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THOUGHTS ABOUT EMPLOYEE FINANCIAL PARTICIPATION, DEMOCRACY AT WORK, COMPETITIVENESS AND SUSTAINABILITY



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There is no democracy at work without worker involvement. These days democracy - including economic democracy - is even more important than ever when we witness decline in democratic trends especially in politics in certain countries what has a profound effect on all areas of life. Democracy starts and manifest at lower levels, democracy at work and democracy at home are basic ingredients. But what does this mean when we talk about democracy at work? There is no single definition, democracy at work covers a whole range of topics, including players like employees and employers, trade unions, employee organizations, processes like collective bargaining, and other areas, instruments and rights like autonomy at work, co-management workers-controlled enterprises, right to strike and so on^[1]. Employee involvement also belongs to this area.

From an industrial relations point of view, employee involvement means information, consultation and participation rights of employees - no matter we talk about social economy enterprises or "mainstream" companies.

In the world of work these definitions and rights are often used as synonyms, but industrial and legal experts have pointed out the differences between each aspect of employee involvement including right to participation.

Therefore, it is important not to use them as synonyms, since these cover different areas of involvements, and mixing them up could cause trouble misunderstandings at the workplace. It does make a difference if an employee has only the right to be informed about certain decisions of the company, he / she works for or actually or there is really a chance to be involved in actual decision-making. Of course, opinions differ how much involvement is healthy, but research and experience show that companies with democratic approach have more success and more resilient to outsider changes.

Back to the three types of involvement, all three have strict legal definitions, participation could be considered the "weakest" of the three.



While the right to be informed and consulted has been a workers' right for twenty-five years and is recognised at international and European level. It is also included in the European Social Charter, the Charter of Fundamental Rights of the European Union and the Community Charter of the Fundamental Social Rights for Workers. Participation rights were only recognised later and still not practiced to the same extent everywhere in Europe.

Of course, there are national differences. For example, the strongest, the German co-determination model, has been a tradition since the 1940s and has attracted the attention of other countries or served as a possible model to be adapted to strengthen corporate governance across the EU.

Co-determination is the strongest tool for employees to participate in the company decision making process, either through work councils or being represented in the supervisory board, but not on the executive board. While this two-tier system is highly democratic, there are pros and cons, since employees, by nature might not have the same interest as the management and shareholders, especially when it comes to competitive, profits and remuneration.

A more common but special form of workers' participation is financial participation (EFP), when workers have the right to be involved in the company's financial issues and participating in its financial results. The main forms are employee shared ownership/stock ownership and profit sharing, employee savings plan, [2] which can be further divided into different classifications. [3]

There was a growing interest in promoting employee financial participation at the EU-level since 1993, with the publication by the European Commission of the PEPPER Report (Promotion of Employee Participation in Profits and Enterprise Results) and this was followed by PEPPER 2 in 1996 [4] and also the European Commission Communication in 2002.[5]

Following these publications, the European Commission seems to have lost interest and the topic somehow also faded away from academic discourses and seems not to have gained a level of high interest amongst policy makers for long. This has now changed with the European Parliament introduction of a resolution on the role of employee financial participation in creating jobs and reactivating the unemployed in 2018.[6]

On the other hand, sustainable finance and corporate sustainability due diligence and how sustainable finance and employee's financial participation are related and connected to social economy is now a widely discussed topic.

By nature, social economy enterprises are democratic and "social" entities. Good examples from social economy players show how to strengthen economic democracy in general. It is also reflected in the expressions that the different stakeholders use. For example, the term 'participation' has a much more general meaning when it comes to employee involvement in SEEs.

When it comes to social enterprises and financial participation, there are forms what we can call in legal terms, financial participation, but due to the unique construction of these companies it is doubtful whether we can squeeze them into the definition of employee participation. We refer here to workers' buyouts and worker owned companies. In these special cases, employees are often both managers and owners at the same time and the company is characterised by the one person one vote rule. Many of those companies are huge in terms of their workforces but, more typically, SMEs or smaller sized companies, where the democratic processes are more simplified than in larger companies. There are countries rich in experience, such as Italy, Spain and France that can serve as good examples for more profit-oriented companies.



When it comes to sustainable finance and corporate sustainability, due diligence and “mainstream” businesses, all involved want to get the most out of the enterprise in terms of financial rewards - employees, managers, owners, the government (through taxes). There is also a lot of talk about environmental, social and governance issues and consequences.

How can all these factors come under one umbrella and satisfy every relevant stakeholder? The answer is that satisfying every need and keeping all priorities is very unlikely. However, social economy enterprises are democratic and “social” entities by nature and still able to be productive and profitable beyond their pure existence.

So when it comes to the future of Europe, especially the future of a social, sustainable and green EU, social economy enterprises are worth another examination and should not to be treated as “second class enterprises”. Fortunately, with the recent Social Economy Action Plan, the sector has gained more recognition and visibility at the European level too.

Diesis Network aims to continue the work it has already undertaken on financial participation and workers’ involvement (such as wins-project.eu; in4bte.eu; and the proEFP projects) and promote good practices, such as workers’ buyouts and the concept of the “European Marcora” or coop ESOP and how to strengthen economic democracy in general via the good examples set by social economy players.

References:

- [1] Benchmarking Working Europe 2019, ETUI (page 68)
- [2] <https://edz.bib.uni-mannheim.de/www-edz/pdf/ef/01/ef0112en.pdf> page 3
- [3] Eg <https://aipf-association.fr/iafp/sites/images/images/1%C3%A9gislacion/Definitions.pdf>
- [4] Report from the Commission PEPPER II COM(96)696 final 1996
- [5] Communication from the Commission On a framework for the promotion of employee financial participation COM/2002/0364 final 2002
- [6] https://www.europarl.europa.eu/doceo/document/TA-8-2018-0400_EN.html

