

# EDITORIAL

*The interest in financial participation arrangements goes back many years. Initially they were seen as a way of drawing workers closer to their places of employment, re-enforcing their identity with the success or failure of the enterprise and, consequently, with their own productivity and input into the production process. On the other hand, in many cases financial participation was also seen by management as a way of diminishing the need for employees to be represented collectively, as, in theory, they share in the 'ownership' of the enterprise.*

*These two views have dominated the debate around financial participation and, resulting from the second, there was, until recent years, a suspicion among trade unionists about the whole process, as it was seen as a management/ownership strategy to discourage the presence of trade unions or to ensure non-union workplaces. However, with the increased recognition by both social partners during the 1990s of the mutual benefits which can be derived from all forms of employee involvement – for example, representative participation, direct participation – financial participation has also been looked at in a more positive light.*

*In the context of this new interest, the European Commission published its first PEPPER report in 1992 and, following this, the Council of Ministers adopted a Recommendation (92/443/EEC). This Recommendation invited the Member States to recognise the benefits of the various forms of financial participation and take account of the role and responsibilities of the social partners in accordance with national law and/or practice. These documents stimulated a renewed debate on financial participation.*

*In 1996 the Commission took stock of how much progress had been made, with the publication of PEPPER II in 1996. This reported on the ways in which the Member States had promoted the participation of employees in the various schemes open to them and outlined the general principles which should be addressed by the Member States and the social partners to promote financial participation. PEPPER II was adopted by a Resolution of the European Parliament in 1998.*

*Also in 1998 the European Commission invited the European Foundation for the Improvement of Living and Working Conditions (Dublin) to undertake a study of financial participation within the EU, and the topic was included in the Foundation's work programme for 1999. This volume of TRANSFER, in part, draws on this work of the European Foundation over the past three years.*

*Initially, two approaches were taken, the first being to assess the recent changes in the diffusion of the different financial participation arrangements in the Member States: a report which outlined the most recent developments was jointly published by the Foundation and the European Commission (Recent trends in employee financial participation in the European Union). Prof Erik Poutsma compiled this report and his article in this volume of TRANSFER is based on his assessment of these recent changes.*

*The second approach taken by the European Foundation was to undertake a quantitative analysis of the data relating to profit-sharing and employee share ownership in Cranfield University's Cranet E survey data. Although the Cranet survey was not, primarily, designed to study financial participation, but rather human resources management policies, by adding specific questions it became possible for the first time to get a comprehensive measure of the nature and extent of financial participation in the Member States. A comparative report of this analysis was subsequently published by the European Foundation (Employee share-ownership and profit-sharing in the European Union). The article by Prof. Andrew Pendleton et. al. is based on this study.*

*This volume also draws on research projects which have studied other aspects of the topic. For example, Francine Van Den Bulke undertook an important study of the barriers which transnational enterprises face in attempting to introduce financial participation arrangements across borders. Her article, Financial participation in Europe: the international dimension, outlines the obstacles and barriers she identified.*

*The attitudes of the European-level social partners is crucial for the diffusion and success of the process. Two contributions, from Willy Buschak (ETUC) and Roberto Suárez Santos, the Spanish Employers Confederation (CEOE), give an indication of the views, which to a considerable extent are complementary, the principles which should be applied, and the expectations of the unions and employers of the contribution financial participation can make to economic performance and to sustainable employment.*

*In the United States share ownership has been a key contribution to the success of many enterprises, as workers are strongly encouraged to invest in the stock of the enterprises in which they work. The financial power of pension funds, as a source of funding, is also a key factor in the financial success of many US companies. The collapse of Enron and the financial hardship this brought to its employees, who lost their investments and pension contributions has stimulated a re-assessment of this 'American way'. David Hildebrandt and Edward Ferrigno's article examine this debate and outline the practices adopted by Enron in the administration of the employees' stock.*

*Finally, we include a number of examples of how companies have successfully implemented financial participation arrangements, by way of employee share holding (Suez), ESOPs (eircom), profit-sharing scheme (BMT) or how gainsharing might be adopted for public service employees, who cannot benefit from any other form, such as profit-sharing or share ownership in their workplace. A fifth case study is sectoral in nature, reporting survey evidence from the banking sector.*

*The articles are preceded by an introductory, framework-setting article by the coordinator and a statement by Raymond Allouf, Secretary General of the International Financial Participation Association. In our back sections, a number of reports and one book review also refer to the theme of this issue, alongside our topical News and background contributions.*

*As co-ordinator of this volume, on behalf of the Editorial Board I would like to thank all of the contributors for their very interesting articles and I trust that this issue of TRANSFER will contribute to the growing interest in and debate on all forms of financial participation.*

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