

French Financial Participation Systems

I Seven important and typical points of french systems .

1 Diversity of mechanisms (5 mechanisms) and many possibilities to operate with

2 One mandatory system (among 5) if the company employs fifty ,or more , employees (La Participation aux resultats =Profit Sharing) , other systems are optionnal

3 A certain ancientness of the Employees Participation idea in France . First experiences dates from XIXéme century and first french decree was enforced in 1959 (Decree to encourage employees involvement)

4 Investment in shares of the company is possible but non mandatory except in the "Stock Option system " , that is , for companies an optionnal system. In the 4 other system it is mandatory to offer also, to employees, investment diversification .

5 Possible ,but no mandatory , Link with financing retirement except for one system "PERCO" (Collective Saving Plan for Retirement) That is an optionnal system for companies .

6 Simple easy and not expensive collective management of flows and stocks in specialised funds : "FCPE _Fonds communs de placement d'entreprise ".

7 Very important government incentives , mainly tax incentives , for companies and for employees .

II Short Presentation of the 5 mechanisms

1 " L'interressement" - Employees Involvement in Companies -. original act 1959

a- Optional, on company decision,

b- Negotiated agreement with employees representatives , determining calculation and sharing criteria of the amount granted to employees . Possibility to decide to distribute to only one part or to certain parts of the companys employees

c- Can distribute a part of the profits but can also distribute money without profits and in consideration of specific targets or for sustaining some precise bettering .

d- Distributed sums can be invested , or not , in shares of the company . Sums are available . They can be immediately spent or saved in a company saving plan (Plan d'Epargne d'Entreprise) . In this case they are totally tax free for employees .

e- In every case distributed sums for employees involvement are deducted of taxable profit of the company and exempted of social contributions (employees and employers parts)excepted a special social contribution charged to the employers .

2 "La Participation des Salariés aux Résultats de l'Entreprise " Profits Sharing System - Original Act 1967

a- Mandatory negotiated agreement for every company that employs fifty or more employees if it is profitable. Optional agreement for the others.

b- Real Profit Sharing System, a "legal formula" for calculation gives indications and determines for the company minimum global amount to be distributed.

c- Individual amount is generally in proportion of salary with a ceiling, but company have the possibility to distribute more, use another calculation formula, distribute group results instead of company's results ,distribute partly in proportion of salary and partly in connection with other criteria , ...

d- Unavailability and Investment.

Distributed sums are unavailable during 5 years excepted in 9 circumstances appearing in the employee life . The agreement precises if money has to be invested in company shares directly, in personal account in the company as a loan , or in FCPE .

FCPE can diversify their investments but they can also invest in shares of the company even up to 100% of his assets if the shares are listed or up to 70% if they are not listed .

Every employee must have the possibility to choose to invest at least in two different ways .

e- Incentives .

The first and efficient incentive is the mandatory aspect of the PARTICIPATION system.

Above that, the sums given to employees are:

tax exempted in employees'income , and deductible of taxable profits of the company .

social contributions exempted (employees and employers parts) in the exception of a special social contribution of 20% charged to the employers

during the investment period , interest , dividends and capital gains are tax free if they are re-invested in the FCPE

when the employee decides to get back his money, normally five years later , all the capital gain is tax free, except a social contribution of 20% paid by the employee and calculated on the capital gain .

3- Company Saving Plans - " Le Plan d'Epargne d'Entreprise" original act 1967

a- optional on company decision except if the Participation has to be invested in FCPE that are linked to saving plans .

b- this is a mechanism devoted to build collective saving with the help of the company for employees who decide to enter in .This is really a saving plan and not necessarily a retirement plan , nor a share plan even if it can be used for these two purposes also .

c- Employees invest their profit sharing, if there is, and can invest more if they want, from their own belongings . In this case of voluntary investment , the company can match the voluntary part in a proportion pre-defined by the agreement .

d- During five years money is invested in FCPE or directly in company shares .

e- Incentives .

Sums given by the company matching voluntary and personal investment of employees are deductible of taxable profit for the company, and social contributions exempted, up to a maximum amount of about 3,000 euros per annum and per employee . These sums have however to support a special social contribution of 20% paid by company .They are exempted of income tax for the employees.

Profits ,interests , dividends, and capital gains re-invested in the FCPE are exempted of taxes and contributions during the re-investment period but are charged a special tax of 20% at the repayment .

4- " Le Plan d'Epargne Retraite Collectif-PERCO" Collective Saving Plan for Retirement . original act : 2004 (following 2001)

Optional for company on company decision with a negotiated agreement .

Quite similar to the "company saving plan" it is different mainly by the duration of investments (until retirement with less possibilities to leave before) and a more important level of matching amount if

the company will do (up to around 6,000 euros per annum and per employee).

Even if it is devoted to financing retirement it is not mandatory to follow the regime of life insurance with yearly payments at the retirement. Capital refunding is possible

5-"Les Plans d'Options sur Actions " - Stocks options plans.

Original act :1970 .

a- optional for the company and employees on company decision.

b- Devoted to individual grateful it can become more or less generalised if the company wants .

c- purchase plans or subscription plans

d- incentives .

exemption of social contributions and of taxes on the amount of options offered

taxation at 20% rate in the employee income on real and effective capital gain , if there is ,when the employee sells shares after three or five years

e- Share ownership . This is the only one system in which investment company shares is mandatory . Shares can be manage in the name of every employee or they can be invested in FCPE of the company saving plan .

III Results

1. Statistics issued by the French Ministry of Labour

According to the statistics of the French Ministry of Labour, issued in july 2014 , 55,8% of salaries in merchant sector non agricultural ,that is to say 8,7 millions of people, got, during the year 2012, ability to access to ,at least ,one of the four systems (Non included Stock-option plans).

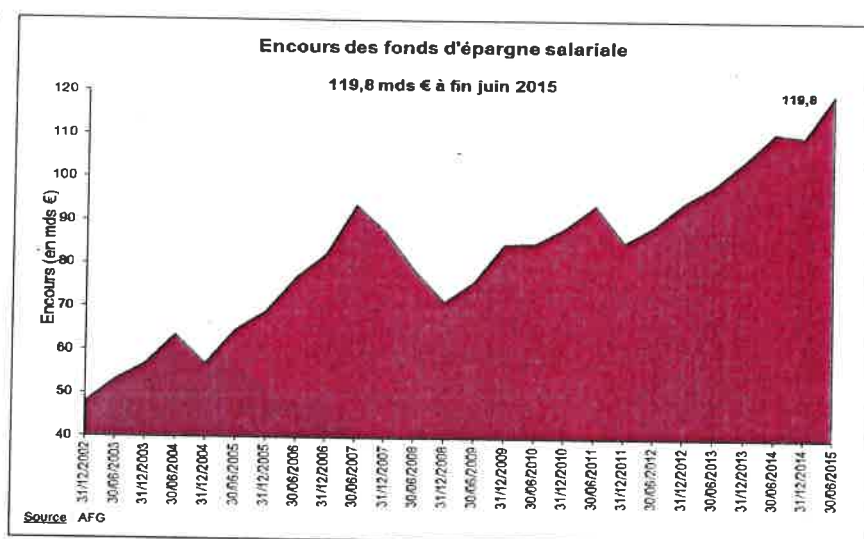
The companies savings plans are the most spread out, and cover at this date 7,1 millions of employees.

In year 2012 15.5 billion of euros were distributed by companies who employ ten employees and more.

2. Statistics issued by the French Association of Assets Managers (AFG) AT 30th of June 2015

The total amount of assets managed for employees accounts (non included PERCO system that is similar to saving for retirement plan) reaches 120 billion of euros at 30th of June 2015

61% are in diversified funds (73 billion of euros) and 39% are in shareownership funds (47 billion of euros)



The PERCO system is growing quickly :

On the 30th of JUNE 2015

2 000 000 employees are beneficiaries (+13% In one year)

196 000 companies have a PERCO for their employees (+5% In one year)

11.8 billion of euros managed in PERCO (in supplement of the 120 billion above) + 22% in one year

IN total The French Assets managers have registered ,on the 30th of June 2015,

10 674 730 bearers whose 9 814 122 hold FCPE invested mainly in shares of the company, and 565 000 hold accounts directly invested in shares of the company .

