

Speech – Employee Ownership Association Dinner

It's a great pleasure to be here and to meet so many from the EO community.

And I can start with some confidential news – it's a good day for confidentiality because there is this other event going on grabbing the attention of the media.

Of course this dinner was not chosen to clash with general election night - EOA chose first - but it has been taken in their stride, just as employee owned companies take things in their stride.

The news is about the Inquiry into employee ownership, which at other events Deb has mentioned was in the pipeline. I can give you some updates, but please - no tweets or public mentions yet.

The first update is the name – which is 'The Ownership Effect Inquiry' - and we are partnering with The John Lewis Partnership and the eaga Trust.

Second - the Inquiry will launch next week – it had been foreseen for this week but the General Election elbowed in – so this is your private 'heard it here first launch'.

Third - the Inquiry will be chaired by myself - which I am thrilled to do and I hope that by the end of this speech you will understand a little more about 'why me'.

I follow many distinguished people who have promoted the cause of employee ownership. It's not a new idea and one that all main political parties have espoused.

For Liberals it goes back to John Stuart Mill who promoted employee ownership and partnership between capital and labour

or – as Nick Clegg said at the launch of the Nuttall Review in 2012 – where the fight between capitalism and worker ends.

Conservatives promoted employee owned businesses in public services, which Francis Maude delivered under the coalition government and where there are good success stories – some of which are here this evening.

And Labour, with its roots in worker rights, has been a long standing supporter of employee ownership, most recently supporting the calls for workers on boards.

In 1987 Ronald Reagan said in a speech that after the rewards of free enterprise through stock ownership, he believed that in the future we would see in the United States and the western world an increasing trend toward the next logical step, employee ownership. It is a path that befits a free people.

We have waited a long time since John Stewart Mill, or even Ronald Reagan, but talk turned into action with the coalition government's push on employee ownership, backing the recommendations of Graeme Nuttall's Review.

We are now half way through the decade of employee ownership proclaimed in 2012, so it is a good time for this new Inquiry to dig out evidence of when, where and under what circumstances employee ownership works well. Where can it play a greater role as an economic and social enabler, delivering greater productivity and better corporate behaviour?

The Inquiry is also a mechanism for engaging with national and local media to share what we learn and establish.

But before I go any further some of you may wonder how it is that I am treading this path, especially as my main claim to any political fame stems from matters of financial regulation.

Well, it's not difficult to go from examining the financial crisis - to financial regulation - to looking at culture and governance – which indeed I did with significant legislative impact in the EU and behind the scenes in the UK.

However long before I was elected to the European Parliament industrial strategy and corporate governance were issues that roused my interest – indeed they were the issues that motivated me to engage in politics: my aim was to change policy rather than be elected, but that's another story.

Engineering and science are in my family genes, and after university I went on to qualify as a patent attorney – a career that used my science degree and brought in matters of law and crafting words to stand the test of time.

I set up my own practice immediately on qualifying – a bold thing to do in 1981 but it was my answer to lifestyle - cut out commuting. So I spent my entire professional life first as a sole practitioner and then partner in an unlimited liability business – as patent attorneys used to have to be - and that does concentrate the mind on matters of governance, trust and where responsibility lies.

That career gave me insight into the world of research and development in both large and small companies, in the UK and internationally. I saw the way that research budgets of my UK clients were slashed in times of recession: in the US they were protected as long as possible. Hence my long interest in industrial strategy even if we are 35 years on!

Interest in corporate governance was similarly born, from taking responsibility to wondering why there were relatively few engineers that made it to the top of big corporate boards in the UK compared with other countries. Engineers and scientists have a deep social understanding of the impact of their work and that is something that I have expounded in more than one speech on culture, ethics and corporate governance in banks.

I'm touched that Canadian engineers are given an iron ring when they graduate – legend says it's iron from the first Quebec bridge that collapsed killing 76 construction workers. The ring is to remind them of their responsibility - that their work can mean life or death to others – and it's made with sharp corners to keep them mindful. That is a standard to emulate – life or death might be replaced by livelihood but they can mean the same thing in the extreme.

My political journey started by inputting to policy documents and manifestos, sowing the seeds of some things that have come to pass. More recently I wrote the LibDem response to the Government's corporate governance green paper and Paddy Ashdown commented to me 'you always were good on this stuff' - reminding me how long ago I started on this path.

Policy activism led to me becoming a Member of the European Parliament in 2005 and in 'the interests of the country' - as it was put to me - I was urged to take up my predecessor's place on the Economic and Monetary Affairs Committee dealing with financial services, economic policy, tax and competition. It turned out that I got the hang of it quite quickly and I ended up chairing that committee from 2009 to 2014, which put me at the heart of negotiating all the post crisis financial services legislation, as well a great deal else.

Revising banking legislation inevitably led to issues of culture and corporate governance - just as it did in the UK - and by chance I was speaking at the Cass Business School on the day the report on the UK Parliamentary Inquiry on Banking came out and I was able to explain how the things I had done meshed with the UK Inquiry conclusions: responsibility to society inevitably emerges as a conclusion. And that responsibility can – should be - applied more generally to all companies.

To cut that long story short, ethics, culture, governance and responsibility have been at the heart of my own career, the legislation that I helped create, and the things that I have been pursuing since joining the Lords 18 months ago.

So it is an honour and a privilege to stand with you in the promotion of employee ownership in all its shapes and sizes, where people are recognised as the heart of business.

Right now Brexit brings challenges and uncertainties, but one thing that is certain is the direction of travel of public opinion - and therefore of politics – to seek those things from companies that actually stem naturally from employee ownership.

Industrial strategy has a new life and a new urgency - the importance of growing businesses, real scale-up through organic growth, growing the mid-tier like the Mittelstand of Germany, not inevitably being consumed by take-overs, patient capital, employee engagement and well-being, stakeholder engagement, transparency, resilience in recession – these are mainstream on the political agenda.

It's like looking at a prospectus for employee ownership.

What better moment to establish more evidence about when, and under what circumstances, employee ownership works well - which the Inquiry will do.

I mentioned the green paper on corporate governance – actually it was a bit tedious wading through all the options on curtailing executive pay although I had some ideas there – the more interesting part was about employee and stakeholder engagement.

Whether or not the analysis of the responses surface – given the general election it can be ditched – the Conservative manifesto includes some of the likely conclusions: all listed companies being required to nominate a director from the workforce, create a formal employee advisory council or assign specific responsibility for employee representation to a designated non-executive director. And further consultation on strengthening corporate governance in privately owned companies. Well, EOs can say been there done that, and what took you so long? And to those that are not EOs, why not use the moment to consider a switch?

There is nothing non-commercial about employee ownership - you can do well and do good.

Productivity is also in the spotlight. Measuring productivity is tricky especially in a services led economy – a teacher or care worker is more productive if they have more pupils or patients to deal with but that is not what is generally wanted for quality. But setting aside absolute measurements, the body of evidence gathered internationally shows employee owned businesses are more productive. There can be many reasons for this – better staff relations, a sense of belonging and well-being, that it is your business to put forward ideas, even that more proactive staff policies against shirking may be demanded by the workforce.

In EOs people stay put longer, saving on recruitment costs, enabling training to be for advancement rather than replacement. Even millennials are happier to stay longer, attracted to the ethos and sense of own destiny that being in an employee owned business can bring, and heaven knows we have to do something that younger people like!

Unfortunately there are no easy ways to collect data on employee ownership, it has to be done by academics or relies upon the EO association and similar bodies, and I am very pleased that the Cass and Manchester Business Schools will be helping us with the Inquiry.

Finally, I can point to another personal interest in the Inquiry, as a director of the London Stock Exchange. How easy is it to be listed and an EO, is there a conflict between seeking an IPO and being employee owned? Are there sweet spots as to when to engage? There are existing great examples of listed EOs – but surely there is every reason to look at seeding or creating meaningful Employee Ownership as companies prepare for their first IPO. Advisers should be aware of employee ownership - among other things institutional investors are showing interest. Not all will choose EO but it should be there as a mainstream option not least for all the governance reasons already mentioned.

We have reached the moment that Ronald Reagan foresaw - as John Stewart Mill said - that to reconcile citizens and workers with capital you must offer a stake. And a real stake carries a meaningful say: that's employee ownership.

The logical step for a free people. The logical time is now - when 'why should you?' turns to 'why wouldn't you!'

(1930 words – 15 minutes)