



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 and Changes in Remunerations & Rewards research

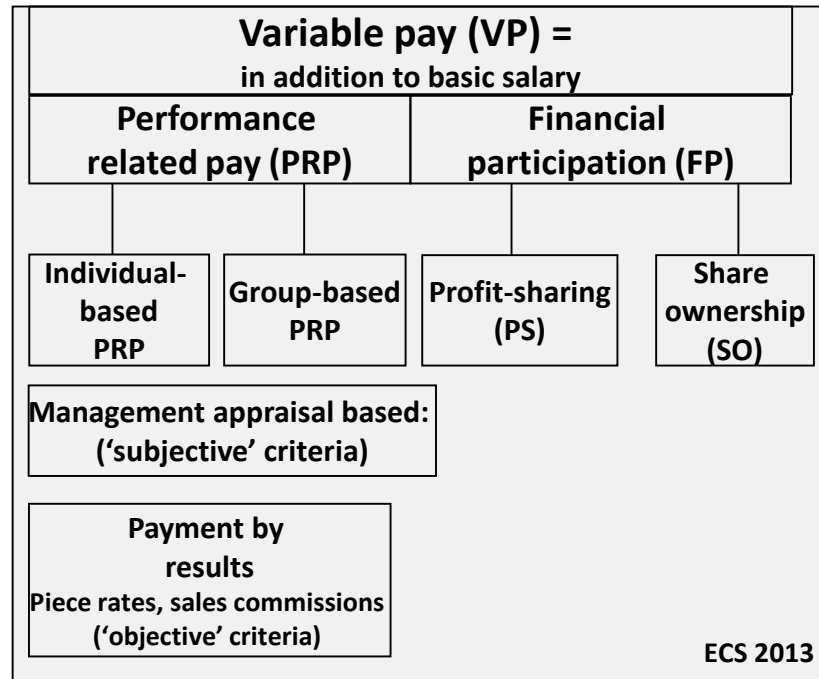
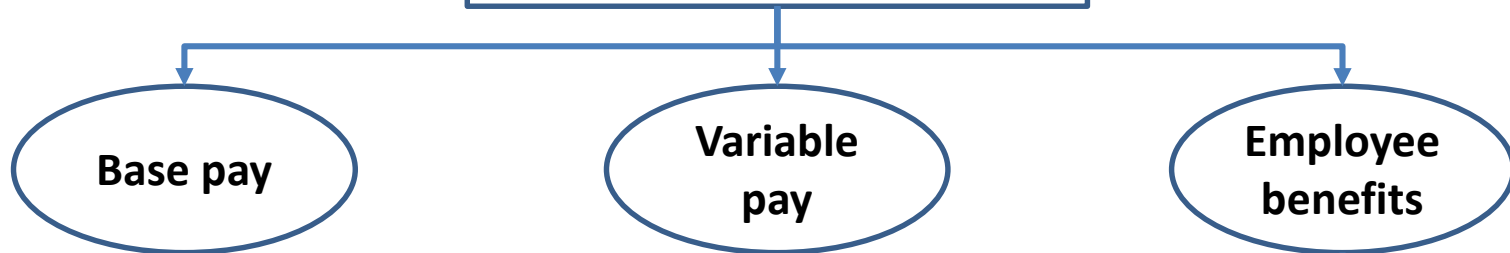
IPSA, Global Equity, 21 September 2016

Stavroula Demetriades, Senior Programme Manager

Financial incentives: the theory

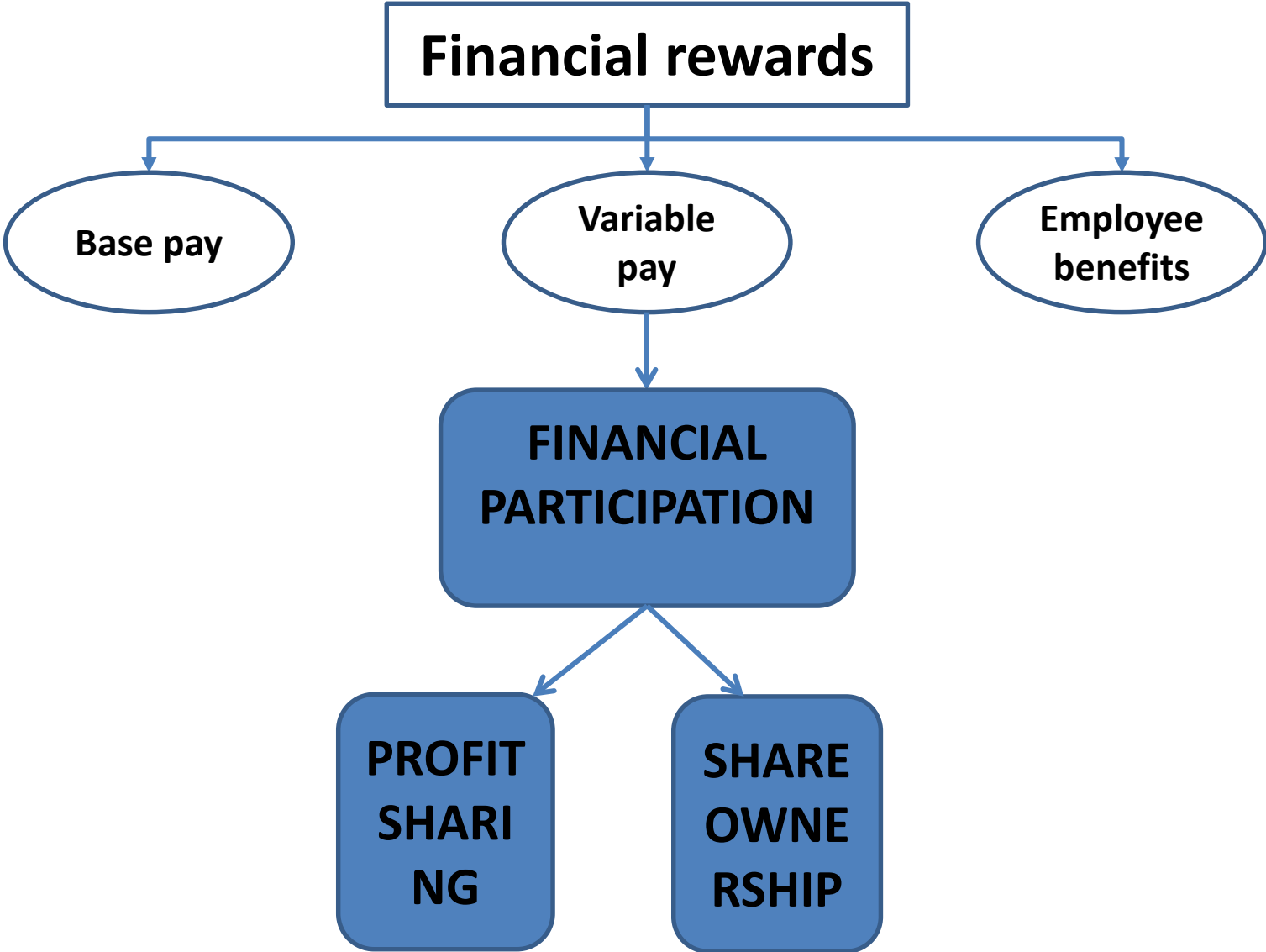
- Rewards stimulate desirable employee behaviours and attitudes and discourage unfavourable ones
- Reward management is the process of designing and implementing strategies to reward employees fairly with the goal to attract, motivate and retain those employees that are believed to help the organisation reach its objectives
- Several categorisations of rewards (financial and non-financial)
- What influences behaviour? It is the value that employees attach to those rewards that influences behaviours and attitudes
- Is there evidence that the financial incentives are effective? What about the intrinsic motivation?
- Evidence: Before and after 1990s. Newest research provides more studies and positive evidence (economics, medicine, nursing, education, etc)
- Intrinsic and extrinsic motivations are not antagonistic but complementary. Extrinsic motivations are more effective than previously thought.

Financial rewards

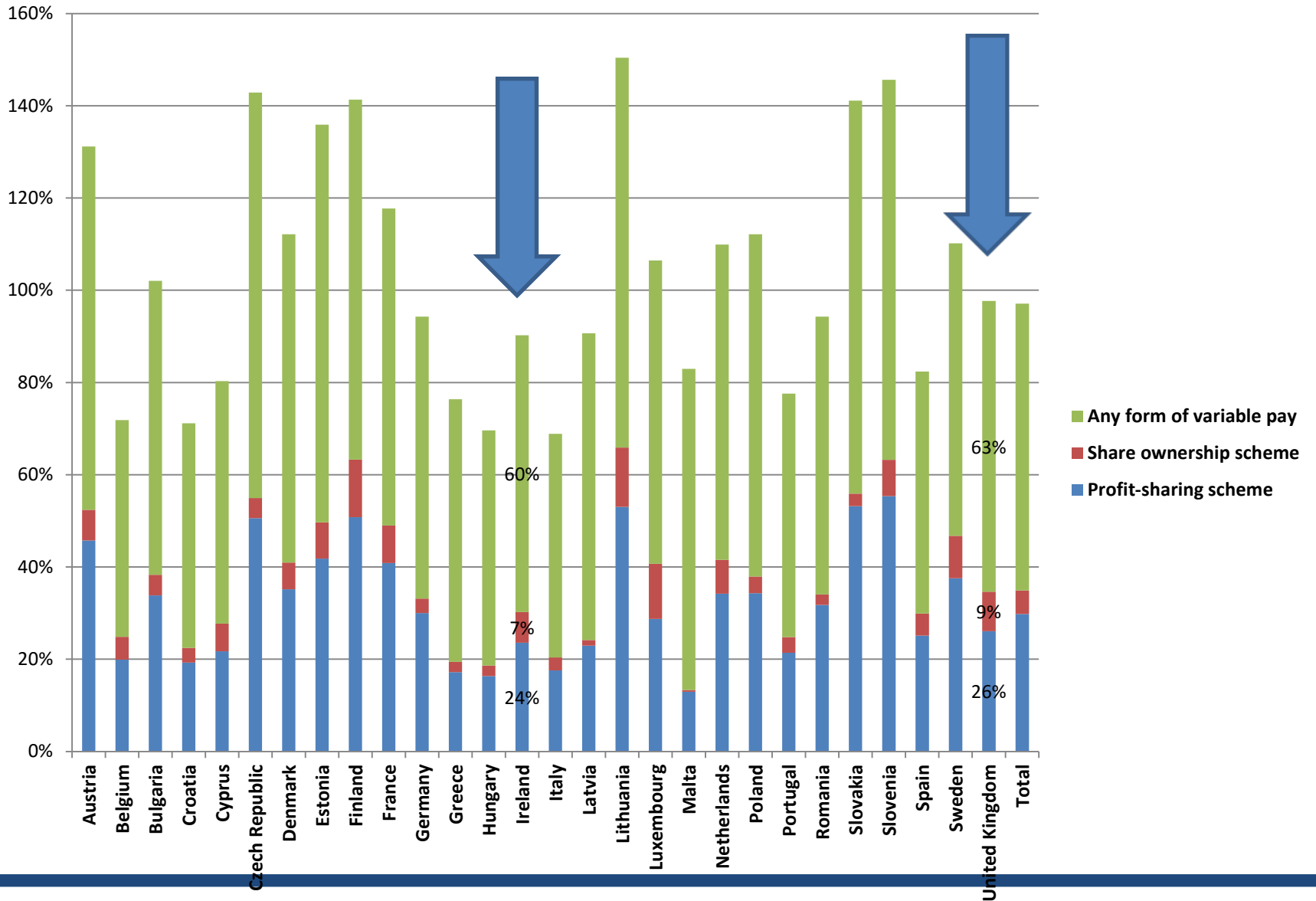


Wages & salaries in kind

Supplementary social security contributions

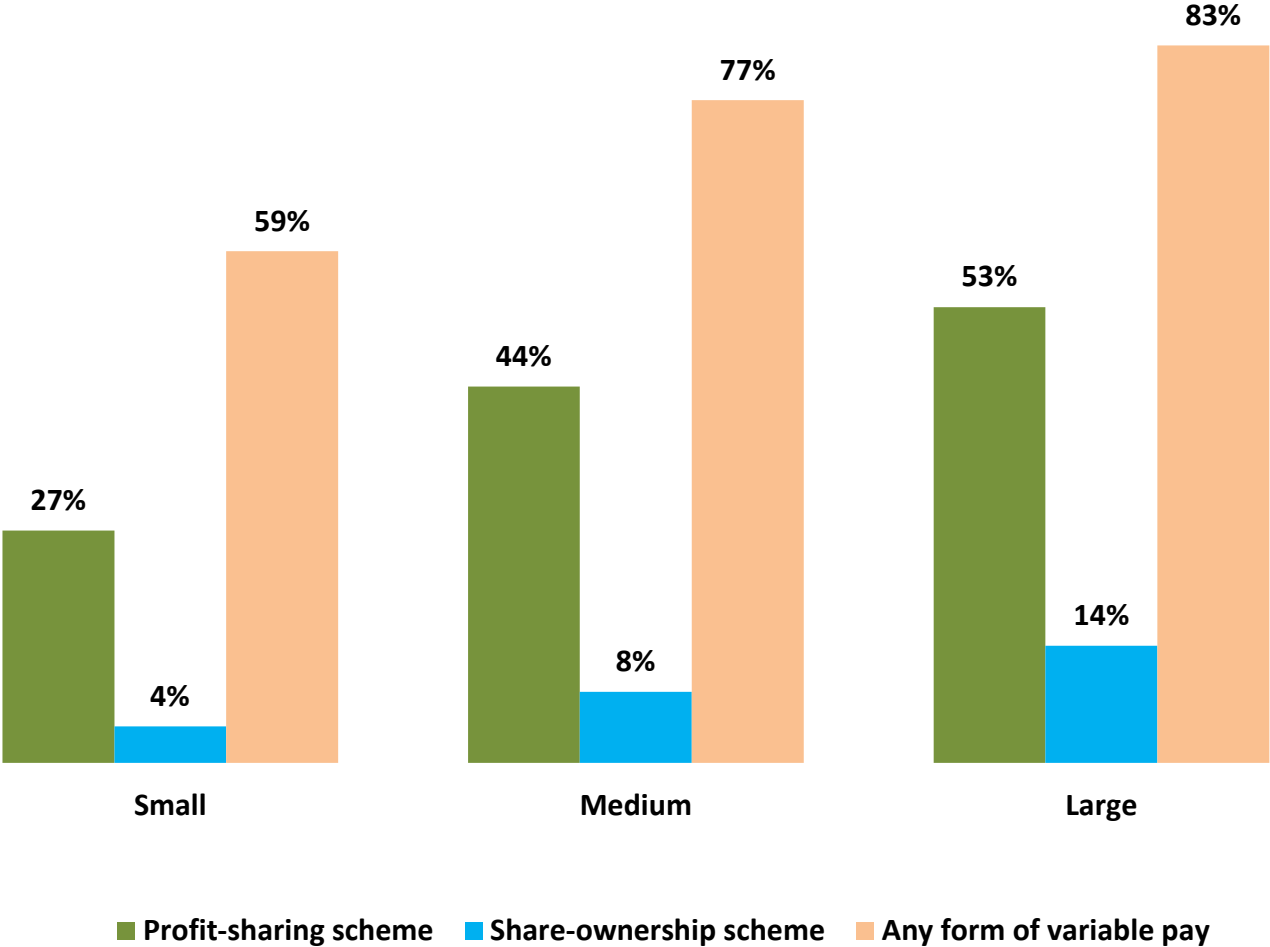


Use of financial participation in EU countries (EU 28, private sector only)



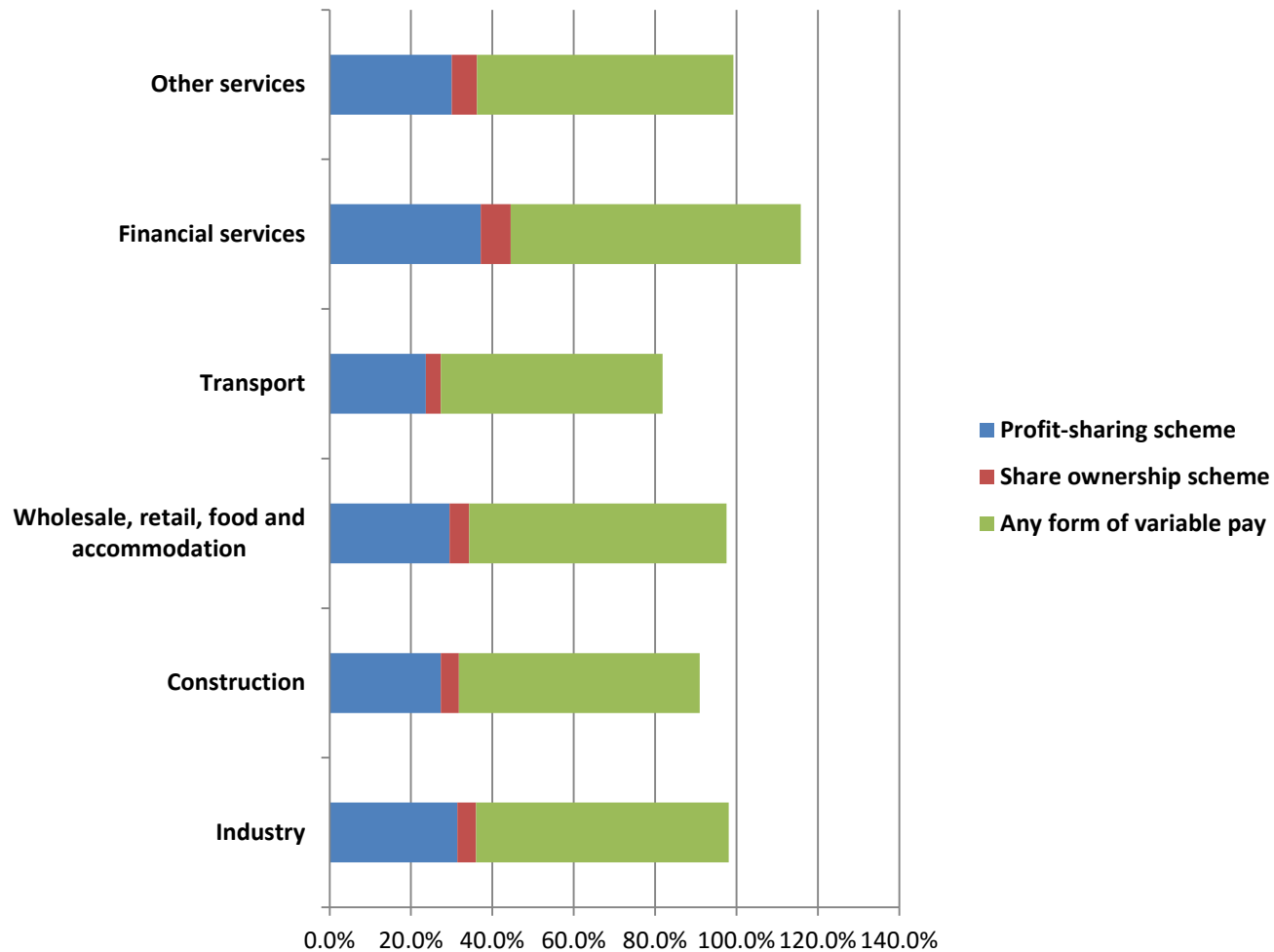
Source: ECS 2013

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%
Profit sharing scheme	13%
Share ownership scheme	4%
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; FP more likely in some industries (eg ICT, Manufacturing, Finance, Petroleum) and MNC (eg IE, UK, NO)
- 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

Trends and outlook

- Following a decline due to the economic crisis there is a positive future perspective for financial participation schemes
- HR managers should not assume that any financial incentive system should be automatically linked to performance
- Problems with the design of the financial reward system
- Problems with the implementation
- Combining incentives is more effective. How best to combine intrinsic and extrinsic rewards?
- Individuals in different cultural contexts, across different occupations and across different levels of societal strata have different motivations
- Reward choice, pre-choice participation, fairness

For more information:

Changes in remuneration and reward systems:

http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1632en.pdf

The European Company survey 2013,

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

Finding win-win solutions to boost competitiveness

<http://www.eurofound.europa.eu/news/news-articles/finding-win-win-solutions-to-boost-competitiveness>

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!