

Capitalising on the impact of employee and worker ownership in the UK

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A groundbreaking research programme on employee and worker owned businesses (EWOBS) confirms the profound impact of employee and worker ownership on the economy, businesses, workers and the environment.

The full report, published later this month as part of the EO Knowledge Programme, demonstrates that EWOBS generate significantly higher productivity per employee than non-EWOBS, as well as being more likely to:

- **See their profits grow, create new jobs and have lower staff turnover**
- **Invest in employee health and wellbeing, training and cost of living support**
- **Pay a higher basic wage to the lowest earners**
- **Contribute skills, time and funds to support stronger local communities**

Measuring the impact of employee and worker owned businesses

By sharing ownership (25% or above) and meaningful participation, EWOBS generate multiple benefits:

- *For the economy:* where EWOBS make an outsized contribution, generating a total GVA footprint around £32-£41 billion (1.7%-2.1% of the overall economy) despite making up less than 0.1% of the total number of firms.
- *For individuals:* EWOBS are more likely than non EWOBS to invest in a range of employee wellbeing initiatives, including supporting access to private healthcare and mental health resources.
- *For businesses:* In addition to their greater propensity for increased profits and a growing workforce, EWOBS have a significantly greater degree of staff retention and significantly less redundancies.
- *For communities and the environment:* EWOBS are more likely to advocate and volunteer on behalf of local causes and make charitable donations than non-EWOBS as well as being more likely to have a net-zero or carbon management strategy in place.

What can be done to capitalise on these impacts?

The number of EWOBS has grown considerably. Latest figures show around 1,650 EWOBS operating in the UK (as of October 2023), with annual growth of 16% during 2011-2022 (compared to 2% for all active companies in the UK over the same period). If the stellar growth in the number of businesses continues, analysis shows that by 2030 the EWOB sector has the potential to contribute an additional **£74 billion** to the economy annually (on top of the current annual GVA contributions of £32-£41 billion).

This growth could be driven even further, by increasing the number of businesses considering employee and worker ownership as a succession option. In order to do this, the sector needs support in the following key areas:

1. Clear political and policy leadership:

- **Make EWOB growth a strategic priority:** Commit to specific UK-wide targets for growing the employee and worker owned sector to unlock its economic potential.
- **Create accountable leadership roles:** Specify a Ministerial portfolio with responsibility for employee and worker ownership. Ensure named decision makers nationally and locally are accountable for delivering EWOB growth targets.

2. Anchoring awareness of/support for the EWOB model in systems, services and institutions:

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

- **Create more Ownership Hubs:** As part of the Levelling Up agenda, support mayoral combined authorities to reproduce and build on the Ownership Hub concept, to raise awareness of and support transitions to employee and worker ownership across regions.
- **Improve business support:** Ensure publicly-funded business support materials and business advisors are equipped to help start ups and exiting business owners understand the potential of EWOBs, particularly at a local and regional level.
- **Better education:** Greater early awareness of EWOBs during GSCE, higher and further education, particularly in university business schools, will promote future EWOB leaders.
- **Support access to capital:** Many EWOBs are small and medium-sized businesses who, since 2008, have often struggled to access growth capital:
 - **Activate the British Business Bank:** In partnership with the sector, review how the British Business Bank can unlock and leverage capital for the EO investment opportunity.
 - **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 equity capital.
- **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:** promote Employee Ownership to support the transition to not-for-profit models of care for looked after children in Wales.

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.