


# Procedure file

| Basic information   |                     |
|---|---------------------|
| COS - Procedure on a strategy paper (historic) <a href="#">1997/2008(COS)</a>               | Procedure completed |
| Promotion of participation by employed persons in profits and enterprise results, PEPPER II |                     |
| Subject<br>4.15.10 Worker information, participation, trade unions, works councils          |                     |

| Key players                   |  |
|-------------------------------|--|
| European Parliament           | <p>Committee for opinion</p> <p><b>ECON</b> Economic and Monetary Affairs, Industrial Policy</p> <p>Rapporteur for opinion</p> <p>Appointed</p> <p>24/03/1997</p> <p>PPE <a href="#">MENRAD Winfried</a></p> |
| Council of the European Union |  |

| Key events |  |   |         |
|------------|--|---|---------|
| 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        | <a href="#">A4-0292/1997</a>  |         |
| 14/01/1998 | Debate in Parliament                       |  |         |
| 15/01/1998 | Decision by Parliament                     | T4-0029/1998  | Summary |
| 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 142                      |
| Stage reached in procedure | Procedure completed                            |
| Committee dossier          | EMPL/4/08556                                   |

| Documentation gateway                               |  |  |            |    |         |
|---|--|--|------------|----|---------|
| Non-legislative basic document                      |  | COM(1996)0697  | 08/01/1997 | EC | Summary |
| Committee report tabled for plenary, single reading |  | <a href="#">A4-0292/1997</a><br><a href="#">OJ C 339 10.11.1997, p. 0005</a> | 25/09/1997 | EP |         |
| Text adopted by Parliament, single reading          |  | T4-0029/1998<br><a href="#">OJ C 034 02.02.1998, p. 0121-0151</a>            | 15/01/1998 | EP | Summary |
| Non-legislative basic document                      |  | <a href="#">COM(2002)0364</a>  | 05/07/2002 | EC | Summary |

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

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

The member states have shown almost no enthusiasm for increasing the use of a variety of schemes for employees' participation in profits and enterprise results (PEPPER). Although practical experience is available from such countries as France and the UK, the member states have very rarely exchanged information on examples of good practice. This kind of criticism was presented by Marie-Thérèse HERMANGE (UFE, F) in her comments on the Commission report on the promotion of PEPPER schemes. Mrs. HERMANGE's report was unanimously adopted by the Committee. Therefore, the committee called for a programme to promote the exchange of information and best practices between the member states. In addition, they want a Commission to conduct a study of the impact of financial participation schemes on employment, productivity and wage flexibility as well as to assess the conditions for introducing such schemes in enterprises, in particular in SMEs. The Commission should also set up a working party of labour market organisations, the European Parliament and the Commission to promote the introduction of PEPPER schemes. The committee urged the member states to instruct national bodies to draw up schemes for promoting PEPPER. It stressed that the schemes should be planned, introduced and supervised in cooperation between enterprises and employee groups. Employees should also be safeguarded against the losses in value during the period in which they cannot freely dispose of their shares in the enterprise. ?

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

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.?