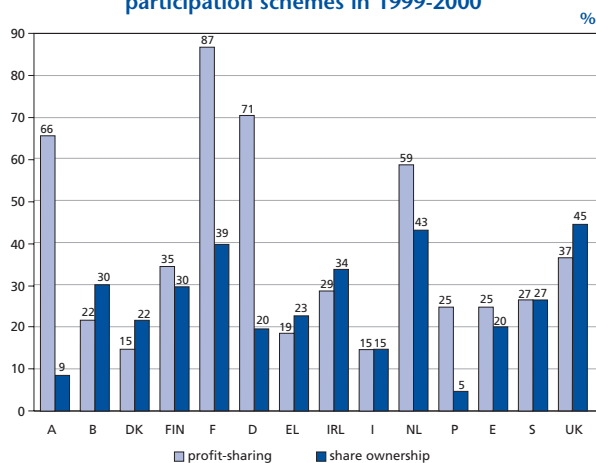
Characteristics

- Financial participation became more widespread throughout the EU during the 1990s.
- A number of countries, e.g. France and the Netherlands, experienced a sharp increase in the proportion of companies offering share ownership schemes.
- Less than one-third (31%) of companies with more than 200 employees have an employee share ownership scheme.
- There is a strong relationship between broad-based (open to all employees) financial participation and team-based work structures.
- Companies with financial participation schemes are more likely to inform their employees about strategic plans and the financial situation of the company.

Influential factors

- Supportive legislation and tax concessions encourage the introduction of broad-based schemes.
- Financial participation does not weaken the role of trade unions or works councils.
- There is a positive link between financial participation and direct and/or representative participation.
- Size and ownership are important – smaller and family owned enterprises do not have financial participation.
- There is an association between some aspects of human resource management, training in particular, and the use of financial participation.
- Level of qualifications is important – broad-based schemes are found in companies with a high proportion of qualified employees.
- In the case of broad-based financial participation, factors specific to the country tend to influence levels of use.

Share of business units (200+ employees) with financial participation schemes in 1999-2000 %



Source: European Foundation for the Improvement of Living and Working Conditions, *Employee share ownership and profit-sharing in the EU*, 2001.

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Involvement of the social partners

- Social partners' activities in this area are mainly reactive to government initiatives and legislation.
- Both employer and trade union organisations focus on influencing government policy rather than encouraging policy initiatives.
- Employer and trade union organisations are not involved in the regulation of financial participation schemes at corporate level.
- Social partner organisations do not provide extensive advice to companies or workers on this topic.
- UK and French employer associations are most active in this regard.
- Employer associations tend to be favourable towards financial participation.
- Trade union opposition to financial participation has lessened – most key confederations are now generally supportive of financial participation.

WHAT now?

In May 2003, the Foundation launched a new phase of its financial participation project. This will establish a set of indicators to allow for the benchmarking of national policies and practices of financial participation arrangements in EU Member States. It will also explore barriers to the introduction of financial participation schemes in SMEs and examine mechanisms to promote its uptake in these companies. A report on the policies and views of the main organisations towards financial participation will be published in 2004.

Further information:

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Full text of the reports:

Recent trends in employee financial participation in the European Union
DE, EN, FR versions available on request

Employee share ownership and profit-sharing in the European Union
<http://www.eurofound.eu.int/publications/files/EF0156EN.pdf>

Foundation work on related issues:

Employee direct participation in organisational change (EPOC project)
<http://www.eurofound.eu.int/industrial/epoc.htm>

Direct participation and the modernisation of work organisation
<http://www.eurofound.eu.int/publications/files/EF0029EN.pdf>

Direct Employee Participation in the Public Services
EN available on request

The gender dimensions of direct participation in organisational change
EN available on request