

## Employee and worker ownership: changing lives and livelihoods

April 2023

At 1,781, we can see the highest number of employee and worker owned businesses recorded to date in the UK (based on new research conducted by Ownership at Work).

Numbers have roughly doubled in the last 5 years, now growing at approximately 500 businesses per annum, making this one of the UK's fastest growing business models.

It is more important than ever to understand the benefits and opportunities.

### How the UK benefits from more employee and worker owned businesses

By sharing ownership (25% or above) and meaningful participation, employee and worker owned businesses (EWOBs) generate multiple social and economic benefits:

- *For individuals*: can provide greater income and wealth, do more to support skills development and promote 'good work' (including more voice and control at work and greater job security) which in turn promotes greater job satisfaction and better health and wellbeing
- *For businesses*: can bring higher levels of motivation and productivity, reduced absenteeism, better ability to recruit and retain good people and greater long-term resilience
- *For local communities*: can address inequality by putting business ownership into the hands of under-represented groups; tend to recruit locally, use local suppliers and give to local causes
- *For local economies*: wealthier workforce recycles local pounds into economy; more productive businesses drive local economic growth; healthier workforce protects levels of economic activity.

EWOBs are supporting a thriving economy based on 'responsible productivity' that addresses social as well as economic resilience at local, regional and national levels.

### What can be done to increase employee and worker ownership impact?

**1. Clear political and policy leadership**: To help drive growth in employee and worker ownership:

- **Make EWOB growth a strategic priority**: Explicitly commit to grow numbers of EWOBs in relevant national and local political and policy statements. The Labour Party has committed to doubling the size of the mutuals sector, but devolved administrations are leading the way here. The Scottish government has targeted more than doubling EWOBs to 500 by 2030, and both main parties in Wales have committed to doubling numbers by 2026.
- **Create accountable leadership roles**: At a national level, parties to appoint a Minister for Employee and Worker Ownership. Ensure named senior policy roles nationally and locally are accountable for delivering EWOB growth targets.
- **Build on what works**: The 2014 Employee Ownership Trust is a UK success story being copied by Canada and Australia. Continue to lead the world by improving the current regulations and extend tax reliefs to support worker buy outs into co-operative models.

**2. Better business support:** One of the biggest barriers to growth in EWOBs remains lack of awareness and access to appropriate support at critical moments. To address that:

- **Create more Ownership Hubs:** Exciting joint project between the Employee Ownership Association and Co-operatives UK has already been adopted by Mayoral Authorities in South Yorkshire and Greater London. A small amount of public funding supports a dedicated local policy official who is supported by national experts to promote EWOBs in the local economy.
- **Improve business support:** Ensure publicly-funded business support materials and business advisors, particularly at local and regional level, understand the potential of EWOBs to help:
  - *Start-ups:* EWOBs can enhance productivity and innovation and are more likely to create jobs than start-ups generally. Worker owned start-ups are almost twice as likely to survive the first 5 years of trading as start-ups generally.
  - *Exiting business owners:* There is a generational opportunity to encourage tens of thousands of (mostly baby boomer) owners looking to exit their businesses to opt to sell to their employees. This could be a game-changer in dialling up levels of worker and employee ownership in our economy. Establishing an All Party Parliamentary Group on Business Succession would reinforce the significance of this opportunity.
  - *Existing EWOBs:* Ensuring local advisors understand how best to support EWOBs will further enhance the economic and social impacts these firms are already having.
- **Better education:** Greater early awareness of EWOBs during GCSE, higher and further education, particularly in university business schools, will promote future EWOB leaders.

**3. Support access to capital:** Understanding of EWOBs is growing amongst banks and mainstream providers of capital, which together with a growing number of specialist funders is supporting EWOBs to secure easier access to capital. Nonetheless, many EWOBs are small and medium-sized businesses who since 2008 have often struggled to access growth capital; and worker co-ops and EOBs with 100% employee ownership can still experience barriers:

- **Activate the British Business Bank:** The British Business Bank is ideally placed to lead the way on demonstrating why EWOBs are typically ideal investment prospects. Set up a review of how this can happen in partnership with the sector.
- **Extend specialist fundraising mechanisms to 100% EWOBs:** Learn from legislative precedents (for UK buildings societies, for mutuals in Australia) and implement mechanisms that enable 100% worker/employee owned firms to more easily raise capital.

**4. Greater use of public sector procurement:** Take advantage of changing regulatory requirements around public sector procurement to do more to recognise the social as well as economic impact of EWOBs, supporting more diverse and resilient supply chains:

- **UK government:** use roll out of the new Procurement Bill to require all commissioning authorities offer additional weighting to EWOBs as businesses that demonstrate clear social as well as economic impact; offer targeted supplier support to promote readiness to bid.
- **Scottish government:** proceed with legislation to implement community wealth building including an explicit expectation that EWOBs can be prioritised in public spending choices.
- **Welsh government:** build on Social Services and Wellbeing Act to expand and strengthen a requirement for local authorities to show clearly how they have considered EWOBs when procuring public services (not just social care).

*Multiple bodies provide sector leadership, support, growth and education in the UK (including the Employee Ownership Association, Co-operatives UK, workers.coop, Co-operative Development Scotland and Cwmpas). OAW does not speak on behalf of those organisations but wants to thank each of them for allowing OAW to draw on their policy priorities to inform this document.*