

**Employee Ownership, A New Management Practice, Theoretical Framework
And State Of Practices: The Cases Of THE United States Of America,
Great Britain, France**

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Abstract:

This article aims to present employee share ownership as a new management practice. First, we will examine its theoretical framework, demonstrating that while employee share ownership is a single term, its practices vary considerably. Second, we will explore the different practices of employee share ownership around the world, particularly in the United States, Great Britain, and France—three countries where it is highly developed.

Keywords: Employee Share Ownership, Employee Share Ownership Plans, Management Practice;

JEL Classification: M52, M53, M10.

GENERALE INTRODUCTION :

Employee share ownership is a rapidly expanding global phenomenon that is no longer limited to a simple human resources management tool. In Anglo-Saxon countries, it has been seen more specifically as a mechanism to address issues such as pension funding, as is the case with ESOPs (Employee Stock Ownership Plans) in the United States. (Kuvaas.B, 2000). In Europe, employee share ownership is considered a driver of competitiveness for businesses, thanks to its positive effects on employee performance and attitudes. Employee share ownership currently affects approximately 32 million employees in the United States (one in four), 19 million in Europe (one in five), and 3.5 million French employees (one in ten) (Statistics from the European Federation of Employee Share Ownership, July 2024).

The widespread adoption of this system can be explained by the strong support of public authorities and business leaders, due to its perceived positive effects on economic growth and employment levels in the countries concerned (Hollandts.X, June 6-9, 2007). Indeed, executives and managers are in favor of implementing this mechanism in their companies, insofar as it contributes to improved productivity and organizational performance.

It effectively reduces social conflict and employee turnover in companies, while fostering increased job satisfaction, cooperation, a sense of belonging, loyalty, motivation, and information sharing (Ibid). In this context, Alchian and Demsetz (1972) believe that employee share ownership is likely, on the one hand, to generate positive effects on labor productivity and, indirectly, on employment, particularly through mutual control and the coordination of efforts within the organization. On the other hand, this system would help prevent and resolve potential conflicts (Alchian & Demsetz, 1972). However, when employees hold a share of the capital that gives them control over the company, they are likely to favor higher levels of compensation and employment than those observed in companies not controlled by employees (Ibid).

Research Problem:

Conceived as "a mechanism aimed at aligning the interests of employees with those of shareholders, employee share ownership is part of a strategy of employee financial involvement, the expected effect of which is to stimulate collective effort and, consequently, increase company productivity." In light of this definition, we can formulate our research question as follows:

"What are the different concepts and practices of employee share ownership, considering that this type of share ownership is considered a new practice with a single name worldwide?"

In this article, we first propose to define and present the theoretical framework and current state of employee share ownership practices as a new management practice. Initially, we analyze the concept of employee share ownership, situating it at the intersection of financial participation and participation in decision-making, as well as the determinants of employee investment in their company's capital. Secondly, we examine employee share ownership

practices in the United States, the United Kingdom, and France, countries where this system is highly developed. Our article is thus structured around two main sections:

I) Theoretical framework of employee share ownership, towards the development of this new management practice.

II) Current state of employee share ownership practices and legal frameworks worldwide.

I)- Theoretical Framework of Employee Share Ownership, "Towards the Development of a New Management Practice".

The distinction between capital and labor is at the root of many developments in contemporary political thought. Far from subscribing to an “end of history” perspective that enshrines the traditional opposition between these two categories, certain mechanisms stemming from the transformations of contemporary capitalism tend, on the contrary, to foster a form of convergence between them. The transfer of a portion of capital ownership to employees undoubtedly constitutes the most complete expression of the articulation between these two factors of production. From this perspective, employee share ownership can be interpreted as an original configuration, which some authors describe as an “unnatural alliance” (Garfatta, R., 2010).

1/ The Concept of Employee Share Ownership: "A Single Name for Very Different Practices":

1-1/ Definition of Employee Share Ownership:

Indeed, there are several ways in which employees can become shareholders in their company. For example, some companies have a structure in which 25% of employees own all the capital, while others are characterized by widespread participation, where all employees hold approximately 25% of the capital (Kruse, D.L. & Blasi, 1997). The National Center for Employee Ownership (NCEO) in the United States proposed this definition for employee share ownership: "a plan in which the majority of employees of a company own shares of their company, even if they cannot exercise the voting rights attached to the shares and even if they cannot sell them before leaving the company" (Rosen, C., 1986). The French Federation of Employee and Former Employee Shareholders (FAS) In an article entitled “Employee Shareholder or Employee Shareholder?”, published in 2006, the federation emphasized that there is no official definition of this term (FAS, 2006). Two expressions are commonly used. The term used by regulations is “employee shareholder,” while associations prefer the expression “employee shareholder.” Regarding the first concept, the French Federation of Employee Shareholding (FAS) offers the following definition: “An employee shareholder is an employee or former employee, French or foreign, of a company governed by French law or of a company of any nationality linked or formerly linked to a company governed by French law, who has acquired shares in their company or related companies, which they hold directly in registered form or indirectly, through a transaction resulting from a joint agreement with the company.” (Ibid.) Regarding the second expression, the French Federation of Employee Shareholding (FAS) defines an “employee shareholder” as a shareholder who has acquired shares in the company that

employs them through share offerings reserved for all employees. They hold these shares either directly or indirectly, through an employee shareholding fund (FCPE) or a venture capital fund (SICAV) dedicated to employee shareholding. (Ibid).

• **1-2/ The Different Forms of Employee Share Ownership:**

Several parameters can vary depending on the employee share ownership scheme, and the specific legal frameworks of each country contribute to a wide heterogeneity of practices. The main variables to consider are the following (Ibid):

- **Acquisition of Shares:** Employees can acquire shares either at market price or, more often, at a discounted price. The sources of financing used can be diverse: employee savings plans, profit-sharing, performance-related bonuses, company matching contributions, and/or borrowing, as in the case of ESOPs in the United States.
- **Direct or Indirect Ownership:** An important distinction is made between direct employee share ownership, in which the employee directly holds shares of their company, and indirect employee share ownership, where an intermediary entity handles the acquisition and holding of shares on behalf of the employees. This could include, for example, ESOPs in the United States or FCPEs (employee mutual funds) in France.
- **Liquidity and stability of shares:** The most liquid shares are those that can be easily traded on the market, which can nevertheless lead to some instability in employee share ownership. Internationally, relatively unstable forms of employee share ownership have been observed, particularly in the United States and the European Union, while more stable forms exist, such as worker cooperatives in Spain (Caramelli, M., 2006).
- **The proportion of employees who are shareholders:** There can indeed be extreme configurations, ranging from companies in which all employees are shareholders, to situations where only managers or senior executives hold a stake in the capital.
- **Employee-owned share of capital:** The percentage of capital held by employees is a fundamental parameter. This percentage varies depending on the circumstances: the case of a company 100% or majority-owned by its employees is entirely different from that of a multinational company that has implemented an employee share ownership plan and in which only a few percent of the capital is held by employees. Due to their specific status, employee shareholders are likely to make a particular contribution to the company, notably with regard to (Desbrières, Ph., 1997):
 - Putting important decisions into perspective due to knowledge of the company culture, its "human capital," and its internal environment;
 - As well as the possibility of engaging in constructive dialogue with managers and executives;
 - Combating imitation and the influence of fads.

2/ Employee Share Ownership: Between Financial Participation and Participation in Decision-Making:

In its general sense, employee participation implies the sharing of one or more attributes of ownership rights with employees (Pérotin, V. & Robinson, 2005). Ownership rights to a

specific asset can also be shared among several co-owners. In this context, Michel Crozier (1970) emphasizes that "participation only makes sense to a subordinate insofar as it gives rise to tangible compensation, whether financial, related to power, or to career advancement prospects, insofar as it entails both an emotional and rational cost for the individual" (Crozier, M., 1970).

We present participation practices as being:

- 1) In profits (results);
- 2) In decision-making;
- 3) And finally, employee share ownership, which includes participation in capital, results, and decisions.

2-1/ Profit Sharing: Financial participation schemes include profit-sharing mechanisms, performance-based incentive schemes, and employee share ownership. At the same time, concerns related to corporate competitiveness have led to the development of other forms of employee participation in decision-making, such as quality circles at the operational level and employee representation on the board of directors at the strategic corporate level (Jones D.C. & Pliskin, 1988). Two types of profit sharing are distinguished (Ibid.):

- In the case of profit sharing paid in cash, it is an immediate cash payment;
- Whereas in the second case, it is deferred compensation in the form of a bonus, most often invested in an investment fund, and in this case, the employee cannot access the funds immediately.

2-2 Participation in Decision-Making:

Various typologies of systems for participation in decision-making have been developed, either based on distinguishing criteria or according to observed forms of practice. Regarding distinguishing criteria, Bernstein (1976) identified three main ones. (Bernstein, 1976):

Regarding the first criterion, Bernstein (1976) proposes a continuum of the degree of control exercised by employees, ranging from low-intensity mechanisms, such as simple

"suggestion boxes," to more advanced forms of participation including employee representation on the company's board of directors. The author also illustrates the second and third criteria through a continuum of participatory practices covering different levels of decision-making, from issues relating to working conditions and safety rules, to decisions concerning the organization of individual work, then to those relating to profit allocation, and finally to strategic decisions affecting the entire company. Dachler and Wilpert (1978) propose a typology based on several dimensions of participation, including the distinction between formal and informal participation, direct and indirect participation, and access to participatory mechanisms. They also add criteria relating to the content, importance, and complexity of the decisions involved (Dachler, H.P. & Wilpert, 1978):

- Formal participation refers to explicitly defined or institutionalized participatory mechanisms, generally established in a mandatory manner. Conversely, informal participation refers to emergent participatory practices resulting from an implicit consensus among members of the organization.
- Regarding the distinction between direct and indirect participation, in the former case, employees are directly and personally involved in the decision-making process. In contrast,

in the latter case, their right to participation is exercised indirectly, through appointed representatives.

- The third criterion concerns access to participation. The authors refer in this regard to the existence of a continuum relating to the degree of influence exerted by employees on decisions. This can range from significant influence on the decision-making process to simply making proposals without direct decision-making power.

- The fourth criterion distinguishes the content, importance, and complexity of the decisions concerned. Finally, the last criterion relates to the scope of the beneficiaries of participation rights. Indeed, this right may apply to all employees or, conversely, be limited to certain specific groups within the organization.

2-3/ Employee Share Ownership:

Employee share ownership, designed as a mechanism to align the interests of employees with those of shareholders, is part of a strategy of employee financial involvement, the expected effect of which is to stimulate collective effort and, consequently, to promote increased company productivity (Autenne, 2005). This participation is expressed, in fact, through the receipt of dividends as well as through the appreciation of share value.

Furthermore, the acquisition of company shares by employees can be carried out in three main ways (Caramelli, 2006):

- 1) Through direct purchase; 2) Through the exercise of stock options; 3) Or through transfers made via investment companies, such as Anglo-Saxon ESOPs, which acquire company shares and gradually credit them to employees' securities accounts. Employee share ownership thus gives employees the status of co-owners of the company and, as such, gives them a right to participate in the decision-making process within it (Ibid). In this sense, Desbrières (1997) emphasizes that: "By becoming a shareholder, the employee is no longer simply an employee of their company, but also a partner. Employee shareholders are characterized, in fact, by a dual status, linked to the two categories of capital they contribute to the company" (Desbrières, Ph., 1997). Similarly, Boyer (R.) considers that "employee share ownership will, in the long run, revolutionize labor law. With the extension of share ownership to a larger proportion of employees, the latter assume a share of the company's inherent risk. Logically, they should consequently gain access to an increasing share of power. The relationship of subordination would thus be restructured, or even challenged" (Audard, L. & Bachelard, 2009).

Regarding typologies of employee share ownership, the literature has proposed several classifications. Ben-Ner and Jones (1995), for example, developed a taxonomy based on two main dimensions: firstly, employees' rights to profits, and secondly, their participation in the decision-making process (A & Jones, 1995). The authors identified sixteen types of companies, presented in the form of a matrix, whose two opposing poles are, on the one hand, the conventional company in which employees hold no ownership rights, and on the other hand, worker cooperatives, in which the latter have majority rights to profits as well as preponderant control rights. Toscano (1983), for his part, distinguishes three main types of

employee share ownership: direct employee share ownership, in which employees individually and personally hold shares in their company, these organizations otherwise maintaining a structure close to that of traditional companies; ESOP-type schemes in the United States (or FCPE in France), in which employees hold shares in their company collectively and indirectly; and finally, worker cooperatives, characterized by a close link between employees and capital ownership, as well as by the exercise of democratic control over the company (Toscano. D. J, 1983).

3/ The Determinants and Reasons for the Development of Employee Share Ownership:

Employee share ownership has seen a resurgence of interest in many countries. Several factors can explain this renewed appreciation of this management practice. On the one hand, large multinational companies continue to generate significant profits in a generally sluggish economic climate, notably by benefiting from the growth of emerging economies. On the other hand, the Anglo-Saxon model of corporate governance, based on maximizing shareholder value creation, has become widespread within companies (Aubert & Caramelli, 2006). In this context, transforming employees into shareholders allows companies, firstly, to align their interests with those of shareholders and, secondly, to compensate for wage stagnation through profit sharing and participation in the company's stock market value appreciation. Employees can thus choose to invest in their company's shares, either directly or indirectly through employee shareholding funds. They also have the option of diversifying their investments by investing in diversified funds. The development of employee share ownership is based on several advantages, including (Ibid):

Employee share ownership as an attractive means of self-financing for companies,

- 1) Employee share ownership as a positive signal to financial markets,
- 2) Employee share ownership to provide employees with financial literacy, or,
- 3) Employee share ownership to develop employees' sense of belonging to the company.

3-1/ The Determinants of Employee Investment in Company Capital:

The implementation of this new employee share ownership practice introduces an additional source of power within companies, based on the exercise of rights attached to the shares held. Employee shareholders can thus participate in general meetings and express their voice in the deliberative processes (Maalej & Triki, 2008).

Desbrières (2002) asserts that employee shareholders are motivated to effectively control their managers and that this motivation is an increasing function of their specific investments in the company, both in human capital and shares (Desbrières, 2002). The first step in acquiring such knowledge of the company consists of reaffirming the role of employees as an essential component of it, as well as ensuring recognition of their investment and the specific risk they bear, regardless of any differences that may exist between national laws. Several authors have thus developed an alternative approach to the company, in opposition to the shareholder value model, and based on stakeholder theory, notably Margaret Blair in the mid-1990s (CWC (Committee on Workers' Capital), September 2005). In their study, Degeorge et al. (2004) conclude that higher-paid employees participate more actively and invest more heavily in the plans studied. Conversely, the model proposed by Viceira (2001) suggests that approaching retirement

tends to reduce investment in risky assets, consistent with life-cycle portfolio choice theory (Viceira, 2001). Degeorge et al. (2004) also note an effect of employee gender. They indicate that the probability of women participating in the reserved capital increase was higher than that of men (Degeorge, 2004). Poterba (2003), for his part, emphasizes the need to consider the distribution of employees' wealth to better understand their choices regarding investment opportunities in their company's equity within the framework of a 401(K) plan. Poterba's findings show, in particular, that the options offered to employees significantly influence their behavior (Poterba, J. M., 2003). In their study, Aubert and Caramelli (2006) distinguish two categories of determinants of employee behavior regarding their company's shares: on the one hand, the individual characteristics of employees, and on the other hand, factors related to the terms of the share ownership offer. The following table presents the different determinants identified by these authors.

Table (1): The determinants of employee investment in the capital of their companies.

I/ The personal characteristics of employees as determinants of their subscription	
• Available financial resources	Employee subscriptions to company shares are contingent upon their financial capacity, meaning their financial resources. Within a single company, subscription rates and volumes should therefore be higher than those of shareholders' equity (SOE) operations for employees with the highest salaries.
• Age	There is an inverse relationship between age and participation in employee savings plans (ESPs): - The first idea suggested is that since income levels increase with age, the participation rate is positively correlated with age. - The second idea is explained as the five-year lock-in period for investments in an employee savings plan (PEE) can be a deterrent as retirement age approaches.
• Familiarity with finance in general.	Two distinct profiles can be identified. On the one hand, some individuals show little interest in financial matters and have limited knowledge of financial markets. On the other hand, a second profile comprises employees who are more aware of financial issues and have a good grasp of the various investment options available. These individuals only invest in their company's shares after a decision-making process based on rational analysis.
• The Sex	The results show that the probability of women participating in the reserved capital increase was greater than that of men.

• Individual wealth management strategies.	The results showed that one of the determinants of stock ownership was, in a way, individual lifestyle, i.e., the trade-off between spending available money on short-term needs or saving for the medium or long term. Age is certainly one of the parameters that most strongly influences this trade-off.
II/ Determinants related to the shareholding offer.	
• The discount and the additional payment	Most employee stock ownership plans (ES) have a limit on the number of shares that can be purchased at a discount and/or with a matching contribution. The fact that employees can benefit from a discount and/or a matching contribution on the shares they acquire is undoubtedly a key factor influencing their behavior.
• Profit-sharing and participation bonuses.	This is a key factor influencing employee share subscriptions. Employees find it easier to invest these bonuses than to invest money from their personal assets.
• The so-called “leveraged” offer.	Although the "leveraged" offer is not the most effective mechanism with regard to certain objectives assigned to employee share ownership, in particular the development of an entrepreneurial culture among employees, it nevertheless appears that this formula remains effective in terms of subscription rates.
• The number of funds offered to employees.	According to the results, employees have a very poor understanding of the mechanisms of employee share ownership, i.e. the opportunities offered to them, the existence and stakes of the different funds, etc. This lack of understanding on the part of employees is fully recognized by professionals.

Source : Aubert. N, et Caramelli. M, 2006, p.p 4-9.

3-2/ Reasons for Implementing Employee Share Ownership:

According to the literature, there are two main categories of reasons for developing employee share ownership (Caramelli.M, 2006): economic reasons and managerial reasons.3-2-1/ Les Raisons Économiques De Mise En Place De L’Actionnariat Salarié :

According to Hirigoyen (1997), two schools of thought can be distinguished regarding employee share ownership. On the one hand, a "humanist" school of thought, which views this practice as a tool for personal development and individual fulfillment. On the other hand, a "productivist" school of thought, which considers employee share ownership as a lever for improving company productivity. Furthermore, Blasi (1988) identifies four main categories of motivations justifying the development of employee share ownership at the company level. (Blasi, J. R., 1988):

- **The psychological argument:** suggests that employee share ownership increases employee involvement in their company, their job, and their work performance.
- **The ethical argument:** suggests that employee participation in general, and employee share ownership in particular, helps establish a society based on respect for the individual, justice, democracy, and equality.
- **The economic argument:** suggests that companies with employee share ownership perform better, all other things being equal, than similar companies without it.
- **The sociological argument:** suggests that managers and employees cooperate more effectively with employee share ownership.

For his part, Poutsma (2002) also identifies four main arguments:

- **The humanist argument:** It is assumed that participation contributes to strengthening human dignity by fostering employee satisfaction and personal development. It is believed to address non-material needs, such as the needs for self-actualization and social recognition. This argument draws on theories of social psychology, which establish a link between participatory mechanisms, job satisfaction, and employee motivation.
- **The power-sharing argument:** This suggests that employee participation better protects employees' interests, allows for a redistribution of power, strengthens unions, and extends the benefits of democracy to the workplace.
- **The organizational effectiveness argument:** This emphasizes that participation leads to improved business performance.
- **The benefits distribution argument:** Finally, this suggests that participation can promote a more equitable redistribution of income, capital, and assets.

3-2-2/ Reasons for Implementing Employee Share Ownership in Companies:

The literature on employee share ownership has discussed several reasons for implementing employee share ownership in companies, simultaneously addressing various objectives (Lanciaux, 2001):

3-2-2-1/ Tax and Financial Objectives: One of the fundamental reasons for implementing employee share ownership is:

Business succession: This is obviously a motivation primarily observed in the context of small and medium-sized enterprises (SMEs). In this case, the manager faces a dilemma: either sell the company or liquidate it. Employee buyouts are often considered the least costly option, both financially and socially (Cohen, A., 1986).

Capital control: Employee share ownership allows for the creation of a core group of stable shareholders, which can prove invaluable in the event of a hostile takeover bid. Blasi and Kruse point out that in the United States, capital control is not a primary reason for implementing employee share ownership plans (Blasi & Kruse, 1991).

Self-financing: Employee share ownership strengthens equity and thus consolidates cash flow by generating a certain amount of capital. Dondi showed in his 1994 study that capital increases reserved for employees encounter various difficulties (Dondi, 1994).

Privatizations: These constitute a real lever, even a significant accelerator, for the spread of employee share ownership in several countries. France and the United Kingdom, for example, experienced waves of massive privatizations during the 1980s. In the United Kingdom, these operations notably enabled the implementation of nearly two-thirds of the employee share ownership plans observed in the country (Pendleton, 2001).

Tax savings: In this context, legislators in many countries are implementing tax incentive schemes for companies and employees. When employee share ownership is considered as a component of compensation, it appears that one euro allocated by the company to the employee under this scheme generates a lower cost than one euro of conventional salary (Maillard, 1993).

3-2-2-2/ Objectives Related to Human Resources Management Policy:

These objectives are as follows:

Creating a shareholder mindset among employees: this is the most frequently cited objective by professionals. The idea is that by becoming shareholders, employees will take a greater interest in their company's activities and become more aware of the issues related to its management.

Uniting, integrating, and creating a shared culture: Comprehensive employee share ownership plans are a way to connect all employees and give them a sense of company identity and common goals.

The educational objective: Employee share ownership is considered a tool for achieving an educational objective that complements the previous ones; therefore, it is necessary for employees to receive comprehensive information and even training in their role as shareholders (Arnauld & Jaeger, 1990).

The objective of increased compensation flexibility: As a form of compensation, employee share ownership allows compensation costs to be aligned with fluctuations in business activity within companies. It helps, for example, to limit the carryover effects of traditional salary increases by reducing the inflationary drift of payrolls (Louart, 1992).

Designing a motivating and attractive compensation policy: Employee share ownership is often considered a way to attract and retain high-quality staff (Desbrieres, 2002).

Indeed, fierce international competition forces companies to be competitive in the labor market as well. In certain sectors, such as high technology, companies are obliged to align themselves with the industry standard in terms of employee share ownership offerings (Subramanian, 2001).

II) State of Employee Share Ownership Practices Worldwide: The Cases of the United States, the United Kingdom, and France.

The United States of America pioneered financial participation in general, and employee share ownership in particular. In Europe, the European Commission encouraged its development from the 1990s onward, notably through the so-called "PEPPER" initiatives, an acronym for Promotion of Employee Participation in Profits and Enterprise Results, aimed at promoting employee participation in company profits and results. (Caramelli, op. cit., 2006).

1) Employee Share Ownership in the United States:

The development of employee share ownership has been a steady trend in the United States since the adoption of the first law establishing Employee Stock Ownership Plans (ESOPs) in 1974. According to the National Council of Employers (NCEO), 19.5% of American employees held a direct or indirect stake in their companies' capital in 2023, representing approximately 32 million employee shareholders (NCEO, 2023). The United States has thus played a pioneering role in employee share ownership. Various forms have been developed over the past forty years and have influenced developments observed in other Anglo-Saxon countries. Again, according to the NCEO, three main forms of employee share ownership are currently used in the United States:

1-1) ESOP plans (Employee Stock Ownership Plan):

These schemes allow employees to acquire shares in their company under tax-advantaged conditions, often with employer matching contributions. Within the framework of ESOPs (Employee Share Ownership Plans), an investment trust, approved by the tax authorities, is created by the company. This trust can borrow money to finance the acquisition of shares for the benefit of employees. ESOP plans thus allow employees to hold a share of their company's capital without having to directly purchase the shares. One of the key characteristics of these schemes lies in their exclusive focus on company shares, which does not allow for portfolio diversification (Arcimoles & Brillet, 2013). According to the National Center for Employee Ownership (NCEO), the period from 1975 to 1996 was characterized by continuous growth in the number of ESOP plans and the number of employee beneficiaries. The latter increased from approximately 1,600 plans and 250,000 employees in 1975 to 10,500 plans and 8.7 million participants in 1996. By 2004, there were approximately 11,500 ESOPs in the United States, employing nearly ten million people. Today, there are nearly 10,000 ESOP plans with total assets under management estimated at \$210 billion. Of these companies, only 15% are publicly traded, although they represent approximately 40% of the participants. The majority of ESOPs are therefore implemented within unlisted companies. These structures primarily concern companies with 20 to 500 employees, often and sometimes majority-owned by their employees: approximately 1,500 American companies are estimated to be more than 50% employee-owned. In the case of listed companies, the median ownership rate is between 10 and 15% (Arcimoles & Brillet, 2013).

1-2/ The 401 (K)Plans: These plans take their name from the article of the federal tax code that governs their operation. They currently represent the fastest-growing form of employee share ownership in the United States. The first plans were established in 1978, when Congress authorized employees to make contributions to these plans from their paychecks before income tax, but after deduction of social security contributions (Caramelli C., 2006). These plans now allow nearly 21 million employees to defer part of their compensation within a favorable tax framework (Arcimoles & Brillet, 2013). Approximately half of the funds thus immobilized, or 250 billion out of a total of 447 billion dollars, is invested in

company shares (ibid.). 401(k) plans represent a form of employee share ownership that is particularly concentrated within large companies. Thus, in companies with fewer than 200 employees, only 2% of 401(k) funds are invested in treasury shares, while this proportion exceeds 32% in companies with more than 5,000 employees. (Ibid).

1-3/ Employee Stock Purchase Plans (ESPP): These are the plans most commonly used by multinational companies and, more generally, by publicly traded companies. Under these plans, the employer can offer employees the opportunity to purchase company shares at their market value or at a discounted price, generally between 5% and 15%. The operation of these plans is governed by Section 423 of the U.S. Internal Revenue Code, which specifies the following conditions of application (Caramelli M., 2006):

- 1) No employee or group of employees can be excluded from the offer;
- 2) The plan must be approved by the shareholders' general meeting;
- 3) The right to acquire shares under these plans is not transferable. When the regulatory conditions are not met, the discount is taxed as income in the United States; otherwise, it is not taxed until the shares are resold by the employees. Unlike ESOPs or 401(k)s, ESPPs are not "qualified" plans and are therefore not subject to strict legal allocation rules (Arcimoles & Brillet, 2013).

The following table shows the number of plans and participants in the main employee share ownership plans (ESOPs and 401(k)s) in the USA (2024 statistics):

Table (2): Distribution of employee share ownership plans in the United States

Type	Number of Plans	Total of Participants	Social Security	Total amounts
The ESOP Plans	5,505	1.75 million	119.2 billion \$	1313.4 billion \$
The 401K Plans	1,164	12.7 million	145.2 billion \$	1.2 trillion \$
Total ESOP+ 401K	6,669	14.4 million	264.3 billion \$	1.3 trillion \$

Source : www.nceo.org

The data presented in the table above were analyzed by the NCEO as part of its research on Private Pension Plans (PPPs), using information from 2024 Form 5500 declarations provided by the Ministry of Labour. The following table shows the distribution of employee share ownership plans by company type, along with the number of participants and their associated amounts.

Table (3): Distribution of ESOP and 401(k) Plans by Company Type Source :

	Number of Plans	Total of participants	The Active participants	Social Sécurité (millions)	Amounts Of Plans (millions)
The ESOP Plans	5,505	1,745,603	1,269,307	119,149 \$	133,413 \$
private companies :	5,375	1,330,339	963,019	98,492 \$	107,481 \$
large private companies	2,031	1,190,685	858,374	87,995 \$	95,356 \$
small private companies	3,344	139,655	104,645	10,497 \$	12,124 \$
public companies :	129	415,264	306,287	20,657 \$	25,932 \$
The 401K Plans	1,164	12,686,019	9,560,419	145,193 \$	1,162,820 \$
private companies :	766	1,772,829	1,279,510	25,019 \$	163,091 \$
large private companies	420	1,759,219	1,269,203	24,192 \$	161,585 \$
small private companies	345	13,610	10,307	827 \$	1,506 \$
public companies :	399	10,913,190	8,280,909	120,173 \$	999,728 \$
Total	6,669	14,431,622	10,829,726	264,341 \$	1,296,233 \$

Source : www.nceo.org

The number of employee share ownership plans identified is 6,669, covering more than 14 million participants in the United States, including approximately 10.8 million active participants—that is, those currently employed and covered by an ESOP. The total value of these plans is estimated at \$1,296,233 million.

In conclusion, employee share ownership in the United States is primarily viewed as a retirement savings vehicle. Regarding participation rights, employee involvement in the management of their companies remains relatively limited. However, it appears that employee share ownership encourages greater employee participation in decisions concerning their immediate professional environment.

2) Employee Share Ownership in the United Kingdom:

The United Kingdom is among the most advanced countries in terms of employee share ownership practices. The significant development of employee financial participation in this country dates back to the 1970s. Since 1978, the British legislature has introduced tax incentives for approved profit-sharing and employee share ownership schemes (Caramelli M., 2006). In 1980, stock option schemes linked to savings plans were introduced in the form of SAYE (Save As You Earn) plans (Ibid). In 1999, the British legislature introduced two new employee share ownership schemes (Ibid):

- The Enterprise Management Incentive (EMI) establishes a favorable tax regime applicable to stock options, the objective of which is to facilitate the attraction and retention of employees leaving stable jobs to join start-up companies.

The All Employee Share Ownership Plan aims to promote broad-based employee share ownership within companies.

In the United Kingdom, companies can choose between three main employee share ownership plans approved by the tax authorities, which offer tax advantages, and non-approved schemes, which do not provide any tax benefits but offer greater flexibility in design and implementation, allowing for customization. The main plans are as follows:

(Caramelli M., 2006):

- 1) Save As You Earn (SAYE) plans;
- 2) Share Incentive Plans (SIPs);
- 3) Employee Share Ownership Plans (ESOPs), also known as Company Share Option Plans (CSOPs).

2-1/ Save As You Earn Plans:

The 1980 Finance Act introduced SAYE (Save As You Earn) plans, one of the first schemes implemented under Margaret Thatcher's government. Under these plans, employees have the opportunity to purchase shares in their company at a predetermined price, which can be discounted by up to 20% compared to the market price at the time of subscription. These plans typically have a term of 3, 5, or 7 years.

SAYE plans allow participating employees to make fixed monthly payments over a five-year period. They offer the possibility of investing between £5 and £250 per month in the form of stock options, with an average estimated at £59 in 1998. Today, there are more than 3,000 plans, covering approximately 2.25 million employees. (Pendleton & Wright, Employee Share Ownership in the UK, 2000). According to Proshare, there are currently 1300 such plans in the UK covering approximately 2.5 million participants, and it is the most commonly used employee share ownership plan (www.proshare.org).

2-2/ “Share Incentive Plan” (SIP):

Employee Share Incentive Plans (SIPs) allow employees to acquire shares in their company while benefiting from an exemption from income tax and social security contributions (Caramelli M., 2006). The shares are not acquired directly by the employees, but indirectly on their behalf, through a specially established trust, in which they must be held for a minimum of three years. This trust is managed by a trustee, either an individual or a legal entity, responsible for exercising the rights attached to the shares. In some cases, this trustee may be an employee of the company, although this is not mandatory. In the case of an employee trust, the ultimate beneficiaries are the employees themselves (ibid.). The tax and social security exemptions are only definitively acquired after a five-year holding period (ibid.).

- For free and matching shares, there is no tax if the shares are withdrawn after 5 years. However, if the shares are withdrawn between 3 and 5 years, or before 3 years, the historical value of the share is reintegrated into the tax base according to rather complex procedures;
- For partnership shares, the tax deductibility claimed at the time of acquisition is revoked, according to the same 3- and 5-year time limits in the event of early withdrawal from the scheme.

2-3/ “Company Share Option Plan” (CSOP):

Unlike SAYE and SIP plans, Company Share Option Plans (CSOPs), which replaced the Discretionary Share Option Scheme (DSOP) established in 1984 in 1996, are discretionary schemes. They do not apply to all employees, but only to certain individuals selected by the employer. This type of plan is among the most widespread, but also among the most selective. Since the choice of beneficiaries is entirely at the employer's discretion, the degree of selectivity is significantly higher than that observed in SAYE or SIP plans. Under this scheme, options are granted without a discount on the share value, up to a limit of £30,000 per employee. For the employee, the gain realized upon exercising the option is exempt from income tax and social security contributions, provided that the exercise occurs within a period of 3 to 10 years. (Caramelli M., 2006).

2-4/ Employee Share Ownership Plans (ESOP):

In addition to the three main mechanisms mentioned earlier, it is also worth mentioning ESOP plans, comparable to their North American counterparts. However, these mechanisms remain relatively underdeveloped in the United Kingdom, apart from employee buyouts (Arcimoles & Brillet, 2013). An ESOP is a plan that uses an employee trust alongside one or more employee share ownership schemes (Caramelli M., 2006). According to Pendleton, the implementation of ESOPs can also be interpreted as a defensive response to various threats facing companies, particularly restructuring processes likely to generate significant social costs (Pendleton, 2001). In accordance with its original logic, employee share ownership in the United Kingdom thus remains rooted in a capitalist perspective, similar to practices observed in the United States. The main difference between these two systems lies in the increasing integration, in the United States, of employee share ownership schemes with defined contribution pension plans. (Ibid). In conclusion, employee share ownership schemes have seen significant development in the United Kingdom. In this context, it is generally not considered necessary to go beyond strictly financial participation, as this is deemed sufficient to strengthen employee engagement and loyalty. Non-financial aspects, particularly the exercise of voting rights, are managed by the trustee. (Caramelli M., 2006).

3/ Employee Share Ownership in France:

As in the UK, the development of employee share ownership in France was strongly stimulated by the privatization of large public companies, which began in the mid-1980s and continued into the early 21st century. According to data from the French Federation of Employee Shareholders (FAS), there are approximately 3.5 million employee shareholders (FAS, 2025). In France, employee share ownership is most often implemented through employee savings plans (PES), which are collective savings schemes offered by companies. These mechanisms allow all employees to build up savings invested in securities within a favorable tax environment.

3-1) Forms and vehicles of employee share ownership in France:

3-1-1) Forms of employee share ownership in France:

Two main forms of share ownership exist:

- 1- Direct employee share ownership;
- 2- Indirect employee share ownership.

With direct employee share ownership, employees hold shares of their company registered in a personal account, particularly when these shares are held within a group savings plan. Conversely, with indirect employee share ownership, employees hold a stake in their company's capital through a collective investment vehicle, such as a company mutual fund (FCPE) or an employee shareholding investment company (SICAVAS). In this case, employee contributions are used to purchase units of these funds, which are themselves invested in company shares. (Aubert & Caramelli, 2006).

3-1-2)- The mechanisms for employee share ownership in France:

An employee must save in a Company Savings Plan (PEE) or a Group Savings Plan (PEG). PEEs and PEGs are employee savings plans, just like the Collective Retirement Savings Plan (PERCO).

a) Company Savings Plans (PEE) and Group Savings Plans (PEG):

In France, the main employee share ownership vehicles are Company Savings Plans (PEE) and Group Savings Plans (PEG). The former are historically the oldest form of employee savings and are characterized by a five-year lock-in period for invested assets. The Group Savings Plan (PEG), on the other hand, is intended for employees of different companies belonging to the same consolidated group (Aubert N., 2007). Indeed, PEEs were created by the ordinance of August 17, 1967, and can hold securities issued by companies subject to the legal obligation of employee profit-sharing. Company Savings Plans (PEEs) are only available to companies with more than 100 employees (Ibid.). Furthermore, the Company Savings Plan (PEE) can be established either by a unilateral decision of the employer or by an agreement concluded with the staff, according to procedures similar to those of profit-sharing agreements. To benefit from the associated tax and social security advantages, the plan must be registered with the labor authorities. (Ibid). In 2024, France still stands out as the leading European country in terms of so-called "democratic" employee share ownership. Indeed, 77% of French companies have share ownership plans open to all employees, compared to a European average of 47%. Moreover, 37% of French employees are shareholders in their company, compared to 23% at the European level. Finally, non-managerial employees hold on average 3.9% of the capital of companies in France, compared to 1.7% in Europe.

b)- Investments within the framework of the Company Savings Plan (PEE):

Within the Company Savings Plan (PEE), several investment options are available (Caramelli M., 2006):

- Registered securities accounts: Employees can invest in their company's shares or in Undertakings for Collective Investment in Transferable Securities (UCITS);
- Open-ended investment companies or employee shareholding investment companies (SICAVs or SICAVAS);

- Employee mutual funds (FCPEs) are the most common investment vehicle. They can be diversified or invested in company securities. These two methods of employee share ownership fall under the general framework of Company Savings Plans (PEE). The Group Savings Plan (PEG), which pursues similar objectives, is aimed at employees of different companies belonging to the same group.
- Within the framework of the Company Savings Plan (PEE), employees can make (Aubert N., 2007):
 - The payment of their profit-sharing bonus;
 - And/or all or part of their incentive bonus;
 - Voluntary contributions;
 - Employees can also transfer into the PEE the amount of profit-sharing held in a blocked current account, which becomes available after the 5-year lock-in period.

3-2) Sources and Mechanisms of Employee Share Ownership in France:

3-2-1) Sources of Employee Share Ownership in France:

In France, Company Savings Plans (PEE) can be funded by five main sources: voluntary employee contributions, employer matching contributions, profit-sharing bonuses, employee share ownership bonuses, and transfers from other savings plans. Since the law of December 30, 2006, other methods of funding PEEs have also been introduced, supplementing this system (Aubert N., 2007):

- The allocation of free shares to all employees;
- The transfer of rights recorded in a time savings account (CET).

1) Direct (voluntary) employee contributions: Employees can make direct (voluntary) contributions to employee savings plans, exempt from capital gains tax. The total annual amount paid (voluntary contributions + profit-sharing) into all employee savings plans must not exceed one-quarter of the gross annual salary for the reference year.

2) Profit-sharing bonuses: Generally, profit-sharing is an optional system of employee financial participation in performance, established in 1959. Profit-sharing bonuses are normally subject to income tax, unless employees choose to invest them in a company savings plan (PEE), in which case the funds are required for five years.

3) Profit-Sharing Bonuses: Employee profit-sharing is mandatory in France for companies with more than 50 employees that made a profit in the previous fiscal year. The profit-sharing bonus can be calculated in several ways: uniformly for all employees, proportionally to salary, based on length of service during the fiscal year, or using a combination of salary and seniority. Profit-sharing amounts must be invested in securities in accordance with the provisions of the company agreement. These investments can be made in company shares, units in investment funds (SICAVs or FCPEs) within an employee savings plan, or deposited into a blocked company current account.

4) Company Matching Contributions: Additional amounts paid by the company are referred to as matching contributions, which are added to the contributions made by employees. This matching contribution is capped at €2,300 per year per employee and

cannot exceed three times the employee's contribution. In practice, it serves as a significant incentive, as it encourages employees to purchase company shares. From a tax perspective, the matching contribution is deductible from the company's taxable income, exempt from social security contributions, and not subject to income tax for the beneficiaries.

5) Transfers between plans: The French Federation of Employee Shareholding (FAS) defines a transfer as "an operation by which the beneficiary of an employee savings account withdraws assets from one plan in order to allocate them to another plan, without requesting reimbursement, i.e. without going through their bank account and without any potential capital gain being subject to social security contributions." (FAS, Guide to Employee Shareholding, Employee Savings, and Retirement Savings, 2006).

3-2-2) Employee Share Ownership Mechanisms in France:

Five mechanisms can be identified that allow employees to become shareholders (Aubert N., 2007):

- **Employee Share Capital Increase:** Companies can increase the share of capital reserved for employee shareholders participating in Company Savings Plans (PEE), whether listed or unlisted. These operations constitute a key lever for developing employee share ownership. In this context, employees can benefit from financing in the form of a loan granted by the company. The company can also apply a discount to the share purchase price, which can reach 20%, or even 30% if the shares are held for ten years.
- **Acquisition of Existing Shares:** Employees can acquire existing shares that were previously held by one or more shareholders on a market, or repurchased by companies for the purpose of transferring them to employees (up to a limit of 10% of the company's capital).
- **Free share grants:** Companies may grant free shares to all their employees or certain categories of them, up to a limit of 10% of the share capital. These grants are made based on criteria defined by the board of directors, primarily performance criteria. They are subject to a minimum vesting period of two years, followed by a holding period of at least two years during which the shares cannot be sold by the employee. This period is extended to five years when the free shares are held in a Company Savings Plan (PEE).
- **The granting of stock subscription or purchase options:** Companies may grant to all or some of their employees the opportunity to subscribe to existing shares or to subscribe to new shares at a price determined in advance.
- **The privatization of their company:** As part of privatization operations, a portion of the shares sold by the State may be reserved for employees, notably through subscription or purchase rights, as well as the allocation of free shares. The law of August 26, 2014, requires the State to reserve up to 10% of the capital offered for sale on the markets for employees, with a maximum discount of 20%. In return, the shares thus allocated are subject to a two-year lock-up period.

Generale Conclusion:

The aim of this article was to present the theoretical framework and current state of employee share ownership practices internationally. Based on American, British, and French experiences, employee share ownership appears to be a rapidly expanding management practice in these three Western countries, considered among the most advanced in this area. Theoretically, it is important to emphasize that the foundations of employee share ownership remain relatively uncertain. The literature presents it variously as a driver of organizational change, a component of compensation, and a potential performance factor. These three perspectives offer some answers to recent questions raised by this system.

Despite the differences observed between national systems and contexts, a number of convergences can be noted. Two main systems emerge:

- 1- Direct employee share ownership, whereby employees directly own shares in their companies;
- 2- Indirect employee share ownership, in which an intermediary entity (trust or employee shareholding fund) holds the shares and exercises the associated voting rights on behalf of the employees. In this context, the shares are most often acquired under preferential conditions, notably at a price below the market price, and accompanied by more or less attractive tax advantages. Regarding the motivations that lead companies to implement employee share ownership plans, several arguments support the development of financial participation in general, and employee share ownership in particular. The literature also highlights economic and managerial justifications, which can concern both the entire economy of a country and, more specifically, the company implementing these systems.

Research Perspectives:

In light of current legislation, which prohibits employee share ownership in Algeria, a research perspective emerges concerning the potential introduction of this mechanism and its potential effects in the Algerian context, assuming a change in the regulatory framework would allow its implementation. From this perspective, the exploration of this issue can be approached along three distinct lines:

- First, the effects of employee share ownership by executives on the performance of Algerian companies will be studied, with a focus on the role of stock options.
- Second, the analysis will examine the effects of employee share ownership by non-executive employees on the performance of Algerian companies, emphasizing the methods of share distribution.
- Third, the impact of employee share ownership on the attitudes and behaviors of Algerian employee shareholders in the workplace will be examined. Therefore, and given that the Algerian context remains largely unexplored by research on employee share ownership, we

affirm our intention to dedicate our future work to the study of this issue in the Algerian context over the coming years.

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