

A huge opportunity is coming for policymakers to grow employee and worker ownership in the UK

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New research from Ownership at Work reveals a generational opportunity for increasing the numbers of employee and worker owned businesses (EWOBs): retiring owners at over 120,000 businesses intend to sell or divest their stake in the next 10 years.

Most of those owners are selling stakes in good businesses that risk having to close if they can't find a suitable buyer, putting the jobs of hundreds of thousands of UK workers at risk and taking wealth out of local communities. The research shows many owners just don't know enough about the option to sell to employees, meaning many default to trade sales.

But we know from research published last month that EO businesses are 8-12% more productive than non-EO peers and support a fairer and more prosperous economy.

By working with the sector to close that knowledge gap, policymakers can help sustain 2022-23's 37% growth rate in new EO businesses. In 10 years' time, that would see at least 1 in 3 owners selling to their employees, growing the sector by more than 20 times over and driving a massive uptick in good jobs and responsible productivity.

(Detailed findings to come in Generation EO: the Great Employee Ownership Succession Opportunity.)

Employee ownership as a solution

By encouraging more owners to sell to workers and employees, seizing this great succession opportunity could drive the following benefits (based on [EO Knowledge Programme](#) findings reporting in October):

- **A stronger growth economy:** employee and worker owners are 8 – 12% more productive and EWOBs drive 0.8% of direct Gross Value Added despite making up just 0.1% of businesses.
- **A healthier economy:** EWOBs go further to protect and promote the health and wellbeing of their workforce. As a result, 83% of EWOBs report increased worker motivation and 73% report increased job satisfaction since transitioning to employee or worker ownership.
- **A higher skilled economy:** EWOBs invest an average of £38,000 more into on-the-job training.
- **A fairer economy:** EWOBs tend to have a higher minimum annual wage by around £2,900.
- **A more community focussed economy:** Collectively EWOBs give over £500m more to charity per year than non-EWOBs.
- **A greener economy:** 54% of EWOBs have a Net Zero or carbon management strategy in place compared to 30% of non-EWOBs.
- **A more resilient economy:** Employees at EWOBs are five times less likely to have been made redundant in the last three years (eight times less likely in smaller firms).

How to capitalise on the ‘great employee ownership succession opportunity’

The number of EWOBs has grown considerably - latest figures show around 1,650 operating in the UK (as of October 2023), with annual growth in 2022-23 of 37% in new EWOBs. The impacts of EWOBs outlined above could be driven even further by maximising this growth, and with a large cohort of business owners considering exit options over the next 10 years, there is a unique opportunity for this to happen at scale. In order to take advantage of 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 EWOBs at national, regional and local levels.
- **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.
- **Consider expanding existing Employee Ownership Trust tax reliefs:** To enhance positive impacts on employee owners and encourage vendors to consider employee or worker ownership.

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). Ownership at Work does not speak on behalf of those organisations but wants to thank each of them for allowing us to draw on their policy priorities to inform this document.