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Employee Ownership - The Basics

What is employee ownership?

It is where employees directly or indirectly own a meaningful stake in the business that they work in.

Who is employee ownership for?

Succession
A genuine option for a founder, partner or investor of a business who is looking to retire or move on.

New enterprises
An exciting model for new businesses.

Growing businesses
Introducing employees as part owners to help attract, retain, grow and motivate committed staff.

Rescue
An option for employees faced with a closure of their employer through insolvency or otherwise.

Is employee ownership a new idea?

Definitely not! The origins are global and date back to the early 20th century. Our solicitors have been advising on employee share ownership since 1987.

The sector has political support and is expanding - the Employee Ownership Association estimates in 2018 that the combined annual turnover of businesses that have employee ownership is in excess of £30 billion and growing.

Is employee ownership complex?

Not necessarily. An employee owned company is basically the same as any other company. The difference is that the employees make up more of the shareholders.

Employee ownership models

Direct Ownership	Indirect Ownership	Combined
Employees own the company's shares themselves.	Shares are held collectively – normally in an Employee Ownership Trust (EOT)	A combination of direct and indirect ownership
Example	**Example**	**Example**
A subsidiary of a multi-national faced closure. The employees bought the company through pooling their redundancy pay and a loan from the multinational. The share capital of the company is held by the employees in equal proportions to ensure that no employee has more or less influence over the company. Other companies may choose to allow varied shareholdings.	A retiring owner of a family firm attended a seminar on employee ownership. She liked the idea and persuaded the employees too! The owner sold the business to an Employee Ownership Trust (EOT). The EOT borrowed the money from a bank, the same managers run the business and the employees as a whole use the profits of the business to repay the loan. One day the business will be paid for and dividends will go to staff as a bonus. Only the EOT holds shares, so there is no need to buy shares back from employees after they leave the business.	A public service is identified for 'spin-out'. The employees want to run the service as a 'Public Service Mutual'. Advisers are found to set up the mutual structure, train the employees on bidding for public contracts and running the new company. An EOT owns 90% of shares on the employees' behalf, and employees own up to 10% directly. Employees are allowed to increase their stakes but never beyond 10% collectively to ensure that the business remains employee owned forever.

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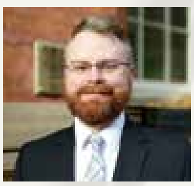

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