

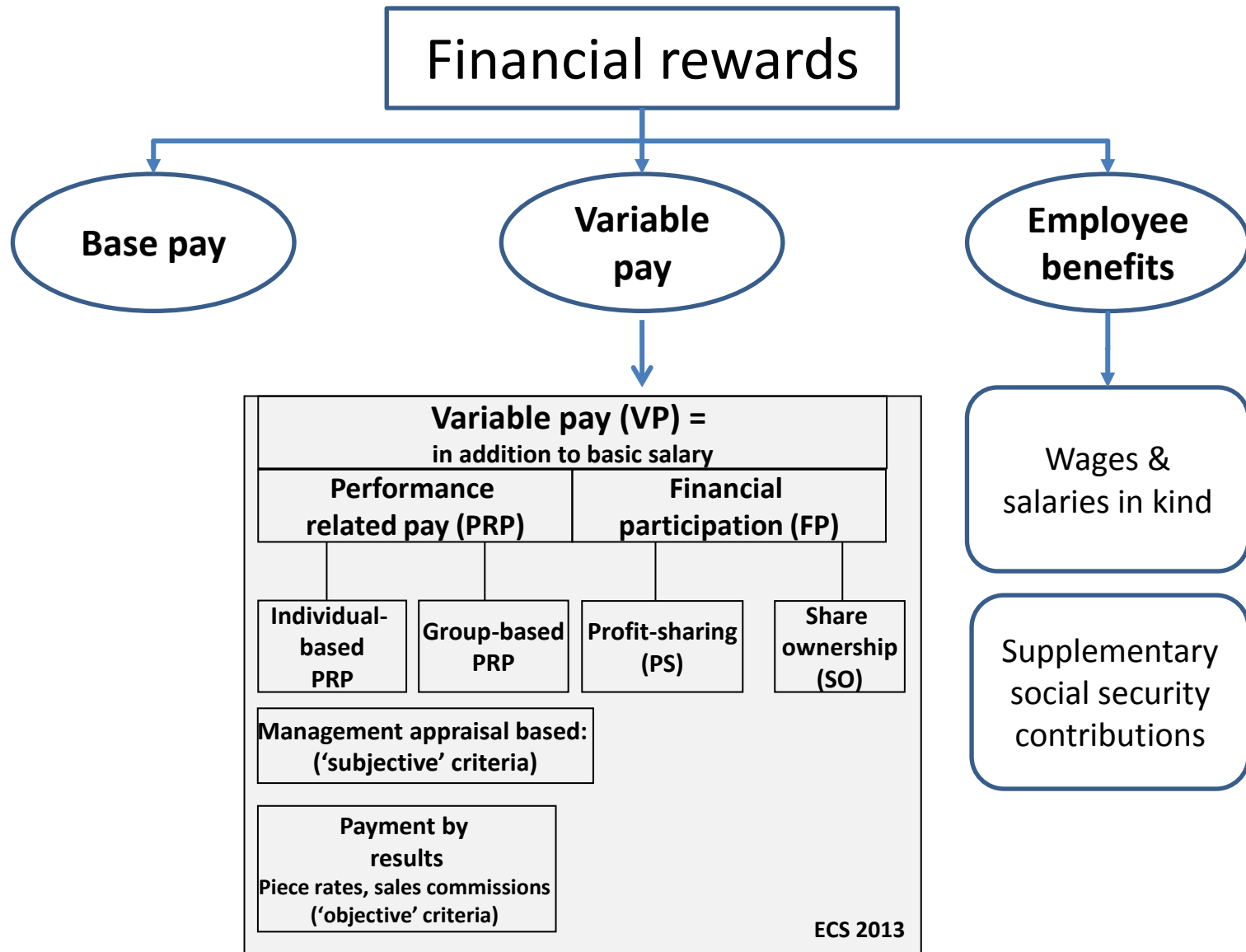


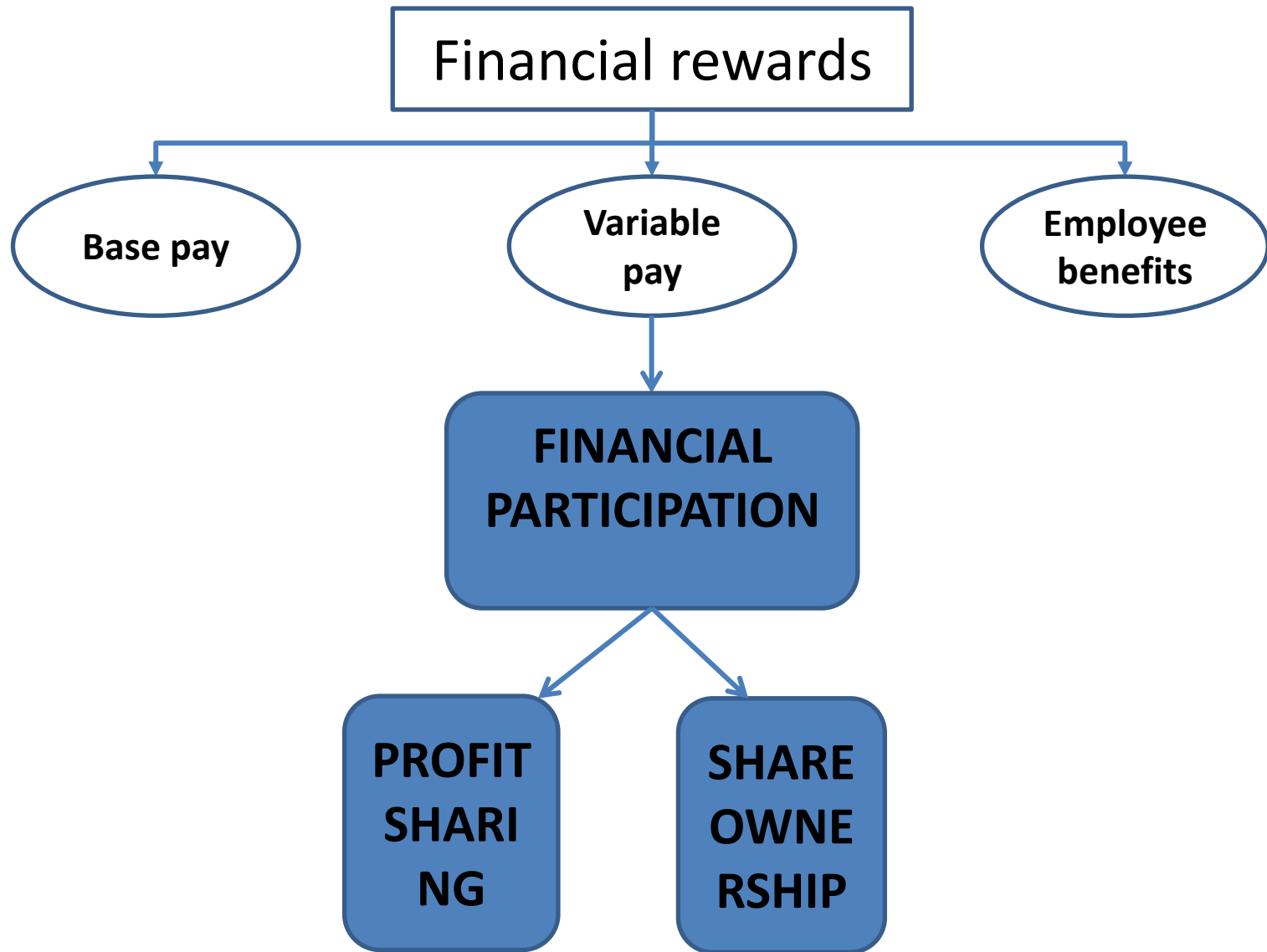
European Foundation  
for the Improvement  
of Living and Working  
Conditions

The tripartite EU Agency providing  
knowledge to assist in the development  
of social and work-related policies

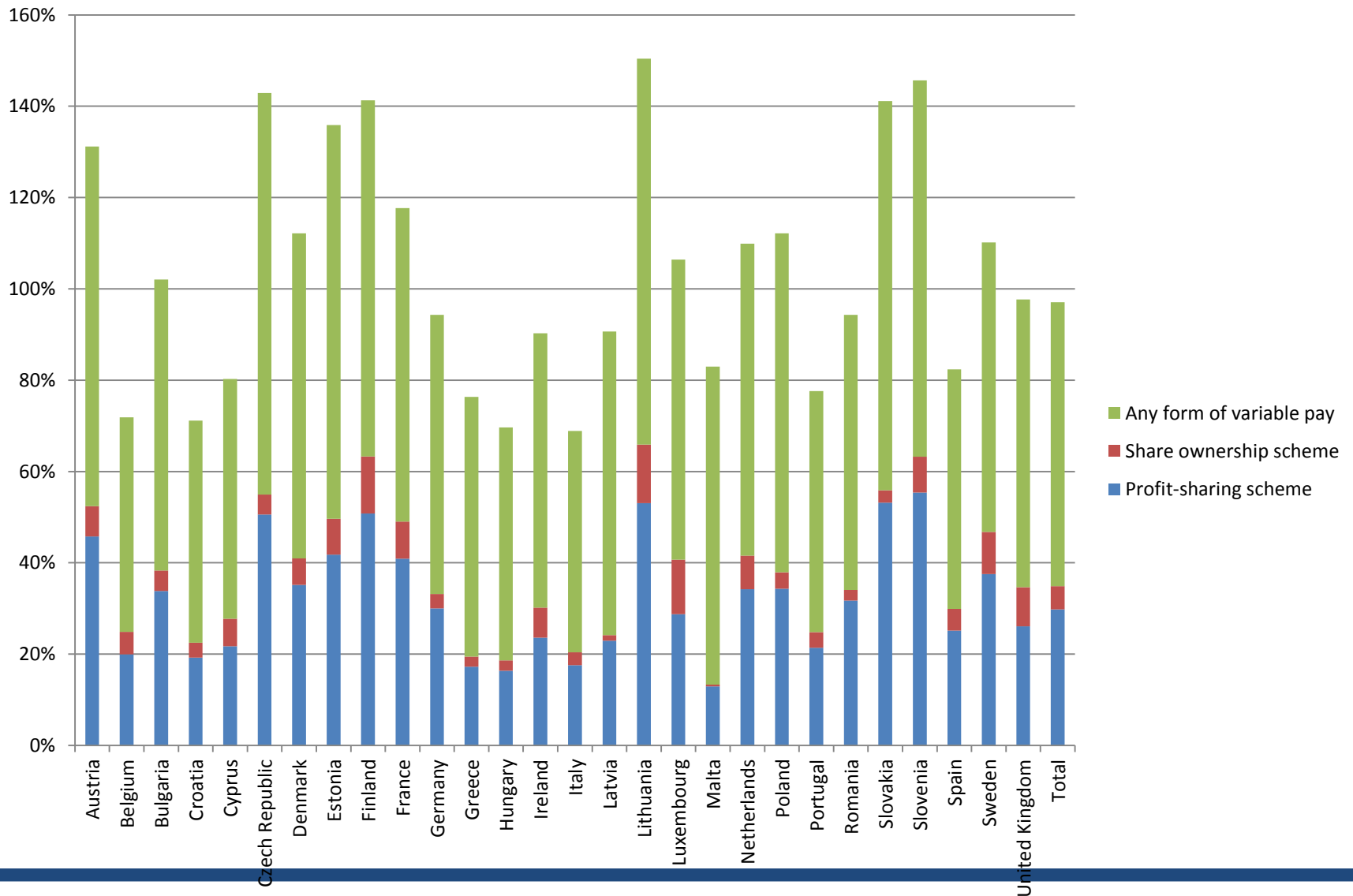
# “Financial participation in European establishments: evidence from the Eurofound European Company Survey

European Parliament, 1 September 2016



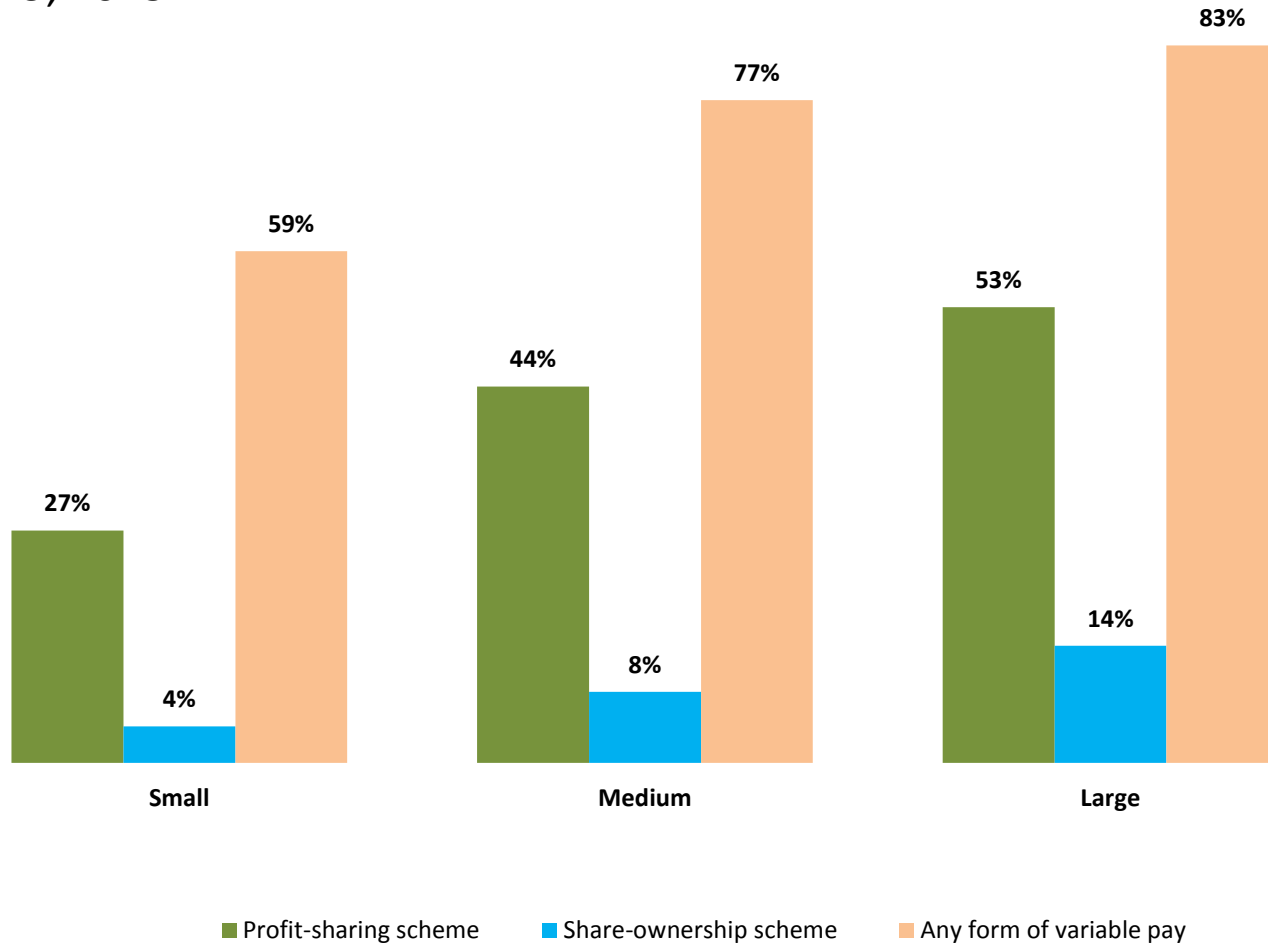


## Use of financial participation in EU countries (EU 28, private sector only)



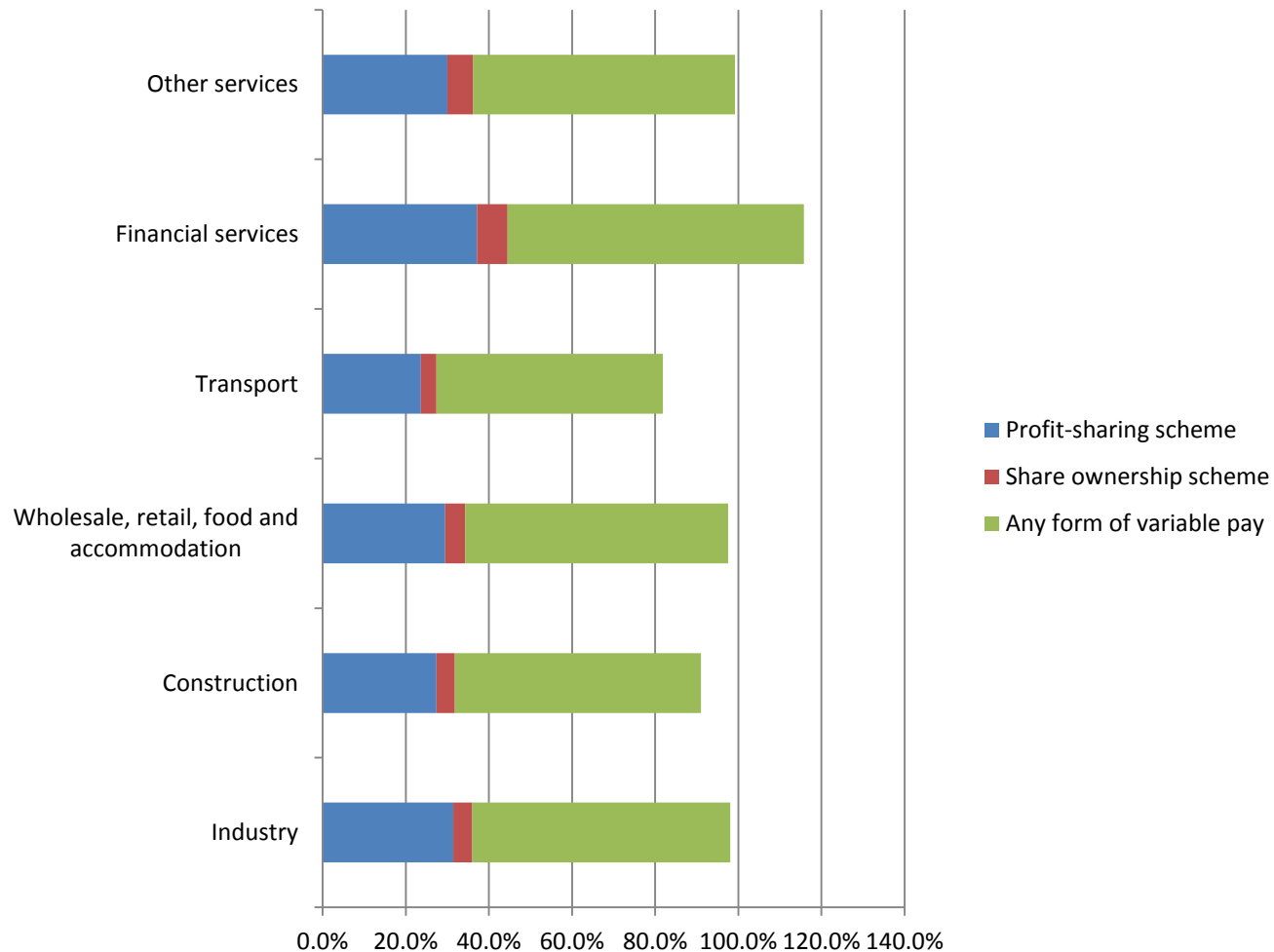
Source: ECS 2013

## Use of financial participation by organisation size across the EU, 2013



Source: ECS 2013

## Use of financial participation in different sectors (EU28, private sector, 2013)



Source: ECS 2013

# Proportion of employees with earnings from FP

| Form of variable pay                 | % of employees |
|--------------------------------------|----------------|
| Piece rate or productivity payments  | 10%            |
| Pay linked to individual performance | 16%            |
| Pay linked to group performance      | 9%             |
| <b>Profit sharing scheme</b>         | <b>13%</b>     |
| <b>Share ownership scheme</b>        | <b>4%</b>      |
| Any form of variable pay             | 27%            |

Source: European Working Conditions Survey 2015

Grouping of EU establishments based on the use of the variable pay (EU28, ECS 2013)

|  |                        | Cluster1 | Cluster2                | Cluster3          | Cluster4         | Cluster5  |
|--|------------------------|----------|-------------------------|-------------------|------------------|-----------|
| Group (use of variable pay)                            |                        | Limited  | Financial participation | Performance-based | Individual-based | Extensive |
| Proportion of EU establishments belonging to the group |                        | 40%      | 12%                     | 13%               | 18%              | 17%       |
| Proportion of group using each system                  | Payment by results     | 6%       | 33%                     | 0%                | 83%              | 74%       |
|  | Individual performance | 9%       | 34%                     | 66%               | 70%              | 84%       |
|  | Group performance      | 2%       | 11%                     | 35%               | 28%              | 78%       |
|  | Profit sharing         | 2%       | 59%                     | 33%               | 24%              | 77%       |
|  | Share ownership        | 0%       | 11%                     | 1%                | 1%               | 18%       |



# Features of groups of EU establishments based on the use of the financial participation (EU28, ECS 2013)

|   |  | Cluster1 | Cluster2                | Cluster3          | Cluster4         | Cluster5  |
|---|--|----------|-------------------------|-------------------|------------------|-----------|
|   |  | Limited  | Financial participation | Performance-based | Individual-based | Extensive |
| At least 20% of employees work part-time                          |  | 27%      | 17%                     | 18%               | 24%              | 16%       |
| Women form at least 40% of employees                              |  | 44%      | 41%                     | 43%               | 41%              | 44%       |
| At least 20% of employees receive paid time-off for training      |  | 38%      | 52%                     | 60%               | 48%              | 62%       |
| At least some employees can use accumulated overtime for days off |  | 60%      | 80%                     | 72%               | 73%              | 81%       |
| Teamwork  | No teams   | 36%      | 27%                     | 21%               | 30%              | 9%        |
|   | Teams with task distribution by superior           | 47%      | 47%                     | 55%               | 53%              | 67%       |
|   | Autonomous teams                                   | 17%      | 26%                     | 24%               | 16%              | 25%       |
| Coverage of wage agreements                                       | No collective agreement                            | 29%      | 41%                     | 33%               | 34%              | 37%       |
|   | Only multi-employer collective bargaining          | 44%      | 36%                     | 36%               | 34%              | 27%       |
|   | Only single-employer bargaining                    | 12%      | 14%                     | 15%               | 11%              | 16%       |
|   | Both multi-employer and single-employer bargaining | 15%      | 9%                      | 15%               | 21%              | 20%       |
| Establishments report innovation                                  |  | 50%      | 63%                     | 69%               | 69%              | 78%       |
| Establishments report (very) good financial situation             |  | 52%      | 72%                     | 62%               | 65%              | 70%       |

# National studies on the use of financial participation

- Profit sharing is widespread in member states but share ownership is not
- France: 43% of employees use profit sharing
- NL: 13% of employees
- Ireland: 17% use profit-share, share options or gain-sharing schemes
- ES: 15.9% of employees use profit sharing
- FI: 11,000 employees benefited from FP in 2012
- GR: 1,4% of employees benefit from profit sharing & bonus
- IT: shareholding & stock options not used much by SMEs; a survey of SME managers shows that only 6% of them benefit from them
- D: 1% of companies had capital participation schemes for employees in 2009

# Indicative national regulations for financial participation

- Ireland: Finance Act 1982 encourages voluntary and wide adoption of share-based profit-sharing
- Finland: Act on Personnel Funds (943/2010) sets up Personnel Funds
- Germany: Employee FP Act (Mitarbeiterkapitalbeteiligungsgesetz), 2009. Government –subsidised employee savings (Arbeitnehmersparzulage) are topped up by €80 when used by employees to buy company shares.
- Slovenia: Act on employee participation in profits (ZUDDob) was passed in 2008. It is not obligatory for companies to distribute profits
- France: profit-sharing is tightly regulated (Labour Code, L.3322-2). Companies with more than 50 employees and with sufficient profits must distribute some of their profits. Social partners at company level are encouraged to conclude agreements to distribute profits among employees. If no agreement in place then standard schemes apply.

## Measures to encourage FP

|          | Advantageous tax treatment for financial participation | Reduced social contributions for financial participation |
|----------|--|--|
| Austria  | X  |  |
| Belgium  |  | X  |
| France   | X  |  |
| Germany  | X  | X  |
| Italy    | X  | X  |
| Portugal | X  | X  |

Source: Changes in remuneration and reward systems, Eurofound

# Social dialogue and views of social partners

- The degree of integration of financial participation in the collective agreements is highly influenced by: i) the role of collective bargaining in each country, ii) type of scheme used and iii) existence of legislation.
- Employers are mostly in favour of employee reward systems, eg. German Confederation of Employers' Association (BDA) argues that the advantages of FP are: i) they are exempt from taxes, ii) they are a tool to increase motivation and identification with the company, iii) encourage entrepreneurial thinking, iv) a way to increase equity capital
- Trade unions generally have overall a positive view but highlight: i) FP should be additional to the base pay and not a substitute; ii) is part of the employee involvement system; iii) it should not enlarge inequalities of income in a firm, iv) they should be open to all, and vi) gender equality

# Trends and outlook

- Following a decline due to the economic crisis there is a positive future perspective
- Digitalisation will affect the world of work:
  - Promotes more collaboration, less division of labour, intrinsic motivation
  - Requires fast thinking and response to external challenges
  - Traditional command and control hierarchical structures are not compatible with digitalisation
  - it requires highly skilled talent, communication skills, creativity, new roles
  - It is likely to increase productivity
  - It is likely to favour financial participation schemes
- More research into the links between digitalisation and financial participation is required

## For more information:

**Changes in remuneration and reward systems: forthcoming report**

**The European Company survey 2013,**

<http://www.eurofound.europa.eu/surveys/european-company-surveys/european-company-survey-2013>

**Performance-related pay and employment relations in European companies**

<http://www.eurofound.europa.eu/publications/report/2011/working-conditions-industrial-relations/performance-related-pay-and-employment-relations-in-european-companies>

**THANK YOU!**