

**Country: Ireland**  
**Partners: SIPTU**  
**IPSA**

In Ireland, the workers' financial participation is often applied, in some sectors. The development of the financial participation, in Ireland, dates of 1982, with the emergence of the approved profit sharing schemes, so named APSS (approved profit sharing schemes).

Even before moving on to the characterization of each one of the approved schemes. It has to be make a brief remark in order to clarify that the approved schemes receive fiscal benefits, (*tax benefits to employer and scheme participant*) from the Government, while the non approved do not receive that. There are, presently, 460 approved schemes, e.g., schemes that benefit from the fiscal concessions.

According with the approved scheme APSS, there is a Trust - a Fund - created by the company, to where is directed part of the gains of the company that, after, will be used to buy shares of the company on the name of the workers.

These shares should be kept for a period of three years, after which they can be sell, making use of the fiscal benefits granted. If they intend to sell the shares before the end of the three years' period they will have to pay the taxes.

This Fund is, according the Irish legislation, ruled by seven fiduciaries. However, this form could assume several models:

- ♦ Six (Where individuals act as Trustee a minimum of 3 must be appointed. At least one Trustee unconnected with the company must be appointed to ensure independence) fiduciaries representing the workers and one independent fiduciary. This model will be the one that gives more security to the workers;
- ♦ Three fiduciaries representing the company and three fiduciaries representing the workers and one independent fiduciary;
- ♦ Ruled by a professional.

Note: the second model despite usually working as described, the company is no automatically entitled to any particular number of trustees. The trustees have a legal obligation only to the members of the scheme (e.g. employees).

In this system it is hoped that the company transfers money to the Fund on an annual basis but in some cases funds are transferred and appropriated on a quarterly basis.

In 1997 appear a new law: ESOT (employee share option trust) according which, and following the system previously presented, there is the creation of a Fund to which the company transfers or borrow money, however, this transference is made on a single occasion. Usually, this system is the chosen one when facing taking over situations. The money could remain in this Fund until twenty years, after it will be transferred into the APSS scheme (according which it will have to remain for more three years). The shares are allocated to participating employees over a period of up to 20 years. Shares must be ordinary, fully paid

up and not redeemable. All employees in the company must be eligible to participate on equal terms.

All costs in relation to the establishment of an ESOT are tax deductible for the Company as are all costs occurred in administering the scheme. As the shares can be held by the Trust for periods up to 20 years employers can use the ESOT as a mechanism whereby shares may be purchased at today's price and allocated to employees at a future time without having to pay the market price at that time. All capital gains received by the Trustees are exempt from tax if the gains are used to repay borrowings or interest on borrowings.

One of the well succeeds examples of the application of this scheme is the telecommunication sector. The Fund asked some money borrowed to the company and bought shares of the company and later resulted in huge amounts of money, benefiting workers. It did entail changes in work practice and early retirements.

After two years, in 1999, appear SAYE (save as you earn) according which workers sign a contract with a bank that compels the worker to save a certain amount every months, during 3, 5 or 7 years, minimum €10 with maximum of €320 per month.

After that period the company gives the opportunity to the worker to buy shares of the company at a previously fixed price, fixed during the saving period. It has to be underlined the fact that the value of the shares, fixed by the company, could be inferior to the market price up to 25% of the quotation.

Arrived the moment to sell the shares, if the market value is inferior to what was established, the worker receives his savings and a bonus, is the value is superior the worker receives the value of the selling of the shares.

Already in 2001 appears ASOS (approved share option scheme), containing a clause regarding key employees. According with this system the company issues a share option, however a third of the shares can be kept by the workers with special characteristics, e.g., that value could be attributed by the company to whom the company wants in equal terms.

This system has fiscal benefits to the generality of the workers, however the key employees (covered by that clause) can obtain bigger benefits.

This system is, according one of the partners opinion, a counterproductive system besides it is divisionary, discriminating the workers, on the contrary to what happens with the previous systems (APSS, ESOT and SAYE) that are open to all the workers in equal terms. This is not the opinion of IPSA, they believe that there is a need for greater flexibility in allowing for different needs of workers not less flexibility. For them the problem with ASOS is that there are a lot of rules and so organizations are not so inclined to make these schemes available as the disadvantages outweigh the benefits.

This system presents a detour to the principle «equal terms» and also to the Irish tradition and the European trend.

According with IPSA the financial participation schemes should be more flexible, this because and according with the principle «equal terms» all should be treated equal, however, this is wrong. In its opinion, social justice would be threatened with such principle, because

both would earn the worker that does not work as the one that work hard and arduously. Often situations happen where companies, mainly multinational companies, intend to benefit the board of executives the company, but they only can do that if the benefit is extended to all the workers. According to IPSA some non public companies use internal markets to operate share schemes but it is true that there is a limit to how much certain companies can use this approach.

Besides these systems there is, also, the possibility to distribute gains of the company to the workers. This is the most acceptable way and promoted by trade unions and Irish ProShare once the previous systems are based in shares and are destined to companies assessed at the stock market (joint stock companies). Which has severe problems even because only 20% of the labour force will be able to benefit from these schemes. Sectors such as the public state owned companies, non profit companies and private limited companies will not have access to other systems.

That is the reason why the partner trade union thinks that the gainsharing is the most suitable systems to be applied in all the sectors.

Even because if it is chosen to be applied schemes involving company shares, these cannot, in any way, influence collective bargaining, priority of the partner trade union in order to give an opportunity to workers to say something within the company.

Despite this priority pointed out by the partner trade union, it is certain that, and according to what was expressed by the partner, if the employer wants to, sooner or later, the employer will apply the system he wants to, he could make it with this or that change, but he will do it.

Though, another question is putted in what concerns the establishment of the gains' margin to distribute.

There are, presently, in application 50 gainsharing systems, despite not all are a success people are satisfied with them.

Gainsharing can be defined as a means of rewarding employees for exceptional performance above a pre-determined target based on sharing financial gains. A single measurement may be chosen or alternatively separate targets in such areas as quality, productivity, cost, and customer service may be identified. The key words in this definition are **EXCEPTIONAL PERFORMANCE** and **DETERMINED TARGET**. It is also essential that any targets set are capable of ongoing review by management.

Even without tax benefits many prefer gainsharing though on the part of the employers they are not very in favour of such once they are afraid that such amount be included in the wage and cannot be removed.

SIPTU - In general terms the partner trade union is in favour of the application of financial participation schemes, stress the fact that they could go beyond the traditional model of negotiation, besides that they are in favour of promoting the workers involvement and that such will improve the workers' qualifications as well as the workers' interest on the work they perform.

Theoretically it creates an incentive to the worker to increase production and empirically the data converge in that sense. If they improve productivity they, simultaneously, improving workers' qualifications, for that reason they will do everything to improve workers.

At the same time they do understand that they cannot ask someone to assume a compromise without offering some reward for that. If it is given more responsibility it is necessary to reward him. On the other hand, if such is based in production it is necessary to provide the suitable conditions to carry through the task.

However, they underline a disadvantage because they used to have the productivity agreements, which increases were directly turned into the wage. Now, such is not used.

According IPSA the specific objectives of Gainsharing may vary from company to company, the overall objectives of the scheme should be:-

- Identify and communicate key performance targets and ensure ongoing measurement and tracking of these targets
- Enable all employees to identify how they can impact directly on movements in key performance targets
- Encourage all employees to work closely with management to continuously improve these targets
- Provide a mechanism through which employees can share in the savings generated

The potential advantages of Gainsharing are:

- Improve the performance of the organization in particular parts and as a whole
- Provides a focus for key performance targets
- Will help to promote a continuous improvement culture
- Introduces a flexible component into total remuneration
- Provides a mechanism through which employees' involvement is encouraged and rewarded particularly by allowing employees to answer the question "What's in it for me?"
- Encourage employees to become more effective problem-solvers

The potential disadvantages of Gainsharing are:-

- If initial targets are set too low then management may find it extremely difficult to

amend the scheme over time. Even when the target is not too low it will be difficult to review that target upwards

- Complex multi-factor schemes can be difficult for employees to understand and for employers to administer
- They are prone to “free-riding”. An individual’s work contribution may not be reflected in the bonus allocation
- It may be difficult to change the mix of key performance targets within a scheme over time
- Schemes require ongoing management and need to be reviewed periodically to ensure continued effectiveness.

IPSA - there are data that converge to the idea that, in fact, financial participation increases productivity, namely the case of the United States of America. However, such should be linked to collaboration systems between employers and workers.

The issue, often pointed out, that the introduction of financial participation systems will weaken the role played by trade unions, to the partner trade union, is not relevant because in the Irish case the negotiation occurs at national level and not at company level. It is frequent that during tripartite negotiation the trade unions agree on wage moderation, the government gives fiscal benefits and employers assume the compromise to pay the wages.

IPSA has the opinion that financial participation does not weaken the role of the workers / trade union, this because where the relation is already good, there is no reason for not continuing like this. It could, even, lead to a strength of the relation employer / worker. Also it should be noted that only a percentage (about 30%) of organisations are unionised so this is not always an issue.

Within the European Union, the partner trade union has the opinion that the principles pointed out by the European Commission are quite good, though the European Commission is not wishing to establish a directive on this matter. They think that directive will only be sustainable if containing the same principles already mentioned by the Commission recommendation. This despite defending as a beneficial a directive of the Commission in that sense, though the diversity in Europe puts some obstacles to that eventual possibility.

IPSA - in its opinion a directive of the European Commission in this matter would be very welcome this because the final decision is up to the employer and the worker does not have the access to the benefits.

Besides that it would be very useful to harmonise the schemes. Ireland has been success with the application of financial participation however, it has lots to do.

Comparing with the neighbour countries, there are big differences, this because in Ireland, both the Government, employers and trade unions supported the financial participation.

In what concerns the multinational's companies the Ireland situation notices a big influence of the companies coming from the United States which trend is to apply executive schemes to apply approved schemes of financial participation.

These companies have a more sophisticated approach of human relations, namely human resources. While companies coming from the United Kingdom have a more traditional approach.

Note that this statement is strongly rejected by SIPTU.

Regarding the private companies, few have financial participation schemes, because it is difficult to evaluate the shares. Besides that if the worker intends to leave the company this one will want, always, to buy back the shares so that they can be distributed again. Private companies are not keen that ex-employees hold shares in the company. This is a difficult situation as all shareholders must be treated similarly.

They are joint stock companies and for that reason they are quoted at the stock market, gathering the conditions to apply schemes of financial participation.

The small and medium companies - SMCs - are, in the majority of the cases, private companies. And in some cases there are examples of financial participation with great success. However, and despite some success examples, the majority do not even consider the application of schemes of financial participation.

Concerning the semi state owned companies some examples such is the case of the electricity and telecommunication companies are pointed out as true success cases of application of schemes of financial participation. Companies created a trust with power to ask for a loan to buy company shares. So they did and bought shares that were distributed to the workers, those shares remained in the trust. They could stay there for a period of 20 years, . The ESOT holds the shares for the beneficiaries until they can be transferred to an Approved Profit Sharing Scheme after a period of not less than three years.

Given the transnational obstacle perhaps it would be premature the involvement of the European works councils and their members. They could, yes, starting to work trying to «harmonise» the systems of the different countries.

The European Company, in the partner trade union's opinion, will not bring any solution to the problem, once this has more to do with cultural issues than with fiscal issues. The industrial relations themselves are different from country to country.

Despite the partner trade union promote and accept as good the application of systems of workers' financial participation, they do not think that Ireland can be taken as an example, for instance to the candidate countries, this because the majority of workers do not have access to fiscal benefits. Even because the Finance's Code has been corrupted in what concerns the fiscal treatment of the income coming from the financial participation of the workers. More, once is Ireland itself that do not respect the equal terms of the Commission guidelines, why should the candidate countries do that? Or if every body does that why not Ireland?

The partner trade union concludes stating that all the work must be carried through based in the Commission guidelines, being an aspiration to keep faithful to the guidelines from the European Commission.

In the future, they think that the financial participation should be developed even because many companies do not have access to the same benefits. Financial participation should be open to a higher number of people, this because the figures are illustrative, about 80% are excluded.

IPSA concludes saying that financial participation should be introduced on a voluntary basis. Why? What to expect from the chosen scheme? What the type of scheme more suitable? These, and others, are the questions that should orientate the employer in his decision by choosing this that scheme of financial participation.

The company must be committed in the scheme chosen otherwise such will have no worth. It will have only statistic's value.

IPSA adds that Ireland has shown that working hard along with trade union got benefits to the application of financial participation schemes.

To end, just a curiosity. While to the employers what is important is the workers' involvement in the company, and its activity, to the trade union nothing will be worth if there is a true worker's participation at the company life.