

# Unlocking the Potential of Employee Ownership: The Why and How for People Powered Growth

In an employee owned business (EOB), employees own a significant share either as direct shareholders or through a trust. This share ownership is reflected in employee engagement and governance. Employee ownership (EO) is one of the UK's fastest growing business models:

**In October 2023 there were over 1,650 EOBs in the UK, after the sector growing by over 30% across the previous year.**

Research shows that the EO sector delivers significant positive impacts for their employees, the business and its commercial viability, and our wider economy and society.<sup>1</sup>



<sup>1</sup> Data sourced from:

- EO Knowledge Programme (2023). <https://employeeownership.co.uk/kp/>
- Generation EO (2023). <https://ownershipatwork.org/wp-content/uploads/2023/11/Generation-EO-The-Great-Employee-Ownership-Succession-Opportunity.pdf>
- White Rose Centre for Employee Ownership. EOT survey (2020). <https://whiterose.ac.uk/collaborationfunds/white-rose-centre-for-employee-ownership/>

## Employees



### Improved financial wellbeing

EOBs pay higher basic wages and share profits. In 2020 Employee Ownership Trust payments put £2,729 in the pocket of each employee .



### Greater employee wellbeing

Because of higher investment in wellbeing and changing business practices, most (73%) EOBs report increased employee satisfaction after becoming employee owned.



### More investment in training and skills

EOBs spend an average of £38,000 (12%) more on training per company compared with non-EOBs.

## Business



### Driving profit growth

Most EOBs see profits grow after becoming employee owned. They are 25%+ more likely to have seen profits grow over the last five years.



### Employee engagement and commercial success

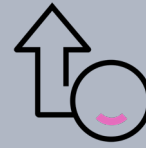
Increased engagement and effort by employee owners drives increased performance by 20%, and an increase in business revenue of up to 43%.



### More investment to improve products & services

EOBs are 50% more likely to invest in Research & Development than non-EOBs.

## Economy & Society



### A more prosperous economy

EO drives up economic productivity. EOBs are found to be 8%-12% more productive per employee than other businesses.



### Significant job-creation

The EO sector contributes around 541,300 jobs to the economy. EOBs are 50% more likely to expand their workforces than other businesses.



### Resilience & sustainability

51,000 small and medium businesses risk closure due to ownership changes in the next decade. EO is a proven succession route that can retain these businesses.



# Policy priorities for a strong EO sector

## 1. Sustaining EO sector growth

The growth of EO and its impacts for business, employees, and our wider economy and society are enabled by effective advantaged models, particularly the Employee Ownership Trust (EOT). Action has been taken to begin reviewing and future-proofing these models and should be sustained. Government should also consider how it can use other levers to drive growth, particularly public spending through procurement.

- **Future-proof the EOT model** and respond to government's 2023 consultation on employee trusts, actioning proposals from the consultation document, and considering additional proposals put forward by the EO sector – particularly reviewing the tax-free employee bonus.
- **Act on the call for evidence on non-discretionary tax advantaged share schemes** by publishing the results and acting on feedback to make appropriate changes to the schemes, and to promote and share awareness of the schemes.
- **Ensure EOBs receive favourable weighting in public procurement** by reviewing legislation to ensure that EO is emphasised in public bodies' procurement and social value commitments. Work with relevant partners to reflect this in procurement frameworks.





# Policy priorities for a strong EO sector

## 2. Accessible capital for EOBs to invest in their future

EOBs invest at higher rates than other businesses; however, in many cases, EOBs can face barriers in accessing capital to unlock their growth potential. Some of these barriers are specific to the EO sector, while others are faced by businesses more widely, particularly SMEs and alternative business.

- **Offer an enhanced capital allowance for EOBs** in line with the evidence of increased rates of investment into improving their products and services.
- **Further unlock capital and expertise via the British Business Bank to support high-growth EOBs.** The Bank should report the percentage of funding from core finance programmes delivered to EOBs and other inclusive and democratic businesses. It should aim to deliver funding to these businesses proportional with their contribution to the UK economy.
- **Review how investor reliefs can be better used to stimulate investment into EOBs,** and other inclusive and democratic businesses. A first step would be to extend the Enterprise Investment Scheme eligibility threshold to 499 employees, making the relief accessible to an additional 17% of EOBs (covering almost the entire sector).
- **Introduce a 'Fair Banking Act' to ensure equitable access to financial services across business sizes and ownership models.** As well as expanding access to services across SMEs, the Act should emphasise making services accessible to a variety of business and ownership types.



# Policy priorities for a strong EO sector

## 3. An effective business support ecosystem

Effective support is vital for a thriving business environment. Government can strengthen this support, particularly to act on the coming wave of ownership changes over the next decade, by promoting EO as a succession option that can build economic resilience by keeping commercially healthy businesses actively anchored in our economy.

- **Mainstream business support should promote EO as succession** by offering guidance and signposting relating to EO. Publicly funded agencies/organisations delivering mainstream business support should be mandated to work with the EO sector to deliver this.
- **Build on programmes across the UK to promote EO and support transitions.** Government should back projects at the local, regional, and national level that deliver place-based ambitions for embedding EO in the economy, such as local and regional ownership hubs and similar specialist business support programmes.
- **Reform the skills and apprenticeships regime** so that it is more flexible, and relevant for the skills needed by both employees and employers. The Apprenticeship Levy, for example, should be replaced with a 'Future Skills Fund' that can enable access to a wider range of skills and courses.



# Policy priorities for a strong EO sector

## 4. Clear government leadership

Government must act to increase business and investor confidence in the UK for a sustainable prosperous economy. It should aim to work in partnership with all business types/models to ensure policy is impactful.

- **Introduce the ‘Better Business Act’** to better align the commercial interests of businesses with their members, wider society, and the environment.
- **Make a firm commitment to grow the EO sector backed by a clear target** in line with its impacts for business, employees, and our wider economy and society.
- **Return to previous practice of identifying a Minister responsible for EO.** Ideally, this would fall under a new ministerial portfolio for inclusive and democratic businesses.
- **Publish both a business tax roadmap and long-term industrial strategy** to give confidence on the UK’s business environment.

### About the EOA

The Employee Ownership Association is the UK’s foremost membership body for employee owned businesses. We work to support the employee owned sector, represent its interests, grow employee ownership in the UK, and unlock its full economic potential.

To find out more about the EOA and get involved with our policy work, please contact Sam Blakeborough, Policy Lead.

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