



DEVELOPMENT OF A GERMAN AND A POLISH EMPLOYEE FINANCIAL PARTICIPATION SCHEME ON THE GROUNDS OF THE ESOP CONCEPT

Final event

4 December 2013, Europa-Universität Viadrina Frankfurt (O.)

Logenstraße 9-10, 15230 Frankfurt (Oder), 1st floor, Stephansaal

Dear Sir or Madam,

On **Wednesday, 4th December 2013, 1.45pm - 3.45pm**, the Kelso Professorship organises the final event of the project “Development of a German and a Polish employee financial participation scheme on the grounds of the ESOP concept”. We kindly invite you to join this event.

The project started in October 2011 and it has two aims: First to phrase recommendations to reforming the German Employee Financial Participation Act from 2009 and of the Polish support programme of “Spółki Pracownicze”, and thus to offer solutions to overcome deficits that emerge in practice. Second – based on the reform suggestions – it targets to develop national schemes on the grounds of the ESOP concept, successfully in practice in the US for more than 50 years. In our analysis, we especially considered the financial and taxation impact of employee financial participation schemes on employees and employers. During the final event we will present and discuss the results and conclusions of the project.

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Programme

Wednesday, 4th December

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| 1.45pm | Opening speech | Patricia Kelso (President, The Kelso Institute) |
| 2.00pm | Feasibility of a Polish ESOP concept | Prof. Dr Arkadiusz Wudarski (Collegium Polonicum/EUV) (preliminary) |
| 2.20pm | The German ESOP concept: Presentation and conclusions of the results | Prof. Dr Jens Lowitzsch (EUV) |
| 2.50pm | Open Discussion | |
| 3.15pm | Coffee break | |

Please confirm your attendance at kelso.professorship@europa-uni.de.

BACKGROUND OF THE PROJECT

Problems of the Employee Financial Participation Act and of Spółki Pracownicze

The German “Mitarbeiterkapitalbeteiligungsgesetz” (Employee Financial Participation Act) of 7 March 2009 and the Credit and Guarantee Programme to Promote “Spółki Pracownicze” (employee companies) of the end of 2009 nearly simultaneously reintroduced the topic of employee financial participation on the political agenda in Germany and Poland. Both initiatives – although diverging in substance – aimed at small and medium sized enterprises (SMEs). However they had limited success. With regards to the Europe-2020 strategy, the competitiveness of European SMEs, and the European social model, the European Economic and Social Committee in his Own Initiative Report SOC 371 of 21 October 2010 claims the support particularly of SMEs.

In this context it is important to highlight the stable number of employee companies which emerged from the privatisation process that exist and keep up with their conventional competitors. In 2010 there existed 860 of such corporations with a total of 131,000 employees and an average size of 150 workers.

In context of the European integration process and with regards to the mentioned initiative report, the project framework aimed at developing a German and a Polish employee financial participation scheme for SMEs. Concomitantly it targeted at phrasing recommendations and possible solutions for tackling the practical problems emerging from the deficits of the reform of the German Employee Financial Participation Act and of the Polish support programme.

APPROACH OF A SOLUTION

Employee Stock Ownership Plans (ESOPs)

The project relied on the concept of the ESOP, invented more than fifty years ago by the American investment-banker and lawyer Louis O. Kelso, which has become a part of corporate America. As an established best practice model in the US these plans today are practised in around 11.500 firms with more than 10 million employee shareholders. In 2011 an estimated 7,000 of these companies have ESOPs that are large enough to be a major factor in the corporation's strategy and culture, about 4,500 are majority and about 3,000 100% owned by the ESOP.

In contrast to conventional approaches usually applied, we included the financial effects of employee financial participation and its taxation implications. Besides of that, we examined two case studies of existing concepts similar to the ESOP model. Considering these actions we have elaborated an extensive description of the possibilities of a German and a Polish ESOP scheme on the grounds of which we formulated practical policy recommendations for both countries.