

## Opening speech by Malcolm Hurlston

It is a pleasure to introduce an IAFP Round Table with such an interesting programme. As you know, IAFP is Paris-based. I divide my time between London and the south of France, though remote working allows me to remain fully involved with the ESOP Centre in London. I remember well receiving the Remy Schlumberger Award in Paris in 2012 – in Paris, because, as you will know, it was General de Gaulle who introduced financial participation in France in 1967.

Today's programme brings together speakers from Slovenia, Czechia and Poland, as well as my French colleague, Gregory Miroux, to close the event. The previous Round Table last November focused on Germany, Austria and Switzerland and demonstrated that these countries had some way to go to catch up with the market leaders, France and Britain in terms of financial participation. However pressure from start-ups and tech companies is persuading the governments of these three countries to introduce more attractive legislation, so that employee share ownership plans will not be largely limited to multinationals, as in the past. These and other countries wish to promote tech start-ups of their own, as France is already doing, to compete with Silicon Valley.

The countries of Central & Eastern Europe are some way behind their Western neighbours in employee share-ownership. Perhaps this is due to their experiences both before and after the Wall came down. Before 1989 cooperatives were owned by the workers except insofar as the management tried to dominate them. I was invited by the then UK ambassador to Yugoslavia to give a talk in Zagreb about ESOPs. The worker audience laughed heartily, as under Tito they owned 100 percent already. After 1989 privatisation with vouchers was attempted but general scepticism and the lure of a quick gain meant that most

workers sold their shares immediately. As an astute investor I allocated £50k to buying up Czech shares, many of which I still hold. More recently multinationals have led the way at one end of the employee share ownership spectrum and new cooperatives at the other, but the pattern varies from country to country, as we will hear.

A 2013 survey suggested that there were share plans in 2-8% of the sample companies in C & E Europe and 19-55% of the sample had profit-sharing, in both cases led by Slovenia.

The Institute for Economic Democracy in Slovenia is developing a Euro-ESOP, taking inspiration from the American ESOP structure. The European Federation of Employee Share Ownership in Brussels is developing a Euro-EOT, based on the very successful Employment Ownership Trust structure, launched in UK with legislation in late 2014. Between then and late 2023 around 1400 company transfers have taken place, the majority of them in professional firms which was not the object of the exercise – but the optics are good.

They all address the question of what a company owner is to do about succession planning. One way is to make a trade sale, if other family members do not wish to take over the business. However, if the owner wishes to protect jobs and/or reward his/her employees for their loyalty and hard work and/or make them co-owners, the way forward is an ESOP or EOT, so that ownership passes to the employees with or without finance, with or without any discount. In practice a major point in such transfers is localism, because the EOT keeps the head office in the locality.

This is a different situation compared to Employee Share Ownership or Employee Stock Purchase Plans, often practised by multinationals, sometimes in all their countries of operation. Here the percentage

owned by the employees does not typically exceed 10%, whereas with ESOP and EOT the employees own a majority, if not 100% of the shares. Employee Share Ownership varies from country to country across Europe, with a much lower profile in southern countries such as Spain, Italy, Greece and Turkey. I note that we have no speakers from Hungary or Slovakia today: this may be indicative of the level of interest in those countries. Interestingly the oldest example of employee share ownership in the region is Gasolina in Poland: I am sure Kris Ludwiniak will tell us more today.

The common theme in all this is sharing in the fruits of corporate success through profit-sharing and/or dividends and capital appreciation, by encouraging an ownership mentality, which in turn increases staff loyalty and reduces staff turnover. If well done, it increases efficiency, to the benefit of all parties. A miracle!

Today we will hear speakers from companies, from associations and from academics, in an attempt to present a 360-degree view of employee share ownership in this region. We hope you will find this approach interesting and that you will participate actively with questions and comments during our sessions.