



Knowledge Programme

2023

PEOPLE POWERED GROWTH

The rapid and impactful rise of employee and worker ownership in the UK

Principal partners

JOHN LEWIS
PARTNERSHIP



SCOTT BADER

HOWDEN

Supporting partners

R^m2

GRIPPLE

GLIDE

fieldfisher

make

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INTRODUCTION

The UK is leading the world in the speed of growth of employee ownership, with countries such as Canada, Australia and Denmark amongst others looking to learn from UK policy and practice.

Importantly, the recent dramatic rise in numbers of employee owned businesses was activated by a policy intervention - the 2014 introduction of the new Employee Ownership Trust model (EOT) - and has been significantly accelerated through awareness raising and iconic new converts over the past 10 years.

In October 2023, we can celebrate a thriving sector of over 1,650 businesses who are driven to succeed every day by a powerful combination of sharing meaningful ownership and participation with employees and workers.

Employee and worker owned businesses (EOBs) are succeeding in every corner of the economy and increasingly include newer household names like Go Ape, Aardman Animations and Riverford Organics alongside long-established brands like Scott Bader and the John Lewis Partnership.

However, when asked to demonstrate EOBs' impact at the level of the whole economy, for too long the sector has simply pointed at individual exemplar businesses as sufficient proof. The harder evidence has been missing. Until now.

In 2022, the Employee Ownership Association (EOA) commissioned independent think tank Ownership at Work to deliver the sector's most ambitious research project to date and find out what is happening within these hundreds and hundreds of newly employee owned businesses.

The *EO Knowledge Programme* establishes a new baseline in our understanding of the scale and impact of employee and worker ownership in the UK, contrasting EOBs with non-EOBs for the first time across economic, social and environmental outcomes.

The findings are remarkable. They clearly show that this small section of the UK economy is punching above its weight across multiple dimensions of impact on individuals, businesses, communities and the wider economy.

We need to build on these foundations. The EOA and its membership is calling on politicians, policymakers and investors to sit up and take notice. We need more proactive interventions to grow numbers of employee owned businesses, mobilise more private sector capital into this sector and super-charge the kind of responsible productivity our country so sorely needs.

Together we can make it happen!

James de le Vingne

CEO, Employee Ownership Association



CONTENTS

Introduction by James de le Vingne	02
Forewords by sponsors	04
Executive summary	06
Breakdown of findings	08
Understanding the key drivers of EOB impacts	14
Recommendations	16
Research methodology	18

FOREWORDS



Mott MacDonald is proud to have supported the EO Knowledge Programme. As an employee owned business, with shareholders amongst our engineering, management and development consultancy teams all over the world, we feel the benefits of this ownership structure every day. It allows us to make decisions for the long-term, and to focus on issues that really matter to and motivate our people, such as contributing to a sustainable future for our planet, and delivering projects that truly benefit local communities.

The findings contained in this report will help to promote understanding of and support for employee ownership amongst a range of organisations. They will support best practice in employee owned businesses that operate in different industries, with insight being shared across businesses who otherwise would not have considered what they could learn from each other.

Congratulations to the EOA on commissioning the EO Knowledge Programme with Ownership at Work. We will be studying the report very closely and applying its findings across Mott MacDonald.

James Harris

Chief Executive and Chair



When Howden opened its first office in 1994 with just three friends and a dog, one of its founding principles was that the company would be owned and run by the people that worked in it, and would never be sold. We built the business around trust, integrity, expertise, and a unique capital model combining employee ownership and aligned external investors, which means the company can remain independent.

We've always known that our people are the secret of our success; through our employee-ownership model, the company has grown to 15,000+ colleagues across 50 countries by attracting like-minded, independent talent and businesses who want to achieve more by joining with us. We have 4,500 shareholders in the business today, and employee ownership defines our culture as much now as it did nearly 30 years ago.

Supporting this critical piece of research is hugely important to us as it means we can play a part in endorsing the merits of a model that we know from first-hand experience unlocks the potential of employees to best support the needs of clients.

David Howden

CEO



At Scott Bader we know that employee ownerships works. We have been living the benefits since 1951 when our founder Ernest Bader gifted his company to the people who helped build it.

With a clear set of guiding principles, employee ownership for us has always been about the positive role business can play in society. Ultimately owned by our charity, at the Scott Bader Commonwealth we have been on a mission to improve the general welfare of the communities in which we operate in for over 70 years. We are thrilled to have supported the EO Knowledge Programme and delighted to see that the evidence makes clear to all, employee ownership works.

We are optimistic that this report will contribute to a change in policy, approach and even convince other business leaders of what we already know to be true, EO works!

Sam Boustred

Global members Board Chair

JOHN LEWIS
PARTNERSHIP

We are delighted to be involved as a principal sponsor for this important research. We have been a long-time champion and advocate of the sector and the Employee Ownership Association.

The John Lewis Partnership has always believed that employee ownership is a better way of doing business and we welcome these findings. This research further strengthens the growing evidence base building on the Ownership Effect Inquiry and the Ownership Dividend report.

Being an employee owned business is a model that can unlock greater value for employees, customers, suppliers and the communities that they serve. We hope this report gives policy makers food for thought on how this innovative sector could unlock even greater value for businesses and the wider UK economy.

Chris Earnshaw

Partner & President of
The John Lewis Partnership Council



RM2's sponsorship supported an enhanced exploration of the impacts of the Employee Ownership Trust model.

RM2 is delighted to have sponsored and contributed to this valuable piece of research. As an EOT owned business ourselves, we are pleased but unsurprised to see that the Knowledge Programme has delivered clear evidence of the positive impact of employee ownership for employees, communities and the economy as a whole.

We particularly welcome the findings on the variety of employee ownership structures operated in the sector, whether those involve direct or indirect share ownership, or a hybrid model incorporating both an EOT and individual employee shareholding. This demonstrates the great flexibility of employee ownership – and it appears that, whichever approach is chosen, employee ownership can deliver significant and positive outcomes for business.

Congratulations to the EOA, Ownership at Work and all those involved in the Knowledge Programme. We hope that these findings will lead to ongoing growth in the employee ownership sector for many years to come.

Richard Cowley

Director

EXECUTIVE SUMMARY

The unprecedented EO Knowledge Programme has found dramatic and important evidence on the positive impacts of sharing meaningful ownership and participation with employees.

Employee and worker owned businesses (EOBs) have long argued that they bring a combination of economic, social and environmental benefits to the UK economy that deserve greater recognition particularly by politicians, policymakers and capital providers.

With numbers of EOBs currently growing at over 30% per annum, we set out to conduct the largest investigation to date into whether that impact differential exists and what does it look like. We surveyed roughly 9% of EOBs in the UK and contrasted that to a comparable control group of non-EOBs. We interviewed roughly 4% of management teams to better understand the decisions that are driving economic, social and environmental impacts.

What we have found is a quiet revolution in responsible and sustainable productivity. A supply side phenomenon that deserves to have a spotlight shone on it at a point in time where the UK is crying out for a better kind of economic growth.

The headline finding is that employee owners are 8-12% more productive. Behind that, we find that EOBs tend to be making more money and doing more to recycle that money into the economy by creating more jobs and investing in improving their products and services.



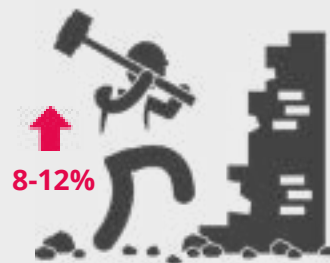
That productivity figure may seem unsurprising once we acknowledge that EOBs invest more in supporting employee health and wellbeing, on-the-job training and critical benefits like flexible and remote working. Further, EOBs pay out twice as much in bonuses and dividends to employees whilst being five times less likely to make them redundant.

Add to this that EOBs are driving a fundamentally fairer economy, sharing a stake and a say at work with groups typically under-represented in business ownership, and twice as likely to have diversity and inclusion policies in place. For lower earners, EOBs pay a minimum higher annual wage of roughly £2,900 more than non-EOBs and are twice as likely to hold accreditations for fair pay and reward.



Employee owners are more productive

EOBs are 8% - 12% more productive than non-EOBs (calculated on a Gross Valued Added per employee basis).



We see that EOBs do significantly more to contribute to stronger local communities, not just in terms of creating and protecting jobs and putting more cash in the hands of their workers, but also by giving more of their time, skills and funds. Finally, EOBs are more likely to be working towards net zero and hold environmental sustainability accreditations.

In short, these are good businesses providing good work; and whilst they currently make up a small proportion of the economy (just 0.1% by total numbers), they currently drive 1.7-2.1% of overall economic activity (reflecting overall GVA footprint).

There is much more to do to continue to build and sharpen this evidence base. However, given the speed of growth in EOBs and the scale of positive impacts they deliver, we should act to accelerate the future potential contribution of this sector to the UK. We can and must make people powered growth a fundamental building block of a truly responsible, sustainable economy.



The findings are remarkable. They clearly show that this small section of the UK economy is punching above its weight across multiple dimensions of impact on individuals, businesses, communities and the wider economy.

James de le Vingne

CEO, Employee Ownership Association

BREAKDOWN OF FINDINGS

Employee and worker owned businesses (EOBs) are delivering a remarkable impact on our economy and communities. Here is a summary breakdown of data and findings identified to date under the EO Knowledge Programme.

The rapid rise of employee and worker owned businesses



>1,650

There are at least 1,650 employee and worker owned businesses (EOBs) in the UK in October 2023. The true population is likely to be higher but this data is not presently recorded nationally in a standardised way.



In the last 12 months, the sector grew by over 30% (roughly 330 new EOBs) and between 2011-2023 has grown at an average annual rate of 16% (compared to 2.2% growth in all active companies in the UK over the same period).



EOBs contribute disproportionately to the UK economy: 0.1% of overall businesses drive 0.8% of direct GVA and 1.7-2.1% of overall economic activity (reflecting direct, indirect and induced GVA).



EOBs are increasingly found in all major sectors of the economy and in every region of the UK.

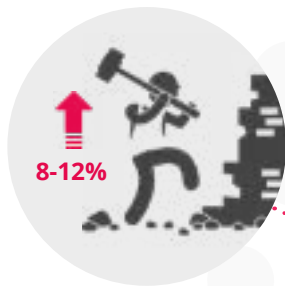


A stronger growth economy

Rapid growth in employee ownership is helping to create more profitable businesses that are markedly defying the UK's national productivity trend whilst recycling earnings into providing good jobs and innovating new products and services:

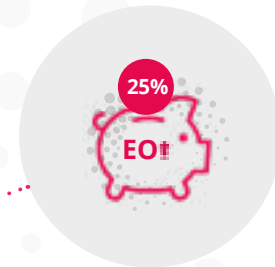
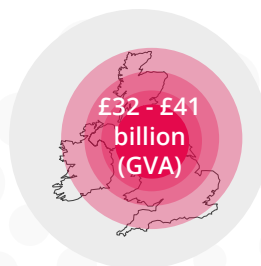
Employee owners are more productive

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Greater economic contribution

EOBs make up just 0.1% of businesses but drive 0.8% of direct GVA and 1.7-2.1% of overall economic activity (reflecting direct, indirect and induced GVA).



EO tends to drive up company profits

The majority of EOBs (57%) reported profits increasing since becoming EO and EOBs are over 25% more likely to have seen profits increase in the last five years than non-EOBs.

People powered growth



EOBs reinvest more into R&D

EOBs are over 50% more likely to have increased investment in Research and Development (R&D) than non-EOBs in the last five years.



EOBs create more jobs

EOBs are over 50% more likely to be expanding their workforce than non-EOBs (64% of EOBs increased employee headcount in the last five years, compared to 41% of non-EOBs).

A healthier economy



As well as being good for the business, EOBs generate multiple benefits for their employees. They go further to protect and promote the health and wellbeing of their workforce and are rewarded by employees who report higher levels of job satisfaction:

EOBs are stronger on health and safety

Though incidence rate for all types of business are low, there is a significant difference between EOBs (0.1%) and non-EOBs (0.9%).

EOBs invest more in employee health and wellbeing

48% of EOBs offer supported access to private healthcare compared to 34% of non-EOBs; and more than twice as many EOBs (74%) provide access to mental health resources than non-EOBs (34%).

EOBs do more to protect employee quality of life

EOBs are more likely to offer flexibility in contracted hours (61% vs 36%), allow employees to work remotely (84% vs 47%) and almost 3 times more likely to support career breaks or sabbaticals (47% vs 16%).

EOBs create happier employees

83% of those surveyed reported increased employee engagement and motivation since adopting an EO model and 73% reported increased job satisfaction.

In addition to doing more to invest in developing on-the-job skills, it is a powerful feature of EOBs that they share high levels of critical business information and provide channels to directly influence decision-making, which in turns supports employee learning and contribution:



EOBs invest more in training and skills

93% of EOBs invested in on-the-job learning and development training in the last 12 months compared to 85% of non-EOBs; EOBs spend an average of £38,000 (12%) more on training per company compared with non-EOBs.



EOBs help employees learn about their businesses

EOBs are more likely to have critical business information shared than non-EOBs with them in every category surveyed (costs, decision-making by the senior team, investments, performance, new business and sales).



EOBs encourage employees to participate in how their businesses are run

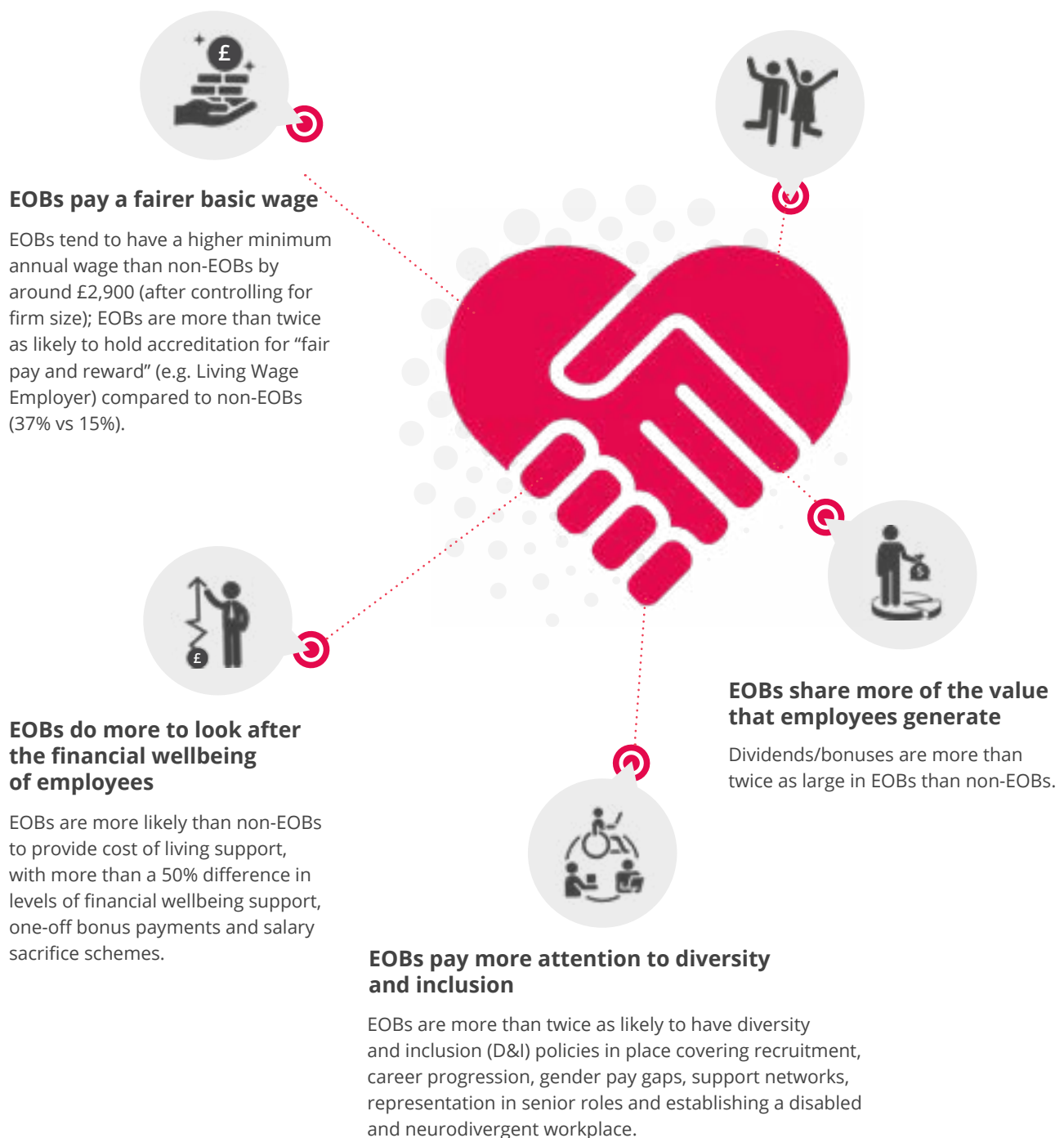
Some EOBs go further than others in enabling participation: employees can influence strategic decisions at least once per month in 78% of EOBs compared to 59% of non-EOBs; EOBs (69%) are more likely than non-EOBs (33%) to have dedicated employee representatives in place.

A fairer economy

EOBs are ensuring work pays for their lower income earners, protecting their employees' financial wellbeing and guaranteeing fair opportunities to progress. By sharing ownership right across the workforce, this inclusive business model is chipping away at wealth and income inequality:

EO addresses inequality by spreading ownership across hands of diverse groups

In an economy where official data suggests the majority of business owners are white and male, EOBs put ownership into the hands of diverse groups who typically don't own businesses.



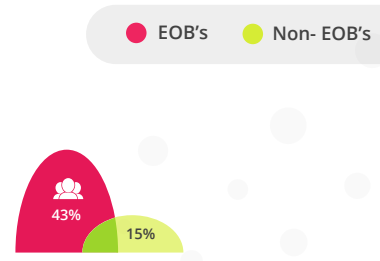
A more community-focused economy

Alongside contributing more to the economy and to support their employees, EOBs go notably further in supporting and promoting the resilience of their local communities:



EOBs put funds back into their local communities

EOBs are also considerably more likely to make charitable donations than non-EOBs (86% vs 55%). EOBs in aggregate give over £500m more per year than non-EOBs.



EOBs give time and skills to their local communities

EOBs are significantly more likely than non-EOBs to provide community support, such as advocating on behalf of local community causes, and more than twice as likely to offer volunteering days as non-EOBs (43% vs 15%).



EOBs are doing more to get the UK to Net Zero

EOBs, regardless of their size, are more likely to have a Net-Zero or carbon management strategy in place (54%) than non-EOBs (30%).



A greener economy

EOBs are more likely to be prioritising management time and focus on helping to achieve UK Net Zero targets and ensuring they have positive wider planetary impact:



EOBs pay more attention to improving their wider environmental sustainability

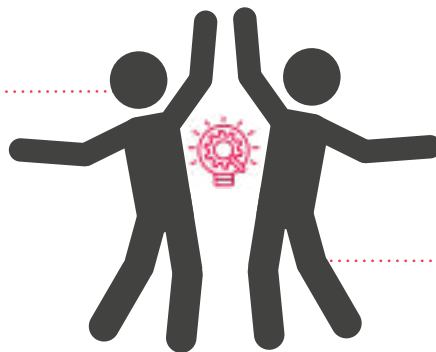
EOBs are also more likely to have "environmental sustainability" accreditation (35%) than non-EOBs (16%), such as Planet Mark, B Corp or ISO Standards.

A more resilient economy



EOBs offer greater job security

Employees at EOBs are five times less likely to be made redundant in the last three years compared to non-EOBs (that figure goes up to eight times less likely for smaller firms).



EOBs are more optimistic about the economy

Only 4% of EOBs are likely to decrease future R&D investment compared to 10% of non-EOBs.

EOBs have proven consistently resilient through the national economic challenges of recent years, retaining more stable profits, being less likely to make employees redundant and sustaining levels of investment in their products and services:



EOBs are more financially resilient

EOBs were less likely to see their profits decline over the last five years (14% vs 25% for non-EOBs) including through pandemic and supply chain crises.



UNDERSTANDING THE KEY DRIVERS OF EOB IMPACTS

Within our EOB survey sample, we set out to identify whether certain key characteristics significantly influenced impacts on the economy, employees, the environment and communities. Our headline is that EOB impacts are largely consistent regardless of geography, company size or the specific mechanism by which ownership is shared. However, there are some differences between ownership models that are worth noting. Although small sample sizes mean that some of these differences aren't statistically significant, they provide a signpost for future research.

EOBs with Employee Ownership Trusts (EOTs) in place

- Financially, the survey indicates that there is a slight advantage from some form of direct ownership (including hybrids) compared to 100% EOTs, with coops very slightly behind those.
- However, there is an important distinction between EOTs who are pre- and post-financial freedom day (FFD: the point at which the debt incurred from adopting the EOT model has been repaid). Post-FFD EOTs tend to have better financial impacts than pre-FFD EOTs and are comparable to direct and hybrid models of employee ownership in terms of gross operating profits and investment, and tend to redistribute profits to employees at a higher rate than pre-FFD EOTs.
- EOTs appear more financially resilient in turbulent times than other ownership models. They are least likely to have increased their level of debt – including debt incurred as part of forming the trust – over the last five years.



- EOTs are the most likely type of employee ownership to offer paid annual leave above the statutory minimum and to provide supported access to private health care.
- EOTs are also the most likely to hold accreditations for environmental sustainability, employee welfare, employee diversity and inclusion, and health and safety.

Worker cooperatives (coops)

- Coops tend to place more emphasis than other ownership types on encouraging fully democratic employee participation with 94% enabling employees to influence strategic organisational decision making via all-employee votes (vs 47% at EOTs and 35% at directly owned models).
- While all EOB models are more likely to provide a greater range of policies supporting employee health and wellbeing than non-EOBs, coops are the most likely to have policies such as taking a career break

or sabbatical (60%); providing flexibility in contracted hours (93%); having a 'right to disconnect' policy in place (47%); and implementation of remote or hybrid working (93%).

- Since adopting the model, coops are the most likely to have increased their focus on environmental sustainability issues and given back to the local community. Coops are also the most likely to have 50%+ of their supplier be small and medium sized businesses, and voluntary, community or social enterprises.

There are some differentials of degree around the scale of specific benefits shared with employees where larger firms are better equipped to be more generous, but this does not change the core finding that EOBs go further in providing positive impacts for their employees than non-EOBs across all firm sizes.

We also sought to go beyond more 'structural' characteristics and better understand the nature of management decisions that are driving the impacts we have identified. Through our interviews with the 65 EOB senior decision makers and 27 employee owners, we have identified a series of key areas of management activity that were cited as generating critical benefits, including:

- Sharing reward
- Sharing critical business information
- Developing and leveraging employee voice
- Focusing on employee health and wellbeing
- Effectiveness of EOB leadership
- Developing owner behaviours and workplace culture
- Recruitment and retention
- Performance review of employee owners

Headline insights have been reflected in latest Knowledge Programme publications and we will publish an additional in-depth report on EO management best practice later in 2023.

RECOMMENDATIONS

The research findings make an extremely powerful case that the UK economy would significantly benefit from 'growing the number of employee and worker owned businesses (EOBs) faster.

To support that to happen, Ownership at Work and the Employee Ownership Association propose the following recommendations and look forward to partnering with critical groups:

Investors and providers of finance

- Actively direct greater levels of investment capital towards supporting the establishment and growth of EOBs
- Lower the cost of capital when providing investment to EOBs
- Establish EOBs as a viable ESG asset class
- Review how the British Business Bank can help unlock and leverage capital for EOBs

Policymakers and political decision-makers

- Promote growth in employee and worker ownership as a core ambition of UK industrial strategy
- Commit to specific targets for growing EOBs at national, regional and local levels
- Create a Minister with responsibility for EOB growth
- Consider expanding existing Employee Ownership Trust tax reliefs to enhance positive impacts on employee owners
- Enhance levels of targeted business support to grow awareness and understanding of employee and worker ownership
- Expand the proven Ownership Hub approach across all Mayoral combined authorities
- Encourage commissioning authorities to recognise the economic, social and environmental impacts of EOBs when directing public sector spending



Educators, business schools and trade bodies

- Make EO a fundamental building block of business education
- Create dedicated materials and courses to support growth of the democratic economy
- Trade bodies across all sectors do more to promote understanding of the benefits of EO

Business owners and founders

- Consider sharing meaningful ownership and participation with all of your employees
- Consider building this into your motivational model at any stage of business development
- Consider selling to employees particularly as you approach exiting the business

RESEARCH METHODOLOGY

The EO Knowledge Programme methodology aimed to ensure maximum credibility of outputs within the scope and budget of the project, including partnering with a range of independent third party research institutions to ensure the sector would not be seen to be 'marking its own homework'.

Alongside this document, we have published a [full research report by WPI Economics](#). That report draws principally on a YouGov survey of 152 EOBs (roughly 9% of the total number of EOBs operating in the UK) and a group of 285 non-employee owned businesses (non-EOBs). The cohorts of EOBs and non-EOBs cover all major sectors of the economy, all parts of the UK and a comparable mix of business sizes.

The survey sought to capture information on financial performance and economic impacts; employee impacts; and social, community and environmental impacts. To assure high levels of confidence in the attribution of impacts to their ownership model, EOBs were also surveyed on changes in performance and practice pre and post employee ownership. Additionally, they were asked to state whether they could attribute reported impacts to their ownership model. The survey data was analysed by WPI Economics, who also undertook econometric modelling, GVA modelling, and wider analysis. More detail on their analytic approach, and the Theory of Change model that informed it, can be found in the full report.

To inform the research and support the extrapolation of findings to the whole sector, a census exercise was undertaken which combined and cleaned various existing informal datasets on UK EOBs. Alongside this, machine learning experts Glass AI were commissioned to undertake a trawl of publicly available online data, results of which were then manually verified. This exercise revealed a total of at least 1,650 EOBs as of October 2023. The true population is likely to be higher but this data is not formally recorded nationally in any standardised way. Support for this exercise, and the YouGov survey design, was provided by CBI Economics. OAW will continue to refine this approach.

Under the EO Knowledge Programme, interviews were conducted with representatives from 65 EOBs - 65 senior decision makers and 27 employee owners - by DJS Research, between June and August 2023. Interviewees included a diverse range of EOBs covering a mix of business sizes and ownership types, from all major sectors of the economy and all parts of the UK. The WPI Economics report draws directly on the insights provided by these interviews to offer additional context to the survey data.





Oversight was provided by a Programme Oversight Board, consisting of employee ownership experts and practitioners from the world of business, academia, journalism and trade bodies. Quality Assurance was provided separately by the following academics with established reputations in relevant fields:

- **Dr Juliette Summers** – Senior Lecturer in Sustainable & Responsible Business, University of Stirling
- **Dr Ruth Yeoman** – Fellow of the Centre for Mutual and Co-owned Business, Kellogg College, University of Oxford
- **Dr Aneesh Banerjee** – Reader in Management, Bayes Business School at City, University of London
- **Professor Richard Hazenberg** – Director of the Institute for Social Innovation and Impact, University of Northampton
- **Professor Robert Blackburn** – Director of the Brett Centre for Entrepreneurship, University of Liverpool Management School



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To talk to the EOA about unlocking the potential of employee ownership in the UK contact info@employeeownership.co.uk