

## Employee Ownership Around The Globe

Recently, the German and Austrian Governments announced that they want to increase employee shareholding. The Austrian Finance Minister, Wilhelm Molterer, wants to increase the percentage of total shares held by employees from 3% to 6% in that country. He argued that in a globalised economy, wages alone do not suffice; workers need an ownership stake as well. A working group has been set up to examine how the government might encourage this. Marc Mathieu of the European Federation of Employee Share Ownership says that **Austria** already allows discounted share purchase plans for employees, as well as a trust-based program somewhat similar to ESOP arrangements in public companies in the US and elsewhere. In **Germany**, both major parties have agreed to explore ways to encourage employee ownership. Mathieu says that is a significant departure from prior German policy, which viewed the idea with suspicion.

Where does employee ownership stand elsewhere in the world? Are the German and Austrian cases typical of what is happening at the moment to employee ownership worldwide? So far, the answer is generally no, with many important exceptions. Good data is simply not available, but some general trends can be observed.

**Ireland** and the **U.K.** both have laws similar to the U.S. for ESOPs, stock options, and share purchase plans, although particulars differ. The rates of participation are not quite as high as in the U.S., but are significant nonetheless. A recent survey indicated 21% of U.K. public companies have some kind of broad-based ownership plans. Slightly lower rates are evident in the **Netherlands**, **Belgium** (whose “Employee Ownership Act” was enacted only in 2002) and the **Scandinavian** countries. The largest wholly employee owned company in the UK – The John Lewis Partnership – has announced plans to add another 35,000 jobs to its current 65,000 employee workforce over the next ten years. Employees in this company own shares through a special trust.

**France** has considerable employee ownership in larger companies through profit sharing and share purchase plans. The prior government proposed major changes to encourage employee ownership, but it is unclear if the new government will pursue them. **Spain** and **Italy** both have vibrant worker cooperative sectors playing significant roles in some regions of those countries (eg: The Mondragon Cooperative Consortium in the Basque region in Spain employs 75,000 worker owners). The new Socialist Government in Spain (March, 2008) was elected on a platform that included pushing for broader financial participation of employees in their businesses.

**Canada** has a number of smaller employee-owned companies (employees buy the shares directly), some technology companies give out options to most employees, and many large public companies have stock purchase plans, but Canadian law does not favor employee ownership the way the benchmark U.S. law generally does.

In former non-market economies in Europe, particularly in **Russia**, many enterprises were sold to employees, but most of those workers have sold their shares and relatively few employee-owned companies remain. By contrast, **China** seems to have created numerous employee-owned companies as part of its transition to a more market-based economy. While China does not currently appear to have a way to assess how widespread this phenomenon is, employee ownership is clearly catching on. Half of the multinationals that responded to a 2006 National Association of Stock Plan Professionals survey said that they provide options or other equity awards to most employees in that country. Starbucks is a leading example, extending its “Bean Stock” options program to its Chinese work force. French retailer Auchan is testing an employee ownership program at its headquarters that it plans to roll out to its 7,000 Chinese workers. Large Chinese companies have taken some steps in this direction as well. The Bank of China and the China Construction Bank, two of the four largest banks in the country have implemented employee share purchase plans, while Huawei, China’s top multinational, is employee owned.

Elsewhere in Asia, **Korea** has an attractive employee share purchase plan program, while in **Japan** employees often buy shares in their employer, albeit without any special incentives. Many **Indian** technology companies have been giving out broad-based options, and this approach seems to be spreading to other sectors and growing rapidly.

In **South Africa**, many large companies have set up employee-ownership programs, a few of which are quite substantial. Employee share ownership there – especially in the large mining companies – is seen as an important element of the “Black Economic Empowerment” program. The South African energy giant Sasol is giving its 27,000 employees an estimated 4 billion Rand (about \$570 million) worth of stock. South African companies share ownership with their employees through shares allocated in individually designed trusts.

**Kenya** has also experimented with employee ownership, although relatively few companies are involved.

In **Egypt**, employee associations that are similar in many ways to U.S. ESOPs have substantial stakes in a number of formerly state-owned enterprises. Recently, the employee association at Egypt Free Shops Company (EFSCO), an operator of duty-free shops (formerly part of Egypt Air), completed its final payment to acquire 91% of the company’s stock.

Central and South America show very little evidence of employee ownership, although Hugo Chavez in **Venezuela** has talked about creating a vast network of worker cooperatives. **Argentina** has many worker owned firms from the takeovers of abandoned factories that occurred during the economic crisis at the beginning of this century.

Finally, in **Australia** and **New Zealand**, employee share ownership has been increasing in popularity, especially in large companies where the number of

broad based schemes with high participation levels by staff is growing. The proportion of employees in such schemes in Australia is estimated at 6%.

One clear lesson from around the world is that employee ownership needs a clear and favourable statutory framework to thrive. Very few political or economic leaders have seen the concept as an important means to create more productive or equitable economies. Bottom-up support has never materialized, even in the U.S., so the idea relies on these political leaders to come to a different conclusion.