A stake in success

Employee share ownership and the post-COVID economy

Scott Corfe
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ABOUT THE AUTHOR

Scott Corfe

Scott Corfe joined the Social Market Foundation in 2017 and is our Research Director. As well as managing the SMF’s research team, he authors research on a wide range of topics including consumer markets, taxation, low pay, housing and technology.

Before joining the SMF, he was Head of Macroeconomics and a Director at the economics consultancy Cebr, where he led much of the consultancy’s thought leadership and public policy research.

Scott’s expert insights are frequently sought after in publications including the Financial Times, the Guardian, the Times and the Daily Telegraph. Scott has appeared on BBC News, Sky News, Radio 4 and a range of other broadcast media.
FOREWORD

I am pleased to introduce this important and timely report from the Social Market Foundation on how employee share plans might evolve to meet the needs of employers and employees throughout the 2020’s. As the voice of employee share plans and the membership body for those professionals who deliver and advise on them, we are keen to see them thrive. I welcome the new evidence in this report on how substantial the benefits can be for both companies and individuals and congratulate the author on the range of recommendations.

Our view is that well run share plans are a key attribute of the good corporate employer and, with the increasing focus on employees as stakeholders, are a measure of good governance practice. The evidence presented in this report of the scale of financial benefit to the average employee participant is useful and important to have quantified. Our membership appreciate the differences employee share plans can make. Stories abound of participants who use the funds saved towards a deposit on a first home or wedding. What is less often discussed is their role as a buffer against financial hardship when unexpected costs arise, or the number of employees who do not believe they would be able to save at all without participating in their employer’s share plan. This is particularly pertinent in our current climate when the impact of the pandemic and financial repercussions has led to redundancies and rising unemployment and individual financial resilience, or lack thereof, resonates across our society.

Moreover, the report presents compelling evidence that, when employees have a stake in the company for which they work, it translates into improvements in business performance, boosting economic growth and productivity. The intention of all employee share plans is to align the interests of the employee with those of investors in the company, increasing a feeling of engagement in its performance. The employees, investors and management can all benefit provided there is sufficient enrolment amongst staff to reap that benefit. Each year we publish how the industry is performing, including average take up rates and levels of contribution. From this we are aware that share plan participation has plateaued and is in danger of sliding backwards. Despite their quiet and successful performance over the last four decades, there has been little policy development this century. In that time workplaces and career expectations have changed considerably from expectations of a job for life or even one for five years and plan rules that were fit for purpose in the late 20th Century are not all necessarily fit for purpose in the 21st Century economy.

This is why we were pleased to sponsor this independent report from the Social Market Foundation to stimulate anew interest in the potential of employee share plans to further the aims of policy makers as we emerge from the pandemic. It clearly sets out why employee share plans are deserving of the greater attention from policy makers that our membership would like to see, presenting evidence that, properly managed, there is scope for improved rates of employee share ownership to form a key part of the economic recovery as the UK emerges from the coronavirus pandemic.

Peter Swabey
Executive Director, ProShare
Director of Policy and Research, The Chartered Governance Institute UK and Ireland
EXECUTIVE SUMMARY

This report sets out the case for an expansion of employee share ownership in the UK, and for the share ownership agenda to form a key part of a “fair and strong economic recovery” narrative as we emerge from the Coronavirus crisis. The report argues that the case for wider rates of employee share ownership is compelling.

The UK economy has a persistent problem of low productivity growth, which is suppressing employee pay and living standards. UK workers produce less per hour than their peers in France, Germany, the United States and Italy. Furthermore, Office for Budget Responsibility forecasts predict that the Coronavirus pandemic will have a long-lasting “scarring” effect on productivity.

Evidence presented in this report suggests that employee share ownership could play a role in tackling the UK’s productivity crisis, improving economic growth, innovation and outcomes for employees such as higher wages. Some of the evidence cited in this report includes:

- An Oxera study commissioned by HM Treasury on tax-advantaged share schemes which found that broad-based employee share ownership was linked to improved company performance measures, such as turnover and profitability. The study found that, on average, the effect of tax-advantaged employee share plans is significant and increases company productivity by 2.5% in the long-run.

- Research by HM Revenue and Customs into Share Incentive Plans (SIPs) and Save As You Earn (SAYE) plans which showed 81% of 984 organisations surveyed citing increasing employee commitment as a major reason for setting up SAYE schemes; 87% said there had been a positive impact on relations between the organisation and its employees (the equivalent figures for SIP are 79% and 82% respectively).

- A cross-country meta-analysis of 129 studies on employee ownership in general (i.e. not just via share ownership) which found that two thirds of the studies identified favourable effects related to employee ownership.

- An analysis of 102 studies covering 56,984 firms which found that employee ownership has a modest but statistically significant positive relationship with firm performance.

- Qualitative research on tax-advantaged share plans in the UK, which show that businesses see share plans as important tools for recruiting and retaining talented and key staff.

- UK and US indices tracking the stock market performance of companies with a relatively high proportion of employee shareholders. These show such companies significantly outperforming broader stock market indices.

Furthermore, we argue that employee share plans could be an important tool for bolstering the financial resilience of UK households:

- New analysis of the ONS Wealth and Assets Survey, presented in this report, shows an “employee share ownership” premium, with employee shareholder households having much higher levels of median financial wealth.
This finding holds true across income groups and age groups. Employee shareholders in the lowest income quartile (“the poorest 25%”) have median net financial wealth £10,900 greater than those that are not employee shareholders.

Evidence from the US also shows a wealth premium for employee stockholders. An analysis by the National Center for Employee Ownership of workers aged 28-34 found that employees holding stock in the companies where they work had 92% higher median household wealth. The study found that this “wealth premium” held true even once the analysis is segmented by income group.

Despite these benefits, we argue that there are a number of barriers to wider rates of employee share ownership in the UK. At present less than 5% of working age individuals are employee shareholders, reflecting lack of access to share plans, as well as lack of participation where they are available.

Barriers to share plan participation and rollout include:

- **Lack of awareness of – or scepticism towards – the benefits of employee share ownership.** Companies may be sceptical of the ability of share plans to improve corporate performance, while employees may lack an awareness of the potential financial benefits of share plan participation.

- **Cost of plan implementation and administration.** To implement a share plan, companies must be willing to devote considerable time and financial resources to the design, preparation, communication and ongoing operation of plans.

- **One particular cost issue that arose in our discussions with stakeholders was the way share plans are treated for accounting purposes.** Amendments to accounting standards, under International Financial Reporting Standards 2 (IFRS 2), have seen harsh accounting treatment of SAYE option plans.

- **Employee finances.** Even where share plans are offered by an employer, employee participation is not guaranteed. Share plan participation is lower in low-wage industries such as hospitality and retail, suggesting lack of financial means is likely to be a key barrier to participation in share plans. Higher rates of staff churn may also be an issue driving lower participation in these industries.

- **Even where an individual on a lower income is able to set aside some money for saving, risk aversion may discourage participation in a share plan,** particularly as such an individual may not have sufficient earnings or savings to be able to diversify and set aside money elsewhere.

- **The changing labour market.** The rise of the gig economy and individuals expecting to change jobs more frequently limit both the number of individuals able to participate in share plans, and interest in participation. For example, the five year holding period for Share Incentive Plans may undermine interest in employee participation. Evidence suggests on average people now expect to stay in a job for less than five years.

- **Lack of institutional support and leadership from government.** For the employee share ownership agenda to have a real impact over the long term, it requires substantial institutional effort, involving improved access to advice, training and other support on a continuing basis.
To address these barriers and encourage a shift towards greater rates of employee share ownership, we have set out a range of policy recommendations:

**Report recommendations**

**New measures to nudge businesses to offer employee share plans**

1. **The Audit, Reporting and Governance Authority (ARGA)** - the Financial Reporting Council’s successor - should require firms to include information on what type of employee share ownership plans are operated, the extent to which each plan is taken up by eligible UK-based workers and the average value of employee shares in annual reports. This information should be reported regularly and in standardised form, for the use of investors pursuing an ESG agenda and seeking more information about companies’ social and governance performance.

2. **Government** should explore the role that public sector procurement rules could play in encouraging wider rates of employee share ownership. Companies that are able to demonstrate how they share success with employees - such as through share plans - could be looked upon more favourably.

3. **The ARGA** should undertake a review of the accounting treatment of SAYE share plans, which currently disincentivises their implementation. In particular, consideration should be given to the current treatment of cancellations by plan participants, which sees expenses brought forward even though share options will never be exercised.

**Modernising share plans to reflect the 21st Century labour market**

4. **The Government** should decrease the holding period of Share Incentive Plans from five years to three years to reflect modern trends in job tenure.

5. **Those** that voluntarily leave a company before the end of a share plan contract **should be entitled to tapered tax benefits. They should not be treated as “bad leavers”, as is the case at present.**

6. **Gig economy workers** should be allowed to participate in tax-advantaged share plans.

**Getting lower income workers on board**

7. **Share Incentive Plan rules** should be amended to allow preferential access to **free shares for lower income workers.** For example, a company could be permitted to offer free shares exclusively to lower income workers, while having a match share arrangement with higher income workers. This would help widen participation in SIP while managing the company costs of such plans.

8. **Given the need to improve financial resilience among lower income households in the UK,** government should consider the case for supporting a modest rate of interest or matching funding on SAYE savings, or provide focused financial incentives to lower income employees. Lower income workers could also be offered greater SAYE option price discounts.

The SMF has argued elsewhere that government support for savers is currently poorly focused. For example, ISA tax reliefs disproportionately benefit higher earners. We have argued that financial support should be focused on lower earners and those of
limited financial resilience. Government-provided match savings for lower earners participating in SAYE, and other corporate savings schemes, would be one way of doing this.

Strengthening rights and voice of employee shareholders

9. The Government should lift the caveat which allows employers to restrict the voting rights of employee shares. Moreover employee shareholders should have enhanced rights in the event of corporate failure, given that they face potential loss of wages as well as loss of savings tied up in company shares.

10. Companies offering employee share ownership should consider an Employee Advisory Panel to be a central element of such engagement with workers; those companies that offer employee share ownership but do not have such a panel should explain publicly why not. Where such a panel does exist, workers who own shares should be given additional representation. Companies could also consider establishing advisory panels composed solely of employees who own shares.

Introducing a new ownership model to encourage employee share ownership to form a key part of business succession planning

11. The US Employment Stock Ownership Plan (ESOP) model should be brought to the UK, with Employee Ownership Trusts (EOTs) having an option to become ESOPs where stock is allocated to individual employees rather than held in a collective pool. Embracing EOTs and ESOPs as part of entrepreneur succession planning could help widen employee ownership over time.

Supercharging entrepreneurship and innovation – with employee-owned start-ups and academic-owned university spinout companies

12. The 25-hour working time requirement for Enterprise Management Incentive (EMI) share plans should be lifted for academic employees participating in university spinout companies, to incentivise more academics to be involved in the creation of innovative, cutting edge, academic-owned start-ups. Further, the Government should undertake a review of university spinouts in the UK, exploring the extent to which British universities could learn from the relative success of US universities such as Stanford in developing a thriving culture of innovative spinout companies.

13. To help the UK’s tech start-up scene to attract top global talent, companies with up to 499 employees should qualify for EMI plans (up from 249 at present). Given the difficulty of matching Silicon Valley salaries, widening access to share options could make it easier for fast-growing start-ups to attract talent.

Getting government to lead the charge

14. The Government should establish an Employee Ownership Commission, tasked with developing the necessary institutional support needed to widen rates of employee ownership. This includes reviewing business access to support and advice on employee ownership, financial support, marketing of employee ownership and identifying and removing barriers to employee ownership. The Commission should work closely with existing non-government organisations in the employee share ownership space.
CHAPTER ONE – INTRODUCTION

As the UK emerges from the Coronavirus crisis, which has led to a loss of livelihoods as well as lives, there are huge questions around the nature of the economic recovery – and whether all will benefit from it.

The latest forecasts from the independent Office for Budget Responsibility (OBR), published alongside the March 2021 Budget, are concerning: the unemployment rate is set to rise to close to 6% by 2022, up from about 4% in 2019 – amounting to close to half a million fewer individuals in work. Even as unemployment starts to fall back, employee earnings growth is expected to remain very weak by historical standards over the coming years, continuing the trend seen since the financial crisis.

Figure 1 and Figure 2: UK unemployment rate, % (left-hand chart) and annual employee wage growth, % (right-hand share)

A key driver of this picture of subdued wage growth is the UK’s persistent problem of low productivity growth. For each hour worked by an employee in the UK, less economic output is produced than in France, Germany, the US and Italy. Worryingly, the OBR believes that the pandemic has led to an even gloomier outlook for productivity growth in the UK; in its November 2020 Economic and Fiscal Outlook publication, the OBR said that the main contributor to its downward revisions to economic growth over the next five was the pandemic having a “scarring effect” on productivity.

The risk, therefore, is that the economic recovery from coronavirus does not translate into a significant improvement in living standards for workers. Unless British businesses become more productive, wage growth will prove elusive. As such, productivity must be at the heart of the Government’s agenda for the rest of this parliament, as part of its plans for supporting a robust economic recovery.
This includes investing in the transport and digital infrastructure needed to enhance the performance of UK companies, as well as investing in education and skills to create a more productive workforce.

But it also means rethinking business culture and corporate ownership in the UK. Excessive short-termism among British businesses has been a common critique of the UK economy. For example, it has been argued that entrepreneurs and businesses have often failed to invest sufficiently in human and physical capital on a sustained basis, which has held back their ability to succeed and in turn generate productivity and wage growth. Across the private sector innovation levels (measured through R&D expenditure\(^8\), patents\(^9\) and technological adoption\(^10\)) lag behind firms in other countries.

There is evidence that corporate ownership can have a significant impact on business performance, productivity, levels of short-termism and outcomes for employees such as wages, access to training and satisfaction at work – and it is this issue that is the focus of this Social Market Foundation (SMF) report.

In particular, we argue that a key part of the UK Government’s plans to create a more dynamic economy – and in turn higher incomes for households – should be a push towards greater levels of employee ownership of businesses as we emerge from the pandemic. In this report, we focus in particular on employee ownership through the route of holding shares and share options in the company.

As the evidence presented in this report shows, greater levels of employee share ownership could help narrow the UK’s productivity shortfall compared with other countries and improve outcomes for British workers. But a step change in employee share ownership is unlikely to come about by itself – we need institutional support from government, with a policy environment that encourages businesses to roll out employee share plans, and employees to participate in such plans. This needs to be complemented with support for companies to roll out additional measures for improving worker satisfaction and enhancing company performance – such as increased employee “voice” within a company. In this report, we discuss the policy reforms that could be implemented to widen employee share ownership in the economy, to maximum effect.

Beyond the potential of employee share ownership to enhance economic growth and in turn wages, it can also improve levels of household savings and wealth. The Coronavirus pandemic has highlighted another issue facing a significant number of households in the UK: a lack of financial resilience. SMF analysis of Bank of England Survey data from 2019 suggests that, among households in the bottom income quartile, the median amount saved each month is just £12. Close to half – 47% – were saving nothing from their income each month. Furthermore, close to a third (31%), had no savings in the bank that they could draw upon in an emergency situation. This compares to 8% among those in the highest income quartile.\(^11\)
The Coronavirus pandemic appears to have exacerbated these disparities in financial resilience. A YouGov survey in May 2020 showed close to two-fifths (38%) of those in the (generally lower income) C2DE socioeconomic group reporting that the pandemic had a negative impact on the amount of money they had left after paying for bills, financial commitments and other essentials (“disposable income”). This compares with a third (33%) in the ABC1 socioeconomic group. Meanwhile, just under a quarter (23%) of ABC1s reported that the pandemic had had a positive impact on disposable income, compared with 12% of C2DEs.12

Employee share ownership could bolster the financial resilience of workers in the UK. If a company performs well, share price gains could offer substantial, even life-changing levels of return – for example, allowing individuals to pay off their mortgage or support their children’s education. While share prices can decline as well as increase, it is possible for government-backed plans to ensure that employees do not lose out financially; for example, a tax-advantaged Save as You Earn (SAYE) plan gives individuals the option of taking back their cash savings rather than exercising an option to buy shares.

This report explores the benefits that could arise from shifting the UK economy to one in which more employees have an ownership stake in the company they work for, focusing specifically on share ownership. It considers the barriers to realising these benefits and examines that role that policymakers could play in driving greater rates of employee share ownership.
The structure of this report is as follows:

- **Chapter 2** - explores the economic case for employee share ownership in terms of corporate performance and worker outcomes, drawing on the wide range of literature on this topic. It also presents new analysis of the likely impact of employee share ownership on financial resilience.
- **Chapter 3** - examines who employee shareholders are currently, based on new analysis of the Wealth and Assets Survey.
- **Chapter 4** - discusses the barriers to employee share ownership.
- **Chapter 5** - sets out policy recommendations informed by the research.

**About tax-advantaged employee share plans**

There are four main tax-advantaged plans in the UK which incentivise individual employee share ownership:

- **Save As You Earn (SAYE) and Share Incentive Plans (SIPs)**, both of which are open to all eligible employees in a workplace.
- **Company Share Options (CSOPs) and Enterprise Management Incentives (EMIs)**, which are discretionary plans, usually aimed at managerial and senior staff (although this is not a formal criterion).

**SAYE** allows employees to purchase shares in their employer for a set price. This can be up to 20% less than the current share price at time of grant. Employees can save up to a total of £500 a month over a set term of either three or five years. Employees then have six months from the end of the term to decide whether to request the return of their savings (plus any interest) or exercise their option to buy shares. Employees do not pay Income Tax or National Insurance Contributions on the difference between what they pay for shares and what they are worth, although there could be a Capital Gains Tax liability on any gain.

**SIPs** allow employers to offer a maximum of £3,600 of free shares to employees per year, or invite employees to buy Partnership shares worth 10% of salary / £1,800 (whichever is lower), typically by monthly deduction from gross salary. Many employers choose to offer Matching shares, matching all or part of the purchased Partnership shares. There is no tax or national insurance due on shares that are held in a SIP for at least five years. Shares are free from Capital Gains Tax if they are within a SIP when they are sold.

**CSOPs** allow employers to grant up to £30,000 of share options to employees who can then acquire shares at a fixed price. Companies can choose which employees and directors it allows to participate. Options can be exercised, normally after a minimum of three years, without any income tax or National Insurance Contributions liability arising provided certain conditions are met.

**EMIs** allow selected employees to buy shares up to £250,000 over a set period. The employee will not have to pay Income Tax or National Insurance Contributions if they buy the shares for at least the market value they had when they were granted the option. If the company’s share price has increased in value between the time of grant and exercise the uplift is not charged to Income Tax. There will be a Capital Gains Tax
charge when the employee disposes of their shares and proceeds exceed the market value at the date of the grant of the option.

Currently, over 14,000 companies in the UK operate some form of tax-advantaged employee share ownership plan.\textsuperscript{13}
CHAPTER TWO – THE CASE FOR EMPLOYEE SHARE OWNERSHIP

In our view, the case for an expansion of employee share ownership is clear. Done right, there is scope for share ownership to a) help address the UK’s productivity crisis and lacklustre corporate performance, which is suppressing economic growth and worker incomes and b) bolster financial resilience in the UK.

Employee share ownership and company performance

In theory, employee share ownership can enhance business performance and productivity through a range of channels. Share plans may have recruitment benefits, helping companies to attract talented staff through additional non-salary benefits. Alongside this there may be retention benefits, with employees staying longer at a company and reducing costs associated with staff churn. Employee motivation and effort may rise, with workers more willing to improve the performance of a company in order to benefit from associated increases in the share price.

And in practice such benefits are borne out. A substantial number of studies have explored the potential for employee ownership, in its variety of forms, to improve economic outcomes for companies – most with positive conclusions.

A 2006 cross-country meta-analysis of 129 studies on employee ownership in general (i.e. not just via share ownership) found that two thirds of the studies identified favourable effects related to employee ownership, with just one in ten studies finding negative effects. A more recent (2016) analysis of 102 studies covering 56,984 firms found that employee ownership has a modest but statistically significant positive relationship with firm performance. The study found that the positive effect of employee ownership has increased in studies over time, possibly because firms are learning to implement employee ownership more effectively.

A UK study commissioned by HM Treasury and published in 2007, specifically on tax-advantaged share schemes, analysed over 16,000 UK firms and found that broad-based employee share ownership was linked to improved company performance measures, such as turnover and profitability. The study found that, on average, the effect of tax-advantaged employee share plans is significant and increases company productivity by 2.5% in the long-run, rising to 4.1% in the case of Save as You Earn plans.

Another study found that employee-owned businesses in the UK (defined as firms where employees own a stake both individually through shares and collectively through a trust) are more resilient, display less sales variability, and deliver more stable performance over business cycles. Research by London’s Cass Business School finds evidence that employee-owned businesses, defined similarly, favour actions which have a long-term payback horizon, and, therefore, invest more in human capital than non-employee-owned firms.

Bryson and Freeman found that companies with pay linked to company performance, particularly share ownership plans, have higher worker productivity than firms without such pay arrangements.
HMRC has recently published qualitative research on tax-advantaged share plans in the UK. The study noted that employers report positive impacts from such plans in terms of employee engagement, with businesses seeing share plans as important tools for recruiting and retaining talented and key staff. Employees participating in a share plan often felt more invested in the success of their company.

Previous research by HMRC into SIP and SAYE plans showed 81% of the 984 organisations surveyed citing increasing employee commitment as a major reason for setting up SAYE schemes; 87% said there had been a positive impact on relations between the organisation and its employees (the equivalent figures for SIP are 79% and 82% respectively). Some 45% of the SIP participants and 48% of the SAYE participants surveyed in the research said the provision of the scheme encouraged them to stay with the organisation they worked for, and eight in ten SIP and SAYE participants strongly agreed or agreed that they felt loyal to their organisation compared to seven in ten non-participants.

The Employee Share Ownership Index, started in 1995 by corporate finance firm Capital Strategies, showed that publicly listed companies with substantial employee ownership (3% or 10% of capital) performed better in the long term than the FTSE All Share. Between 2003 and 2015, the average annual margin of performance of firms in the 3% index was 13.9% higher than the FTSE All Share. Unfortunately, the Index has been discontinued since 2016.

Figure 4: UK Employee Ownership Index, 2003 - 2016

Source: UK Employee Ownership Index
In the US, the National Center for Employee Ownership (NCEO) in 2017 created its own Employee Ownership Index of 28 publicly traded companies that both have broad-based employee ownership and have won one of four major national employer rating awards, each of which puts a high emphasis on employee engagement (Fortune’s 100 Best Companies to Work For and its 100 Best Medium Workplaces, the Gallup Engagement Index, and the Enterprise Engagement Alliance awards). Broad-based employee ownership included Employment Stock Option Plans (ESOPs) with an average account balance of $30,000 or more and companies that provided equity grants to most or all full-time employees.

The NCEO Index saw a return of 30.3% between 2017 and 2018, compared with a 15.5% return for the S&P 500. Between 2018 and 2019, the return was 12.8% compared to 7.8%.

A common critique of the literature examining the linkages between employee share ownership and company performance is the difficulty in establishing the direction of causality. It may be the case that successful companies are more likely to offer employee share plans, rather than employee share plans leading to more successful companies. In our view, it is most likely that causality is running in both directions. Given that qualitative research shows businesses reporting improved outcomes as a result of share plan participation, it seems unlikely to just be a matter of already-successful firms introducing share plans. Furthermore, some studies have explored the before-and-after performance of companies that have introduced share plans. A study of firms in Japan, for example, found that Employee Stock-Ownership Plans led to a 4-5% increase in productivity, with this “productivity payoff” taking 3-4 years from plan implementation.

**Employee share ownership and financial resilience**

Bolstering financial resilience has been part of the rationale for introducing tax-advantaged share plans in the UK. Indeed, in the case of Save as You Earn (SAYE), notions of financial resilience are in the name of the plan.

The ability of individuals to accumulate wealth through acquiring company shares could bring with it a range of benefits. As we discussed in the introduction to this report, the UK is in the midst of a financial resilience crisis, with those on lower incomes exhibiting low rates of saving and holding low, or even no, financial reserves which they can draw on in an emergency. If such employees were to participate in share plans, they may save and accumulate more wealth than would otherwise be the case.

A counterargument to this view is that, particularly for lower income workers, holding a significant amount of savings in the form of employee shares might be imprudent. With the ability of share prices to go down as well as up, those of limited means could find themselves even worse off as a result of participating in employee share plans.

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1 Broad-based employee ownership included ESOPs with an average account balance of $30,000 or more and companies that provided equity grants to most or all full-time employees.
This is a valid concern, particularly in companies where internal communication is poor and employees may have a limited appreciation of downside risks to company performance. However, it also needs to be put into perspective. Although some may fail to make a return from a SAYE or SIP plan, in the medium-to-long run a substantial number of employees are likely to make a return from holding shares; looking at FTSE 350 index data from the past 20 years, the average three year growth rate of the index was 13%. Share price growth, combined with option price discounts and free or matching shares under SIP, can translate into even more sizeable returns.

Financial risks to individuals very much depend on the nature of the share plan introduced by a company. A SAYE plan, for example, gives individuals the option of acquiring shares, though they can also choose to instead take the cash savings built up in a plan (e.g. if the company share price has declined). Furthermore, SAYE allows option price discounts of up to 20% of the market value of the shares at the time of grant – also limiting the potential for financial losses.

With a Share Incentive Plan (SIP), financial risks to employees are greater if shares are offered on a partnership or match basis, requiring workers to part with their own cash. However, companies can also offer free shares to employees, in which case such risks are eliminated. According to ProShare’s 2019 SAYE & SIP Report, about a third (30%) of companies with SIPs offered free shares to employees.

Another common argument against employee share ownership, which has arisen in our discussions with stakeholders, is the lack of diversification on the part of employees. If an individual holds shares in the company in which they work, they are doubly exposed in the event of company failure – risking both loss of job and loss of wealth held in the form of employee shares. Rather than “put all their eggs into one basket”, employees should diversify and hold shares in other companies, or so the argument goes.

However, it is important to consider what a reasonable counterfactual is here: in the absence of employee share plans, would we expect workers, especially lower income workers, to instead hold shares in other companies? Given risk aversion, this seems unlikely for most individuals. More plausible would be individuals holding savings in current accounts or limited return savings accounts (in the current low interest environment) such as cash ISAs, or individuals instead spending rather than saving.

Indeed, research by Professor Andrew Pendleton (currently at the University of New South Wales and previously at Durham University Business School) and Professor Andrew Robinson (Leeds University Business School) for Yorkshire Building Society showed that 39% of share plan participants only saved in a share plan and that a third of share plan participants were saving for the first time. More than half (53%) of lower income share plan participants would spend their savings contributions if they were not in a share plan.

New analysis of data in the ONS Wealth and Assets Survey, undertaken for this report, supports the view that employee share ownership can offer benefits in terms of financial resilience. As the charts on the next page show, households with employee shares have greater levels of financial wealth than those that do not. This might reflect...
employee shareholders being more likely to work in higher income job roles. However, the result holds true across income groups. It also holds true across age groups.

Notably, the employee share ownership “wealth premium” apparent in the data stands over and above the typical value of employee shares themselves. The median value of household employee shares and share options is £5,000, according to the 2016-2018 Wealth and Assets Survey. Yet, even for households in the lowest income quartile, net financial wealth is about £10,000 higher compared with non-employee shareholding households. In part, this might reflect different characteristics of shareholding households – they may inherently be able to save more due to their circumstances – but conceivably it might also reflect multiplier effects of employee share ownership. For example, if share wealth enables individuals to build savings through other channels or pay off a mortgage early, it can have a wide range of financial benefits.
Figure 5: The employee share ownership premium – median net financial wealth\(^{ii}\) of employee shareholder households\(^{ii}\) and non-shareholder households

Source: SMF analysis of Wealth and Assets Survey 2016-2018. With respect to the age chart, the Household Reference Person (HRP) is the individual taken to represent the household for statistical purposes

\(^{ii}\) The values of any financial assets held, both formal investments such as bank or building society current or saving accounts, investment vehicles such as Individual Savings Accounts (ISAs), endowments, stocks and shares, and informal savings (money under the bed or loaned to family or friends) and children’s assets; less any financial liabilities such as outstanding balances on credit cards, arrears on household bills, loans (including student loans) from formal or informal sources.

\(^{ii}\) Defined as a household where at least one individual holds employee shares or employee share options
The tables below present the cross tabulation of median household financial wealth, for employee share owning households and non-shareholding households. It shows an employee share ownership wealth premium across all groups.

**Table 1: Net household financial wealth – non-employee shareholding households**

<table>
<thead>
<tr>
<th>Age of household reference person</th>
<th>1st or 2nd household income quartile (“poorest 50%”)</th>
<th>3rd household income quartile</th>
<th>4th household income quartile (“richest 25%”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 to 34</td>
<td>£77</td>
<td>£394</td>
<td>£7,500</td>
</tr>
<tr>
<td>35 to 44</td>
<td>£450</td>
<td>£4,512</td>
<td>£18,180</td>
</tr>
<tr>
<td>45 to 54</td>
<td>£329</td>
<td>£6,720</td>
<td>£24,550</td>
</tr>
<tr>
<td>55 to 64</td>
<td>£1,500</td>
<td>£18,200</td>
<td>£56,966</td>
</tr>
</tbody>
</table>

**Table 2: Net household financial wealth – employee shareholding households**

<table>
<thead>
<tr>
<th>Age of household reference person</th>
<th>1st or 2nd household income quartile (“poorest 50%”)</th>
<th>3rd household income quartile</th>
<th>4th household income quartile (“richest 25%”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 to 34</td>
<td>£750</td>
<td>£1,332</td>
<td>£21,350</td>
</tr>
<tr>
<td>35 to 44</td>
<td>£8,835</td>
<td>£6,260</td>
<td>£70,016</td>
</tr>
<tr>
<td>45 to 54</td>
<td>£7,161</td>
<td>£35,949</td>
<td>£92,650</td>
</tr>
<tr>
<td>55 to 64</td>
<td>£37,500</td>
<td>£48,802</td>
<td>£144,500</td>
</tr>
</tbody>
</table>

**Table 3: Net household financial wealth – employee share ownership “wealth premium” (difference in financial wealth between employee shareholding and non-shareholding households)**

<table>
<thead>
<tr>
<th>Age of household reference person</th>
<th>1st or 2nd household income quartile (“poorest 50%”)</th>
<th>3rd household income quartile</th>
<th>4th household income quartile (“richest 25%”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 to 34</td>
<td>£673</td>
<td>£938</td>
<td>£13,850</td>
</tr>
<tr>
<td>35 to 44</td>
<td>£8,385</td>
<td>£1,748</td>
<td>£51,836</td>
</tr>
<tr>
<td>45 to 54</td>
<td>£6,832</td>
<td>£29,229</td>
<td>£68,100</td>
</tr>
<tr>
<td>55 to 64</td>
<td>£36,000</td>
<td>£30,602</td>
<td>£87,534</td>
</tr>
</tbody>
</table>

Source: SMF analysis of Wealth and Assets Survey 2016-2018. Under 25s excluded from analysis due to low sample size of employee shareholders for this age group. Similarly, 1st and 2nd household income quartiles grouped for sample size reasons.
This aligns with findings from the United States; an analysis by the National Center for Employee Ownership of workers aged 28-34 found that employees holding stock in the companies where they work had 92% higher median household wealth. Similar to our analysis of the Wealth and Assets Survey in the UK, the study found that this “wealth premium” held true even once the analysis is segmented by income group. That is to say, the wealth premium apparent in the data does not appear to merely be a reflection of higher income workers being more likely to be employee shareholders.

Other benefits

Beyond wealth gains through share price accumulation and dividends income, the literature identifies a number of other benefits to employees from employee share ownership.

The NCEO study mentioned above found, for example, that workers aged 28-34 who were employee-owners – defined as having access to Employee Stock Option Plans – had 33% higher income from wages compared with those that were not employee-owners. Employee-owners were also found to be much more likely to have access to an array of benefits at work, including flexible work schedules, retirement plans, parental leave and tuition fee reimbursement. The study found that 23% of employee-owners have access to childcare benefits, compared to 5% of non-employee-owners. Another US study shows that ownership programmes are positively linked to greater participation in decisions, higher quality supervision and treatment of employees, more training and higher job satisfaction.

There is also evidence suggesting that employee share plans improve perceptions of fairness in company renumeration policies. Employee share ownership improves perceptions of “fairness” and “equality” more broadly – for example, by giving employees across the pay scale a sense of wealth, power, prestige and privilege.

“Good” and “bad” employee share ownership

Much of the literature on employee share ownership, and employee ownership more broadly, highlights the need for ownership to be complemented with other policies in the workplace if its benefits are to be maximised.

As well as ensuring that a high proportion of employees participate in plans, it has been argued that productivity benefits from employee share ownership are likely to be greatest – or perhaps only realised – if they are combined with policies that encourage employee “voice” and “involvement”. Examples of such policies include involving employees in the determination of a company’s long-term strategy, and having systems in place for employees at all levels of an organisation to suggest improvements that would benefit the company.

That is to say, a half-hearted embrace of employee share ownership by companies will not be enough to bring about a significant improvement in organisational performance. It must be part of a wider agenda of rehauling the relationship between a company and its employees. As the Nuttall Review notes, employee ownership and employee
engagement are mutually reinforcing – the benefits arising from employee ownership are often as a result of employee engagement, whilst simultaneously, employee ownership as a business structure incentivises employee engagement.34

The benefits of employee share ownership might be larger when more than one employee share plan is used35 or when employee ownership plans are used in combination with profit sharing arrangements.36 It has also been argued that productivity improvements associated with employee ownership only arise when employee ownership is widespread across the employer’s workforce.37 That is to say, share plan participation rates matter with broad-based plans having the greatest impact on organisational performance.

Another important consideration is communication. The benefits of share plan participation need to be communicated clearly to employees, in “plain English”. In our discussions with stakeholders on what makes a good employee share plan, this came up regularly as a crucial component of creating widespread employee participation, with associated benefits.
CHAPTER THREE – WHO ARE EMPLOYEE SHAREHOLDERS?

The previous chapter of the report identified a wide range of benefits that arise from employee share ownership in the UK. However, at present, employee share ownership rates across the UK workforce are low; our analysis of working age individuals in the 2016-18 Wealth and Assets Survey suggests that just 5% hold either employee shares or share options.

To understand how participation rates could be increased, it is important to establish who employee shareholders are at present – what are their characteristics and where do they work? It is to these questions that this chapter turns.

Understanding the characteristics of those less likely to own employee shares can help us understand the individuals and businesses that policy needs to focus on if it is to achieve a meaningful increase in employee share ownership.

Income

Employee share ownership rates are closely linked to income; while 15% of those in the highest income quartile (“the richest 25%”) had employee shares or options this stands at less than 4% among those in the lowest income quartile. A similar picture is seen when looking at occupational classification of workers. Some 9% of those in managerial & professional roles have employee shares or options, compared with less than 3% of those in semi-routine and routine roles.

These figures are based on SMF analysis of the Wealth and Assets survey, and relate to all types of company share plan, not just all-employee SAYE and SIP plans. The greater figures for managers and professionals, and those on higher incomes, is likely to at least partly be a reflection of participation in discretionary plans such as EMIs and CSOPs.

Figure 6: % of individuals with employee shares or share options, by income quartile, 2016-18

Source: SMF analysis of Wealth and Assets Survey
Employee share ownership, at present, is much more prevalent in certain industries of the UK economy. Close to a quarter (24%) of those working in the finance, insurance & real estate sector hold employee shares or options – far higher than any other sector. This is followed by manufacturing at 11%. In contrast, the figures for the construction and retail sectors both stood at close to 4%.
These variations are likely to be explained, in part, by differences in the proportion of businesses offering share plans in each industry. Research by Oxera published in 2007 found that 80% of tax-advantaged employee share plans are concentrated in four sectors: manufacturing; real estate, renting, and business activities; wholesale and retail trade; and financial intermediation.\(^{38}\) It is difficult to establish fully why some companies offer share ownership opportunities while others do not, though part of the industry variation seen may reflect “norms” in different sectors. For example, in the manufacturing and financial services sectors, employee share plans may be more likely to be seen as a key “offer” to employees, and a tool used for recruitment and retention purposes.

Variations in employee participation also matter in terms of explaining the variation seen in the Wealth and Assets Survey data. ProShare data for 2019 suggest that employee take-up rates for share plans vary significantly across sectors. Among companies offering SAYE plans, employee participation rates stand at more than half in the household utilities and chemical sectors. However, employee participation rates stand at just 13% among those working for food & drug retailers, and 11% for those working for a travel & leisure business.\(^{39}\)

A key driver of these variations in employee participation is likely to be wages; in higher wage sectors such as financial services and manufacturing, employees are relatively more likely to have sufficient income that they can set aside for a company share plan. In contrast, in sectors such as retail and hospitality, where low wages are more pervasive, a lack of disposable income among employees is likely to be a substantial barrier to participation. Another factor driving lower participation in these sectors is likely to be relatively high rates of employee churn.

**Company size**

Size of employer is another important determinant of employee share ownership. 11% of those employed in a large company (with 250 or more employees) hold shares or share options. This falls to 5% for medium-sized companies (50-249 employees) and 3% for small companies (less than 50 employees).

*Figure 9: % of individuals with employee shares or share options, by employer size in terms of number of employees, 2016-18*

*Source: SMF analysis of Wealth and Assets Survey*
**Age**

Employee share ownership is more prevalent among the middle aged. 7% of those aged 45-54 hold employee shares – a greater proportion than any other age group.

*Figure 10: % of individuals with employee shares or share options, by age, 2016-2018*

![Age chart](chart)

*Source: SMF analysis of Wealth and Assets Survey*

**Region**

While there are regional variations in employee share ownership, these are not substantial. The South East of England has the highest rate of working age individuals holding employee shares or options, at 7%. Wales has the lowest proportion at just under 3%. London, the North West of England, the East of England and Yorkshire & the Humber all have about 5% of working age individuals holding employee shares.

*Figure 11: % of individuals with employee shares or share options, by region, 2016-2018*

![Region chart](chart)

*Source: SMF analysis of Wealth and Assets Survey*
Summary

As things stand, employee shareholders are more likely to be in certain demographic groups. A focus of policy should be on widening access to and participation in share ownership plans, particularly among lower income groups, younger individuals, those working for small businesses and those employed in sectors of the economy such as retail. To improve access to share ownership among these groups, a number of barriers to ownership need to be overcome. It is to these barriers that we now turn.
Despite the benefits of employee share ownership, outlined in Chapter 3, the number of companies in the UK offering all-employee tax-advantaged plans (SAYE and SIP) has declined from a peak of just over 1,500 prior to the 2008/09 economic downturn – as shown in the chart below. The main driver of this is a decline in the number of companies offering SAYE plans.

Figure 12: Number of companies offering all-employee share plans

Source: HMRC statistics

Furthermore, as we discussed in the previous chapter, employee share ownership is highly concentrated among certain segments of society and in certain sectors of the economy, rather than more broadly.

This raises a number of questions around the likely barriers to share plan rollout and participation, which we discuss below.

Lack of awareness of – or scepticism towards – the benefits

Despite the majority of academic literature pointing to benefits from employee share ownership, in terms of corporate performance, business rollout of such plans remains limited. This is also despite the tax-advantaged nature of the SAYE, SIP, EMI and CSOP plans.

This suggests that there is likely to be a pervasive lack of awareness of – or scepticism over – the case for developing employee share ownership policies within businesses. If companies widely understood that share ownership boosts worker productivity,
reduces absenteeism and encourages innovation, presumably more companies would pursue ownership policies of their own accord.

Another issue may be lack of awareness of benefits from the perspective of employees. Share plan rollout, with high participation rates, will be limited if employees are sceptical of the claims that such plans can help them accumulate wealth. Some workers might be suspicious of a share plan rollout being linked to concessions elsewhere, such as on pay.

**Cost of plan implementation and administration**

Another consideration is the corporate costs associated with rolling out and administering employee share plans. To implement a share plan, companies must be willing to devote considerable time and financial resources to the design, preparation, communication and ongoing operation of plans.

Care needs to be given to share plan design to ensure the associated implementation and administration costs are not too burdensome. In its 2012 review of tax-advantaged share plans the Office for Tax Simplification noted that a key part of the reason Enterprise Management Incentives (EMIs) have been successful is their flexibility and the fact that documentation is relatively simple. In contrast, the rules relating to SIP, SAYE and CSOP plans are more complex and there is more scope for companies to make errors, resulting in non-compliance issues.40

One particular cost issue that arose in our discussions with stakeholders was the way share plans are treated for accounting purposes. Since 2009, amendments to accounting standards, under International Financial Reporting Standards 2 (IFRS 2), have seen harsh accounting treatment of SAYE option plans.

Under IFRS 2, companies have to estimate the value of SAYE options on grant and spread the cost over the period until they vest. Employees may stop making their monthly contributions for a variety of reasons resulting in the SAYE options lapsing.

Logic might suggest that if an employee stops saving under a SAYE savings contract say two years into a five year option with the result that the connected share option lapses, the company should be able to write back two-fifths of the estimated costs that it has taken against profits. However, under ISRS2, the company cannot reclaim the two-fifths and has to expense the other three-fifths of the costs immediately, even though no shares will ever be issued.41 The UK Accounting Standards Board declared that this accounting treatment was “harsh, if not penal” in relation to savings related share option plans, although these objections were not reflected in the final position of the International Accounting Standards Board.42

**Employee finances and risk aversion**

Even where share plans are offered by an employer, employee participation is not guaranteed. As we noted in the previous chapter, share plan participation is lower in low-wage industries such as hospitality and retail, suggesting lack of financial means to participate in share plans is likely to be a key barrier to participation.
The existence of this barrier is borne out in a survey commissioned for past SMF research on employee share ownership. Just under two fifths (38%) of listed company employees that had been offered shares/share options declined them because of a lack of spare income to purchase shares. This was the most commonly cited reason for not holding shares, followed by concerns about shares declining in value.

**Figure 13: Reasons for not holding shares, % among those offered shares/options but had declined the offer**

- I do not have the spare income to buy shares/options: 40%
- I’m worried that share prices might fall and I will make a loss: 37%
- I am not interested in participating: 29%
- I do not understand how I can benefit from participating: 24%
- I do not plan to stay at my current employer for long enough in order to benefit from share ownership: 22%
- Other reason: 13%
- I do not own shares because my co-workers do not: 3%

Source: Opinium Survey of listed company employees carried out between 22nd November 2019 and 2nd December 2019.

Even where an individual on a lower income is able to set aside some money for saving, risk aversion may discourage participation in a share plan, particularly as such an individual may not have sufficient savings to be able to diversify and set aside money elsewhere.

We know from academic literature that the corporate performance benefits of employee share ownership are greatest when participation is broad – with workers at all levels of a company participating. As such, opening up share ownership to lower income employees has to be a key component of policy reform. This includes nudging more businesses to offer share plans which offer low risk opportunities to individuals – such as SAYE, and SIP plans which offer free shares.

**The changing labour market**

Another challenge facing employee share plans in the 21st Century is the changing nature of the labour market. The rise of the gig economy, outsourcing and the demise of a “job for life” have all served to undermine the appeal of - and access to - share plans for a significant proportion of the workforce.
With gig economy workers treated as self-employed rather than employees of a company, they are unable to benefit from all-employee share plans.

Even for employees, share plans might have become less appealing. With staff spending less than five years in a job on average, the five year holding period for share plans such as SIP and some SAYE contracts is likely to be of limited appeal for those that think it unlikely that they will spend so long in a job.

At present all-employee SAYE and SIP plans make a distinction between “good” and “bad” company leavers. “Good” leavers are those that leave because of injury, disability, retirement or redundancy, whereas “bad” leavers leave voluntarily or are sacked with good cause. Bad leavers who fail to complete the period of their savings contract lose their right to exercise SAYE share options, but keep their accrued savings. Good leavers can exercise their options, to the value of their accrued contractual savings and, if they do so within six months of leaving, will not pay tax or NICs.

In our view, it is worth debating whether the current definitions of a good leaver and a bad leaver are the right ones. A company may still wish to reward an employee that leaves voluntarily, and indeed may derive benefits from an amicable departure of an employee – for example if the ex-employee goes on to recommend the employer to potential customers. A growing number of companies recognise the benefits of maintaining an “alumni” network of ex-employees.

Given this, and the need to broaden the appeal of share ownership, there may be a case for treating those who leave voluntarily as “good” leavers, or have a separate status that is neither “good” nor “bad”. Having said that, we note that employee share plans are used by some companies as a means of retaining talent, and such a redefinition may serve to undermine employee incentives to stay with an employer.

Lack of institutional support and leadership from government

To sustain employee share ownership over the long term requires continued institutional support, which has never been developed in the UK.

For the employee share ownership agenda to have a real impact over the long term, it requires substantial institutional effort, involving improved access to advice, training and other support on a continuing basis. If the UK government is serious about making a success of employee share ownership policy, it is going to require necessary advice, training and communication available through either creating new bodies with sufficient resources or bolstering those available to working in conjunction with existing non-government groups promoting employee ownership.

Perhaps the last time government rhetoric was especially enthusiastic about employee share ownership was in the last 1990s and early 2000s. In 1999, the then-Chancellor Gordon Brown said:

“Share ownership offers employees a real stake in their company... I want, through targeted reform, to reward long-term commitment by employees. I want to encourage the new enterprise culture of teamwork in which everyone contributes and everyone benefits from success.”
This was followed by the introduction of Share Incentive Plans and Enterprise Management Incentives in 2000.

Since then, political rhetoric on share ownership has been decidedly lukewarm, with government failing to lead the agenda and drive significant change. George Osborne’s “shares for rights” policy, announced in the 2012 Autumn Statement, allowed for the creation of Employee Shareholder contracts. Staff who opted for Employee Shareholder Status (ESS) could receive company shares worth at least £2,000. Up to £50,000 of shares were exempt from capital gains tax on disposal.

The drawback of holding Employer Shareholder status was that it entailed a loss of employee rights, including rights related to unfair dismissal, redundancy and the right to request flexible working and time off for training.

Arguably, this policy may have been detrimental to the advancement of employee share ownership, by associating share ownership with concessions elsewhere, leading to limited overall gains for employees. In the 2016 Autumn Statement, ESS was abolished for new entrants as it became clear that the policy was not having the desired effect of increasing employee share ownership significantly – particularly among those on low-to-middle incomes. Indeed, evidence suggested that ESS was mainly being used by higher earning employees as a method of avoiding Income Tax and Capital Gains Tax.47
CHAPTER FIVE – TOWARDS AN EMPLOYEE SHAREHOLDER ECONOMY

The previous chapters have explored the case for employee share ownership, and the barriers to more wider ownership in the UK. In this chapter we set out a series of policy reforms for driving up employee share ownership rates in the UK.

As the UK economy emerges from the Coronavirus pandemic, now is a good time for government to push for higher rates of employee share ownership. With productivity growth in the UK lagging, a shift towards ownership structures which bolster innovation, employee effort and corporate long-termism should form a key part of the economic recovery plan.

Further, employee share ownership could play an important role in narrowing the vast disparities in financial resilience that exist in the UK. As our analysis has shown, employee share holders have greater levels of financial wealth than those that do not own employee shares, even once one accounts for differences in income between shareholders and non-shareholders.

Having said that, we know from the data that employee share ownership at present is disproportionately common among those on higher incomes. To play a key role in tackling the financial resilience crisis in the UK, policy reforms need to focus on widening access to and participation in share plans among those on lower incomes. Some of the policy recommendations in this chapter would go some way to achieving this.

Encouraging businesses to embrace employee share ownership

As we outlined in the previous chapter, there appears to be substantial business inertia to rolling out employee share plans, despite the majority of the academic literature on the topic suggesting that such plans typically enhance corporate performance. This is likely to reflect lack of awareness of, or scepticism towards, such benefits.

Given this, outreach to the business community has to be a key part of a policy agenda aimed at driving up rates of employee share ownership. If government is serious about using employee share ownership as a tool for addressing the UK economy’s productivity crisis and bolstering financial resilience, it has to devote resource to such outreach. This includes making companies aware of:

1. **How employee share ownership can translate into improved corporate performance and increased employee engagement.**

2. **How to roll out employee share plans most successfully to enhance corporate performance.** This includes clear communication around the need to complement ESO plans with other tools for improving employee voice.

3. **How to communicate with employees on the merits of ESO plan participation,** for example through sharing examples of best practice, where firms have effectively explained plans in plain English and attracted widespread interest among employees.
4. How to couch information on employee share plans as part of a broader conversation with employees on managing finances well to increase financial resilience more broadly.

It is important that any outreach programme is conducted at the right tier of government, or by non-government bodies such as groups representing businesses and the employee ownership community. Arguably, this might be better done at a local or sectoral level rather than through a broad, nationwide outreach campaign. Local and sectoral networks are likely to be important in terms of spreading the good word on employee share ownership. The relatively higher prevalence of employee share ownership in sectors such as manufacturing and financial services might reflect such network effects, with the benefits of share ownership shared sectorally and coming to be seen as part of good practice within the industry.

Building up an evidence base on “what works and does not work” when it comes to employee share ownership is crucial, and we note that steps are currently being taken to build and disseminate this evidence base. To illustrate, ProShare offers awards for companies – for example, for “most effective communication of an employee share plan”, “most effective use of technology” and “best financial education initiative for employees”, and holds events to share examples of best practice.48

In addition to outreach, government should consider the tools it has at its disposal to nudge more businesses to offer employee share ownership plans.

One approach is through amending company annual reporting requirements. Requiring companies to provide details on the existence of employee share plans, as well as information on, for example, the percentage of employees participating, could serve as a useful nudge for organisations to take action on employee share ownership. A good parallel here is gender pay gap reporting requirements which have prompted firms to give more attention to pay disparities and take steps to reduce them.

The vital context here is the growing interest among investors in the ESG agenda. The Environmental element of the ESG is increasingly well-explored, with better metrics being developed to allow investors and their agents to better allocate capital according to environmental impact. However, the Social and Governance elements of ESG still need clearer, more rigorous targets / KPIs, which would allow investors to allocate capital to those companies that best discharge their responsibilities under those headings.

In this context, reporting authorities should regard companies’ adoption and uptake of employee share ownership as a key measure of engagement with their workforce.

Another tool that government has for incentivising changes in business behaviour is public sector procurement rules. If rules look relatively favourably on employee-owned firms, or more broadly on firms that guarantee that employees share in corporate success, then companies may be more likely to offer employee share plans.
Furthermore, consideration should be given to the accounting treatment of SAYE share plans. As discussed in the previous chapter, under IFRS 2 such plans are subject to harsh accounting treatment that the UK’s accounting standards board has previously criticised. Given that the current accounting treatment of share plan cancellations creates a disincentive to rolling out a share plan, it should be reviewed.

The Federation of Small Business has argued that ministers should use Government lending to business during the Coronavirus crisis to expand the use of Employee Ownership Trusts (EOTs) to lift burdensome debts off company balance sheets and increase such companies’ chances of “survival”.

The FSB proposal is that a small-and-medium sized enterprise’s (SME’s) debt to government be passed to EOTs, which would be granted equity in the firm of matching value. 49

In our view, this proposal is unlikely to succeed in the form described, not least because of the presumably low value of a company that cannot service its debts to

**Recommendation 1**

The Audit, Reporting and Governance Authority (ARGA) - the Financial Reporting Council’s successor - should require firms to include information on what type of employee share ownership plans are operated, the extent to which each plan is taken up by eligible UK-based workers and the average value of employee shares in annual reports. This information should be reported regularly and in standardised form, for the use of investors pursuing an ESG agenda and seeking more information about companies’ social and governance performance.

**Recommendation 2**

Government should explore the role that public sector procurement rules could play in encouraging wider rates of employee share ownership. Companies that are able to demonstrate how they share success with employees (such as through share plans) could be looked upon more favourably.

**Recommendation 3**

ARGA should undertake a review of the accounting treatment of SAYE share plans. In particular, consideration should be given to the current treatment of cancellations by plan participants, which sees expenses brought forward even though share options will never be exercised.
government without putting its survival at risk. Nor is it clear why employee-owners should be asked to assume the company’s debts – or indeed, that employees would be keen to accept ownership on such terms.

However, the FSB proposal is deserving of attention because of the wider issues it raises relating to Covid-related business support policies and the scope they offer for a recasting of the relationship between the state, companies and workers. That relationship should indeed be reset, with Government loans as the finger on the reset button and wider employee ownership as the aim.

The Coronavirus pandemic has seen the UK offer unprecedented levels of financial support for British business. That support raises a significant question about repayment and reciprocity: how will business repay the favours it has been granted during the crisis? Many works of policy analysis and prescription attempt to answer that question in relatively narrow financial terms, considering how and under what circumstances businesses that have received public support can repay some or all of the money involved.

While such analysis has its place, we believe that it frames the issue too narrowly. As well as considering the simple financial transactions entailed in government support and its repayment, we argue that a Social Market approach must take in the moral obligation that business now bears over that unprecedented support. Much of that support was delivered in unprecedented ways, at great speed and with significant excess cost to the public purse. Put simply, politicians threw away the rulebook for public spending in order to support British business during a time of need. Business should take a similarly bold and novel approach in response.

Here we return to the spirit of the FSB proposal, that the crisis should see workers who have stayed with companies during the downturn given the opportunity to take a stake in the business. Such an approach, we argue, is consistent with the tone and policy measures that have marked the UK response to the pandemic: a national crisis has often been met with partnership and co-operation, between political opponents, between public and private, between business and trade unions. The economy that emerges from the crisis should seek to continue that notion of togetherness, and greater employee ownership should be central to that new approach.

This is a recommendation to policymakers based more on principle than detailed policy, not least since policy should generally flow from principle. Our view is that the policymakers that extended such significant support to business over the crisis should consider business to be under a social and moral obligation to reciprocate by widening ownership among their employees.

This is not something that can or should be written into law or fixed in regulation. This is a social obligation, not a legal one. But that does not mean it is of lesser importance; quite the contrary, since social obligations to behave well can be more powerful than legal requirements. In a free society, many people play by the rules – written and unwritten – not for fear of punishment if they do not but because it simply the right thing to do. Compliance with Covid restrictions demonstrate the power of social obligation vividly. Millions of people during 2020 accepted significant and sustained
curtailment to their daily lives not because they would be arrested and penalised if they did not follow the rules (which, in any case, were often mere “guidelines”) but because they themselves felt they should do so.

That should inform a new post-crisis drive by policymakers to establish a clear social norm: companies that were supported by wider British society during the crisis, through emergency loans, furlough or other schemes, should repay the moral debts incurred by increasing the proportion of equity held by – or at least offered to – workers.

This norm should be established firmly in the context of investors’ growing interest in the ESG agenda. The E -Environmental and G- Governance strands of this trend are relatively well-defined and well-understood, but the S- Social dimension remains less consistently targeted. There is thus an opportunity for UK policymakers to establish clearly that a good social conduct by business includes repaying moral debts over pandemic support by making a bigger, better ownership offer to employees.

Having established and publicly promoted this “new partnership” approach to employee ownership as a goal, policymakers can proceed to develop detailed policy tools to promote it.

**Modernising ownership plans to reflect the 21st Century Economy**

Employee share ownership has the greatest impact on company productivity and performance when participation rates are high. As such, policymakers should explore options for broadening the appeal of employee share ownership among workers. As we discussed in the previous chapter, existing tax-advantaged plans have not kept pace with recent labour market developments, such as the rise of the gig economy, leaving individuals unable or unwilling to participate in share plans even when a company offers them.

All-employee tax-advantaged share plans should be reformed to reflect the realities of staff tenure; as we noted in the previous chapter, most staff spend less than five years in a job, on average.

In our view, reducing the holding period of SIP from five years to three years would be a sensible, modest reform to an existing share plan. Reducing the holding period would increase interest in plan participation among workers that are unlikely to stay with a company for a longer period of time.

Consideration should also be given to (tapered) benefits for those voluntarily leaving a company after less than three years of employment – currently classified as “bad leavers”. However, there needs to be a careful balancing act between improving incentives for shorter-term staff, and ensuring plans are not overly complex (with associated administration costs). Furthermore, another risk to be borne in mind is perverse incentives; if tax benefits to voluntary leavers are too generous, employees may be incentivised to leave earlier than would otherwise be the case – for example, in the event that a company’s share price appreciates considerably.

In the case of gig economy workers, it could be mandated that such workers can participate in all-employee plans.
Getting lower income workers on board

As things stand, there are significant financial constraints which limit the ability of lower income workers to participate in share plans. Even if individuals can set aside a small amount for saving, risk aversion may limit interest in share plan participation. The risks associated with share price volatility are particularly pertinent for those on lower incomes, given that they are likely to lack the financial means to substantially diversify their savings and investments, increasing the prospect of “losing it all” if company share prices take a turn for the worse.

Such barriers will need to be overcome if we are to achieve a meaningful increase in employee share ownership, that benefits all levels of society.

A key part of this could be redesigning tax-advantaged share plans to widen their appeal for those on lower incomes.

Lower income worker participation in SIP is likely to be constrained by the requirement of individuals to part with their cash to buy shares – something they may be unable or unwilling to do for the reasons described above. According to ProShare data, 30% of companies with SIP plans offered free shares to employees, implying that a majority of plans require individuals to buy shares. This is likely to reflect, in part, the costs associated with a plan offering free shares to employees.

Under the rules of SIP, free shares must be awarded to all employees on similar terms. This means that they must either all receive the same number of shares or the allocation can be by reference to objective criteria such as remuneration, length of service, or other factors.
service or performance. None of the factors must be applied in a way which produces a “nil award” (no shares) for any qualifying employee because the factors are not eligibility criteria.\textsuperscript{51}

If a percentage of earnings is to be awarded as a value of shares, the same percentage must apply to all participants. Alternatively, awards may be made by reference to bands of earnings, provided the bands are of equal width.\textsuperscript{52}

A useful amendment to the requirements of SIP would be to better allow such plans to offer favourable terms for lower income workers, driving more widespread participation within a company. For example, a company could be permitted to offer free shares exclusively to lower income workers, while offering a match share arrangement to higher income employees.

The design of SAYE means that employees are protected from share price declines. Even if a company’s share price falls, individuals have the option of taking cash savings instead at the end of a SAYE contract. Furthermore, the ability to grant option price discounts of up to 20% limits the potential for losses when an option is exercised.

The appeal of SAYE could be widened by setting a bonus/interest rate which attracts greater interest in participation. At present, SAYE interest rates, set by HMRC\textsuperscript{53}, are zero. Government-financed support for a modest rate of interest would attract greater interest in participation. Incentives, such as match savings, could be focused on lower wage employees to ensure they benefit the most and to encourage wider uptake among lower earners. The SMF has argued elsewhere that government support for savers is currently poorly focused. For example, ISA tax reliefs disproportionately benefit higher earners. We have argued that financial support should be focused on lower earners and those of limited financial resilience. Government-provided match savings for lower earners participating in SAYE, and other corporate savings schemes, would be one way of doing this.\textsuperscript{54}

Given the low interest rate environment affecting all savings products, we would not expect this rate of interest to be substantial. But, given the risk averse nature of employees, who may be concerned about share price declines, offering a guaranteed low rate of interest could be a useful means of encouraging participation.

Another approach would be offering greater option price discounts on SAYE. At up to 20% at present, these discounts are already substantial, though there may be a case for increasing the size of the discount for lower income employees, with a view to encouraging wider participation.

Recommendation 7

Share Incentive Plan rules should be amended to allow preferential access to free shares for lower income workers. For example, a company could be permitted to offer free shares exclusively to lower income workers, while having a match share arrangement with higher income workers. This would help widen participation in SIP while managing the company costs of such plans.
Rights and voice of employee shareholders

Another way of widening the appeal of employee share plans is through reviewing the rights of employee shareholders.

At present, employee shares issued under a SIP must be ordinary shares in the company. However, employers are allowed to put certain restrictions on employee shares, such as limited or no voting rights. Given that productivity benefits from ESO are achieved from complementing ESO with employee “voice”, there is a case for requiring parity of voting rights with other shareholders, or even enhanced voting rights. Strengthening a link between share ownership plans and employee “say” could help build a more compelling narrative around the benefits of participation in plans.

In a stakeholder economy, a “stake” is more than narrow ownership in a legal sense; it also carries democratic weight. Owning a stake is having a voice, the opportunity to be heard, by reason of that ownership.

We know from an existing body of evidence that employee voice is closely linked to the productivity and performance gains that employee ownership can deliver. If companies with significant employee share ownership perform better, it is not simply because employee-owners work harder to maximise their profits as owners – apart from anything else, human decision-making is rarely so one-dimensional. It is because such employee-owners are more likely to feel themselves part of a joint enterprise to which they wish to contribute.

This is not a contentious assertion. Countless contemporary businesses devote significant resource to fostering such a sense of shared endeavour among employers, sometimes through largely cosmetic means (for instance, renaming employees are “team-members”). They do so at least in part because they believe that increasing workers’ feeling of engagement in their workplace is good for business, via lower absence and turnover rates, and increased labour inputs.

Employee share ownership should be seen as a more potent tool of engagement. And making the most of that ownership in that context requires a clear employee voice.

As long ago as 2012, the Nuttall Review concluded that “voice” was both a prerequisite of successful employee ownership, and a necessary condition of that ownership delivering better company performance:

Recommendation 8

Given the need to improve financial resilience among lower income households in the UK, government should consider the case for supporting a modest rate of interest on SAYE savings, or provide focused financial incentives such as match savings to lower income employees.

Lower income workers could also be offered greater SAYE option price discounts.
“The key condition under which employee ownership is recognised to succeed best is when it allows employee owners to exercise their voice internally. It is this combination of share ownership and employee engagement that drives higher performance.”

One proposal made in recent years has been for employees to be represented at the Board level with the appointment of at least one director from the company’s wider workforce. Could this proposal be adapted to argue that employee-owners be guaranteed a seat on the Board?

Our view is that while the mandatory broad adoption of that measure might have attractions, it would face many practical objections. With significant numbers of companies opposed to the idea of workers on boards, it could also undermine a drive to widen rates of employee share ownership. As such, efforts to increase employee “voice” in a company may be better achieved through other means.

Here, we turn to the UK Corporate Governance Code provisions in force since 1 January 2019 and covering directors’ duties over engagement with the workforce.

The Code requires that such engagement is carried out through one or a combination of the following methods: “a director appointed from the workforce; a formal workforce advisory panel; a designated non-executive director.”

The majority of companies have chosen the designated non-exec option, but we see greater scope for engagement in the advisory panel route, which can give at least some members of the workforce a regular point of contact with executives and, potentially, a voice in the direction of the company.

Here, we are persuaded by arguments such as that of Sergakis and Kokkinis that

“Such panels have the potential to improve corporate decision-making through the inclusion of the employee perspective, and to enable employees and their representatives to develop the necessary skills to act as effective governance players.”

A full consideration of changes to the Code is beyond our scope here, but we suggest that a workforce advisory panel should be seen a desirable and possibly integral part of a successful employee share ownership regime. One option for embedding advisory panels as the norm for companies offering employee share ownership could be a new reporting requirement on such companies who do not have such a panel to publicly explain (in the annual report) why not.

Employee shareowners should be guaranteed representation on such panels, in numbers significantly disproportionate to their percentage of the overall workforce, giving them additional weight. Bluntly, the voice of workers who own part of the company should sound louder in the advisory panel than those who do not. This is first because such workers are likely to have a greater interest in the long-term success of the company, and second because the prospect of this amplified voice will help create incentives for more workers to own shares.

A variant on this reform could be the establishment of advisory panels composed solely of employee share-owners. We consider this decision best left to companies, in the expectation that only companies that achieve very high levels of employee share ownership would pursue the option of an “owners-only” panel.
We also note the suggestion of Sergakis and Kokkinis that as advisory panels prove their value to companies – and develop the leadership and governance skills of employees -- corporate culture will change and leaders will come to appreciate the value that workers can add at senior levels. We suggest that it is quite possible that the experience of hearing from workers who own shares on advisory panels will, in due course, make the case for such workers being directly appointed to company boards. But we suggest that the advisory panels are adopted first and evidence of their usefulness assessed before moving to further reforms.

Another consideration is employee rights in the event of corporate failure. Treating employee shares like preference shares would mean the employee shareholders would be entitled to be paid dividends from company assets before common stockholders. Given that risk aversion is likely to be a key factor undermining employee interest in share plans, such an approach could widen worker interest by offering a form of shares which is typically less volatile than common shares.

**Recommendation 9**

The Government should lift the caveat which allows employers to restrict the voting rights of employee shares. Moreover employee shareholders should have enhanced rights in the event of corporate failure, given that they face potential loss of wages as well as loss of savings tied up in company shares.

**Recommendation 10**

Companies offering employee share ownership should consider an Employee Advisory Panel to be a central element of such engagement with workers; those companies that offer employee share ownership but do not have such a panel should explain publicly why not. Where such a panel does exist, workers who own shares should be given additional representation. Companies could also consider establishing advisory panels composed solely of employees who own shares.

**Bringing the US ESOP model to the UK**

Introducing new forms of employee share ownership could widen the number of companies offering employees an individual stake in the company they work for.

Employee ownership in the UK can take the form of direct ownership and indirect ownership. Direct ownership, or individual share ownership, has been the focus of this report; this is where employees participate in share plans such as SIP and SAYE and become individual shareholders in their company.

Indirect employee ownership, also called collective share ownership, is a situation where shares are held collectively on the behalf of workers, normally using an employee trust. In the UK, Employee Ownership Trusts (EOTs) are tax-incentivised
mechanisms that transfer control of the business for the long-term benefit of employees. They were introduced in their current form in the 2014 Finance Act.

Under EOT legislation, there are two key tax benefits. When an owner-manager sells the business to an EOT, they do not pay any capital gains tax so long as control passes to the EOT. Employees of the EOT company can receive annual bonuses of up to £3,600 per tax year, free of Income Tax (although not National Insurance).

The EOT model has generated interest as a means of increasing employee ownership in the economy – including as part of succession planning on the part of business owners. For example, in 2019, Julian Richer, the founder of Richer Sounds, transferred 60% of his shares to an EOT.\textsuperscript{57}

While the EOT model brings with it many benefits, including to company performance, it does not allow employees right of access to the equity value locked up in a trust.

At an expert roundtable convened as part of this research, it was noted that there may be a case for a new “hybrid” type of employee ownership model in the UK, bringing together the benefits of direct ownership plans such as SAYE and SIP plans, as well as the benefits of the EOT model (such as creating organic growth in employee ownership through succession planning).

In practice, this could be an ownership model similar to Employment Stock Ownership Plans (ESOPs) in the US. US ESOPs differ from UK EOTs in the sense that stock is allocated to individual employees rather than held in a collective pool. Distributions from an ESOP are based on vesting. Vesting computes how much of the stock the employee owns. Before an employee’s stock can be 100% vested, the employee must work with the company for a defined number of years.

Allowing EOTs to migrate over to the ESOP model would help widen the number of individuals with an individual stake in the company that they work for.

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\textbf{Recommendation 11}
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The US Employment Stock Ownership Plan model should be brought to the UK, with Employee Ownership Trusts having an option to become ESOPs where stock is allocated to individual employees rather than held in a collective pool. Embracing EOTs and ESOPs as part of entrepreneur succession planning could help widen employee ownership over time.

\textbf{Supercharging entrepreneurship and innovation – employee-owned start-ups}

Another consideration for policy should be incentivising the creation of employee-owned start-ups in the UK, particularly in productive, high growth sectors on the economy. The Government has recently expressed an interest in creating a “British Silicon Valley” with “unicorn” start-ups valued at over $1 billion.\textsuperscript{58}

There is scope for employee ownership to be part of this drive to create innovative, dynamic start-ups in the UK. This includes encouraging university spinout companies,
which transform leading academic research and innovation into successful businesses.

For example, since 1987 Oxford University Innovation has been responsible for creating spinout companies based on academic research generated within and owned by the University of Oxford, and in recent years has spun out 15-20 new companies every year. Over £2.5bn in external investment has been raised by Oxford University Innovation spinouts since 2010, and ten of its current portfolio are currently listed in London and New York. By offering researchers a stake in the success of spin-out companies, university employees have become millionaires without having to give up their academic research.

It has been argued that existing employee share plans could be improved to provide more compelling incentives for academics to work for innovative spin-out companies, to the benefit of the UK economy. It has been argued that the Enterprise Management Incentive (EMI) is a good way of incentivising academics to work for and create spin-off companies, but that the working time requirement of EMI often rules out its use for academics. As things stand, to receive an EMI option an academic employee must devote 25 plus hours to a spinout company - the so-called working time requirement.

If an academic has substantial university commitments such as teaching and other research, it may be impossible to reconcile this with working at least 25 hours for the spinout company. While in 2012 the Government explored abandoning the EMI working time requirement for academic employees, this was never progressed.

Given the Government’s interest in supporting innovative start-ups, and the potential this could have for improving the UK’s economic performance, we believe that now is a good time for revisiting the working time requirement of EMI, especially in relation to academic employees.

At present the UK’s university spinout culture lags behind the US, with its much more productive and innovative economy. According to figures from Spinouts UK, a research project, the best-performing British institution is the University of Oxford, which created 26 spinouts between 2010 and 2014. In the US, Stanford University had 24 in 2015 alone.

As well as adjusting tax-advantaged share plans, policymakers also need to engage with universities to create a culture that is conducive to entrepreneurship. This includes addressing a culture in universities where cash and profit are often seen as dirty words.

It also means looking at existing spinout arrangements which might undermine interest among academics. It has been argued that UK universities demand too great an equity share in their spinouts, disincentivising academics who might want a greater stake in the business themselves. While British universities often ask for a 50% equity share, Stanford in the US typically asks for 10%.

More broadly, beyond university spin-offs, employee ownership needs to be considered in start-up policy. It has been argued that, for Europe to narrow its technological innovation gap with the US, policymakers, entrepreneurs and investors...
must work together to bring more talent to European startups. The “Not Optional” campaign (www.notoptional.eu), led by European tech businesses, has argued that “policies that currently govern employee ownership across Europe are often archaic and highly ineffective. Some are so punishing that they put our startups at a major disadvantage to their peers in Silicon Valley and elsewhere, with whom we’re competing for the best designers, developers, product managers, and more.”

While the Not Optional campaign notes that the UK performs relatively well on employee share ownership, with a regulatory and tax regime at least as favourable as the US, it highlights the potential importance of ownership plans as a tool for recruiting and retaining top talent in some of our most innovative companies – and therefore the importance of going further where possible.

In the 2020 Budget the government stated that it will review EMI “to ensure it provides support for high-growth companies to recruit and retain the best talent so they can scale up effectively, and examine whether more companies should be able to access the scheme.” The 2021 Budget announced a call for evidence on whether and how more UK companies should be able to access EMI.

We believe that this review is timely and that there is scope for meaningful reform of EMI. At present to qualify for EMI a company must have under 250 employees. Increasing this threshold to 500 employees would expand the number of companies able to offer EMI and help fast-growing companies in sectors such as tech to continue to attract talent.

Innovate Finance, a membership organisation serving the UK’s financial technology community, has argued that the maturing British tech start-up scene now has in excess of 50 companies that have surpassed the criteria for EMI. This can then make it harder for start-ups to attract top talent from around the globe, given the potential difficulty of matching the higher salaries offered by large Silicon Valley tech firms.

**Recommendation 12**

The 25-hour working time requirement for EMIs should be lifted for academic employees participating in university spinout companies, to incentivise more academics to be involved in the creation of innovative, cutting edge, academic-owned start-ups. Further, the Government should undertake a review of university spinouts in the UK, exploring the extent to which British universities could learn from the relative success of US universities such as Stanford in developing a thriving culture of innovative spinouts.
Government leading the charge

Government needs to provide strong support for employee share ownership, making it a key part of the economic agenda and narrative post-Covid. It should be a key component not just of plans for a “fair recovery”, but also plans to address the UK economy’s longstanding issue of lacklustre productivity.

For the employee ownership policy agenda to have a real impact over the long term requires substantial institutional effort, involving advice, training and other support on a continuing basis. If the UK government is serious about making a success of employee share ownership policy, it is going to require new bodies to be established to drive through the necessary advice, training and communication.69

Given this there is a case for establishing an Employee Ownership Commission to advise on the necessary institutional reform, including the proper resourcing of the necessary support bodies needed to encourage a significant shift towards employee ownership – including employee share ownership.

In 2019 in the US, the state of Colorado established its own Commission on Employee Ownership, by Executive Order.70 The commission has been tasked with:

- Establishing a wide-reaching network of technical support for businesses wanting to become employee-owned.
- Educating businesses and communities on the benefits of becoming employee-owned businesses.
- Identifying and removing any barriers to the development and advancement of employee-owned businesses.

The commission has two subcommittees that help to support the larger goals of the commission – a Marketing Committee and a Finance & Policy Committee.

In its recognition of the wide range of institutional support needed for employee ownership to thrive, a Commission based on the Colorado model could be of use in the UK context.

Beyond Colorado, state-level support for employee ownership occurs in other parts of the US. The state-funded Massachusetts Center for Employee Ownership provide business owners with free support for succession planning – helping owners convert their company into a worker cooperative, Employee Stock Ownership Plan business or other hybrid model.71 The Ohio Employee Ownership Center and the Vermont Employee Ownership Center have been particularly successful in increasing awareness of employee stock ownership plans throughout the country and in

**Recommendation 13**

To help the UK’s tech start-up scene to attract top global talent, companies with up to 499 employees should qualify for EMI (up from 249 at present). Given the difficulty of matching Silicon Valley salaries, widening access to share options could make it easier for fast-growing start-ups to attract talent.
facilitating company conversions—particularly in small, privately held firms where owners are facing retirement.\textsuperscript{72}

**Recommendation 14**

The Government should establish an Employee Ownership Commission, tasked with developing the necessary institutional support needed to generate wider rates of employee ownership. This includes reviewing business access to support and advice on employee ownership, financial support, marketing of employee ownership and identifying and removing barriers to employee ownership. The Commission should work closely with existing organisations in the employee share ownership space.
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