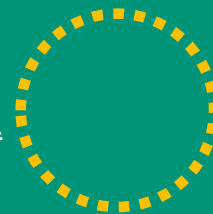


**Create and retain
1 million good jobs
through employee
and worker
ownership**



**A proposal for
the 2020
Comprehensive
Spending Review**

Summary of proposal

What?

- Help **create and retain 1 million good jobs** as part of COVID-19 response and over the next decade, by supporting more businesses to **voluntarily adopt employee and worker ownership**
- Help **secure the future of potentially viable businesses** and jobs
- Help more people to **build great new livelihoods** through entrepreneurship
- An **aspirational, enterprise-focused offer** to communities in need of 'leveling-up'

Why?

A major expansion in employee and worker ownership would help government to achieve its objectives for **job retention and creation, levelling up, productivity, inclusive and sustainable development** and **good work**.

Government could expect a **sixfold return on investment** for every pound spent.

How?

Government action is needed to address clear information and support failures that prevent too many entrepreneurs and businesses from exploring and adopting employee and worker ownership, even when there is a fit with their economic and social aspirations.

We propose allocating **£10 million in 2022-23** to support up to 20 Combined Authorities or Local Enterprise Partnerships to participate in our Ownership Hub programme. The Ownership Hub is a new multi-million pound programme that works in local business support ecosystems to:

- **increase awareness and understanding** of employee and worker ownership among entrepreneurs, workers, business owners and those who advise them
- **provide expert advice and support** to aid the voluntary adoption of employee and worker ownership at start-up, during early development and via conversion

The Ownership Hub is already funded to run a pilot in up to two places in 2021-2023. Our 'hub and spoke' design is intended to facilitate a rapid expansion to more places, subject to more resources becoming available. We propose that government funds a major expansion of the Ownership Hub, once the pilot phase has generated sufficient learning and evidence of what works.

Over three years in the expanded Ownership Hub, 20 Combined Authorities or Local Enterprise Partnerships could be expected to generate the following:

- at least **400 additional businesses adopting employee and worker ownership** through either start-up or conversion, with up to **280,000 good jobs** retained or created
- at least **1,200 additional SME owners helped to plan their ownership succession** and to understand the employee ownership option
- at least **1,200 additional founders helped to explore a co-operative option** for their start-up
- approximately **200 additional business advisors with enhanced awareness and understanding** of employee and worker ownership

This first round of government support for the Ownership Hub would start to address the information and support failures we have identified as the most significant barrier to major growth in employee and worker ownership. From 2024-25, we would expect to see significant organic growth in employee and worker ownership, in part aided by a **mainstreaming of these approaches in both public and privately funded business support**, leading to **lower support costs**.

What is employee and worker ownership?

Employee and worker ownership in a business can be partial, controlling or total. It can be exercised through worker co-operatives, employee ownership trusts (EOTs), employee shareholding schemes and hybrids of these. It includes business owned by their employees, workers, or the self-employed.

There are two key processes driving the current growth in employee and worker ownership:

- **Conversion** of SME and family owned businesses, using the EOT model and/or hybrid with employee shareholding schemes
- **Start-up** of businesses that are worker owned either from the outset or very early in their development, using the worker co-operative model

The **EOT model** is well-suited to the conversion of SME businesses. It allows for a phased, full or partial, transfer of equity and control which locks in collective employee ownership and stewardship of the business for the long term. EOTs can be designed to allow for genuine accountability and voice for employees, which is not always the case in wider employee shareholding models.

The **worker co-operative model** is particularly well-suited to start-ups, early evolutions and in some cases, conversions. It has simple and flexible legal and governance arrangements and can evolve easily as the business develops. The co-operative model can also be used by self-employed workers as well as employees. Co-operatives use a wide variety of democratic governance models that, in different ways, put worker-owners firmly in control of the business.

1. Introduction

There has never been a more important time for government to help businesses adopt employee and worker ownership. Transitioning businesses to employee ownership is a proven way to keep viable jobs in communities. It is also a great way for groups of entrepreneurial workers to create great new livelihoods following layoffs and as part of our 'build back better' recovery.

What is more, when workers have a stake and a say in business, this is shown to boost performance, enrich culture, increase resilience, enhance wellbeing and reduce inequalities, both inside firms and in local economies and communities.

Before COVID-19 (C19) government was rightly concerned by regional imbalances in economic performance, the changing nature of work and productivity. C19 has further highlighted the importance of giving more workers a fair deal, of 'levelling up' and sharing prosperity. It has also reminded us of the importance of *resilience*; of firms, local economies, supply chains, households and communities. And C19 is also expected to result in a significant rise in job losses and business failures.

Benefits of employee and worker ownership

Employee and worker ownership is an enterprising and aspirational way to:

- **save viable jobs and create great new livelihoods**
- **give workers a stake and a say**
- **boost productivity**
- **enhance the resilience of firms, local economies, supply chains, households and communities**
- **foster inclusive economic development**

In light of this, Government should see employee and worker ownership as **the missing piece linking the UK's productivity and inclusivity puzzles**; and an **innovative addition to levelling-up**. It should certainly see employee and worker ownership as an **aspirational, enterprise-focused offer to 'left behind' communities**, concentrated in the North of England and the Midlands, who would welcome more of a stake and a say.

One Million Owners

In 2018 Scottish Government set a target of increasing the number of employee and worker-owned businesses in Scotland from 100 to 500 by 2030.¹ We propose the Westminster Government is similarly ambitious for England and supports Wales and Northern Ireland to be just as aspirant. If, by 2030, there were five times as many employee and worker owned businesses in the UK as there are today, this could mean **one million UK workers would have a stake and a say in business**.

The economic and social benefits of this, for individuals and households, businesses, communities and the country as a whole, would be significant. **Achieving one million owners by 2030 would be a significant contribution to levelling up**, both between and *within* parts of the UK.² And critically, we would have created or retained **one million good, empowering, rewarding jobs**.

Theory of change

Government cannot make this happen, only businesses, workers, entrepreneurs and communities can. Evidence suggests that the biggest barriers to a more widespread adoption of employee and worker ownership during start-up, early development and succession, are a lack of awareness, practical understanding, and confidence and conviction, among entrepreneurs, business owners, workers, communities and, crucially, those who advise them.

Government's interventions in the business support landscape could do significantly more to address these information and support failures. Employee and worker ownership often requires specialized support that is lacking in national and local government schemes. The 2020 Comprehensive Spending Review (CSR) is a golden opportunity add this missing piece of the jigsaw puzzle.

When people and businesses are given the right information, in the proper contexts, with access to expert help, more of them will choose to adopt employee and worker ownership, where there is a fit with their economic and social aspirations.

Proposal: expanding the Ownership Hub

The Employee Ownership Association (EOA) and Co-operatives UK are working together to develop the Ownership Hub. We have secured £572,200 to develop the Ownership Hub and run a pilot in up to two Combined Authorities (CAs) or Local Enterprise Partnership (LEP) Areas in England. The Ownership Hub will work within local business support ecosystems to:

- **increase awareness and understanding** of employee and worker ownership among entrepreneurs, workers, business owners and those who advise them
- **provide expert advice and support** to aid the voluntary adoption of employee and worker ownership at start-up, during early development and via conversion

Through this CSR government can support more CAs/LEPs in England to participate in an expanded Ownership Hub. The more places participate in the Ownership Hub, the faster we can refine 'what works' and establish employee and worker ownership as a mainstream approach to business, leading to organic growth on a bigger scale.

2. Rationale: jobs, fairness, resilience, performance

Keeping viable jobs in communities

Even before the advent of C19 it was estimated that the survival of 3.4 million SMEs in the UK was put at risk by the lack of a sustainable succession plan.³ There was concern that too many successions either failed, or failed to deliver for local economies and communities. C19 will only make matters worse. More SME owners will bring forward their retirement because of health and/or economic concerns. And more corporate groups will look to divest of subsidiaries. This will all take place in an economic climate that significantly reduces likelihood of achieving a decent 'trade sale'. On top of this banking leaders now warn that 3 million jobs across the UK and 780,000 SMEs are at risk because of debt taken on during the pandemic.⁴

The conversion of an established business to employee and worker ownership enhances the security of viable jobs that would otherwise have been at greater risk.^{5 6} In recent years the UK has seen a surge in the number of established businesses converting to employee and worker ownership as part of planned ownership succession.⁷ These conversions are a proven way to retain local operations, jobs, investment and decision-making.

Creating great new livelihoods

Worker co-operatives offer a proven way for people create great livelihoods. This could be to replace livelihoods lost as a result of C19, filling gaps in markets left by business failures and in new markets. There is also growing demand for co-op options among entrepreneurs interested in collaborative, fair, ethical, pro-social approaches to business. And also among workers in low paid, insecure work and the 'gig economy', who are looking for a fairer deal.

Worker co-ops in the UK create 35 percent more 'job' with every £1 of turnover than UK employers as whole.⁸ This is backed up by data from other countries showing that on average worker co-ops

create more jobs than businesses generally.⁹

Fairness

Employee and worker owned businesses create and sustain *good* livelihoods. They are found to have significantly lower pay ratios than other businesses and to share profits equitably among every worker.^{10 11}

There is also evidence to suggest that more engaging, empowering and democratic workplaces are good for worker wellbeing.^{12 13 14}

Resilience: firms

Furthermore, co-operative start-ups in the UK and around the world are shown to be significantly more resilient than start-ups generally.^{15 16} And employee and worker owned businesses are shown to be more resilient and better at preserving good livelihoods in downturns.^{17 18 19}

There is strong evidence from countries with lots of employee and worker ownership conversions (France, Italy, Spain) that converted businesses are on average more resilient over the long term, compared with other businesses.^{20 21}

Resilience: local economies and levelling up

Increasing the amount of local employee and worker ownership enhances the resilience not just of firms but of local economies and supply chains. The conversion to employee and worker ownership during succession is especially critical here.

The benefits are especially pronounced in areas that struggle to stem the drain of capital, talent and jobs, **thus making a significant contribution to levelling up.**

The ONS reports an ongoing upward trend in the number of acquisitions of home-grown firms by non-UK owners.²² Analysis by the Department for International Trade suggests that the net impact of foreign direct investment on the UK economy is positive. But the same analysis also suggests the impact at a regional level can be far more variable, with statistically clearer, stronger positive impacts where the local economy is already strong.²³ Government should be worried that an uptick in failed successions and foreign ownership will erode already fragile local business bases, reducing the already less positive impacts of inward investment for struggling regions. Employee and worker ownership can be part of an effective, business-led strategy to address these challenges.

Weakness in succession can also erode local supply chains in relatively successful local economies. This is a major concern as these local businesses and supply chains play a vital role in facilitating inclusive growth, by transmitting opportunity and wealth from local star firms and sectors to other local businesses, workers and their communities.²⁴

Performance

Last but not least, these gains in economic fairness and resilience do not come at the expense of commercial success. There is good evidence that the mutual purpose and giving everyone and stake and a say boosts performance and enriches culture in employee and worker owned businesses.^{25 26 27 28}

Models of value creation based on motivated, accomplished and engaged workers, a common purpose and a collaborative culture, deliver both higher productivity²⁹ and more good quality work.³⁰ This model of value creation is optimized in employee and worker owned businesses. This optimization - what is often called the 'ownership dividend' - derives from the powerful alignment of interests achieved when everyone has a stake and a say in the business.^{31 32 33}

3. What we trying to achieve: One Million Owners

Through a **fivefold increase** in employee and worker ownership we aim to have created or retained **one million good, empowering, rewarding jobs** by 2030.

The 470 businesses and individuals who support the One Million Owners agenda,³⁴ share an ambition for a **fivefold increase in the number of employee and worker owned businesses by 2030**. Based on current levels of employee and worker ownership, such an increase could result in **one million employee and worker owners in the UK** by the end of the decade. Scottish Government already has an ambition for a fivefold increase in employee and worker ownership. There is a compelling case for the UK as a whole, and the Westminster Government specifically, to adopt this ambition as well.

The table below displays key 2018 baselines³⁵ and projections to 2030 in a scenario where we have seen a fivefold increase.

	2018 Baseline	2030 following fivefold increase
Number of employee and worker owned businesses (EOTs and co-ops)	1,100	5,500
Number of EOT-owned businesses	450 (EOA data)	2,250
Number of worker owned co-ops (inc self-employed)	650 (Co-operatives UK data)	3,250
Number of employee and worker owners	200,000 (EOA data)	1,000,000

These projections are ambitious but with the right interventions they are certainly achievable.

The EOA and Co-operatives UK have secured £572,200 to develop the Ownership Hub. The Ownership Hub will work with up to two CAs/LEPs to pilot awareness and support interventions from 2021 to 2023 (see **part 5**). Without any funding from government the Ownership Hub is expected to deliver the following outcomes by the end of its first three year pilot:

- approximately 30 *additional* businesses adopting employee and worker ownership through either start-up or conversion
- approximately 20 *additional* business advisors with enhanced awareness and understanding of employee and worker ownership

We are proposing that government provides **£10 million in the 2020 CSR** for up to 20 more CAs/LEPs to participate in the Ownership Hub, **starting in 2022-23**. Over three years in the expanded Ownership Hub, 20 CAs/LEPs could be expected to generate the following:

- approximately 400 *additional* businesses adopting employee and worker ownership through either start-up or conversion, with up to 280,000 good jobs retained or created³⁶
- approximately 1,200 *additional* SME owners helped to plan their ownership succession and to understand the employee ownership option, up to diagnostic and feasibility study
- approximately 1,200 *additional* founders (of founder groups) helped to explore a co-operative option for their start-up, up to technical diagnostic, feasibility study and group facilitation
- approximately 200 *additional* business advisors with enhanced awareness and understanding of employee and worker ownership

This first round of government support for the Ownership Hub would start to address the information and support failures we have identified as the most significant barrier to major growth in employee and worker ownership. From 2024-25 onwards (the next CSR period), we would

expect to see significant organic growth in employee and worker ownership, in part aided by a mainstreaming of these approaches in both public and privately funded business support.

4. Theory of change

There are three complementary pathways that will be critical to achieving one million owners by 2030:

- start-up of new employee and worker owned businesses
- conversion as part of planned ownership succession, business restructuring or rescue
- growth of existing employee and worker owned businesses

We know that models of employee and worker ownership can fit very well with the economic and social aspirations people have at various parts of the business life cycle. There is considerable potential demand that we need to develop and then serve.

Start-up demand

For the start-up route, C19 has increased likely demand for a variety of employee and worker ownership options among:

- workers seeking to replace livelihoods lost during C19, filling gaps in markets left by business failures and in new markets
- an already growing demographic of entrepreneurs interested in collaborative, fair, ethical, pro-social approaches to business
- people in insecure, low paid work (e.g. in the 'gig economy') looking for a fairer deal and be 'be there own boss'

Conversion demand

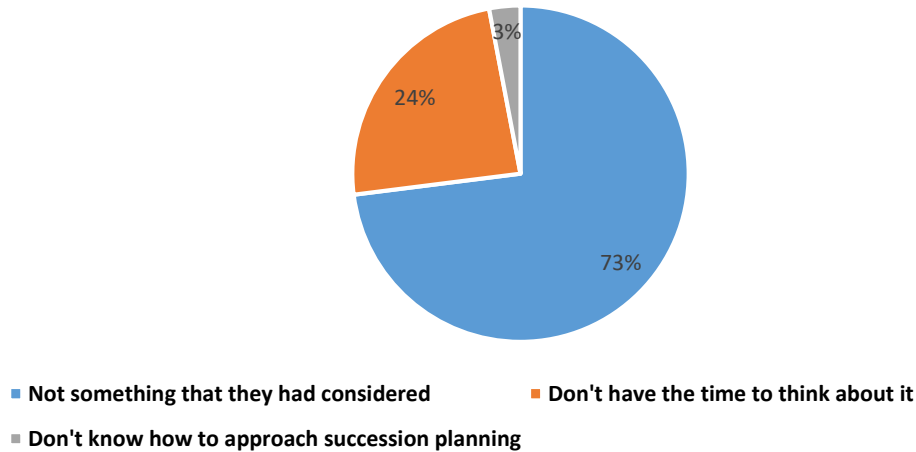
For the conversion route, the economic crisis and also some changes in sensibility brought by C19, could increase likely demand for employee and worker ownership among:

- SME owners looking for an exit that secures the future of the business, its culture, values, jobs etc.
- SME owners faced with the reduced likelihood of achieving a decent 'trade sale'
- SME owners bringing forward their retirement because of health and/or economic concerns
- corporate groups looking to divest of subsidiaries
- workers and communities hoping to retain potentially viable jobs that are at risk

Information and support failures

We have evidence that the number of conversions to employee and worker ownership is limited by a lack of awareness, practical understanding and appreciation of the relevance of this option, among business leaders and those that advise them. Without the right information and advice, business leaders too often lack the confidence and conviction to choose employee ownership. Furthermore, research has shown that not enough business leaders consider succession properly and are under-informed about the risks and opportunities involved.³⁷ Too often the EOA hears that businesses found their employee ownership solution "by chance".

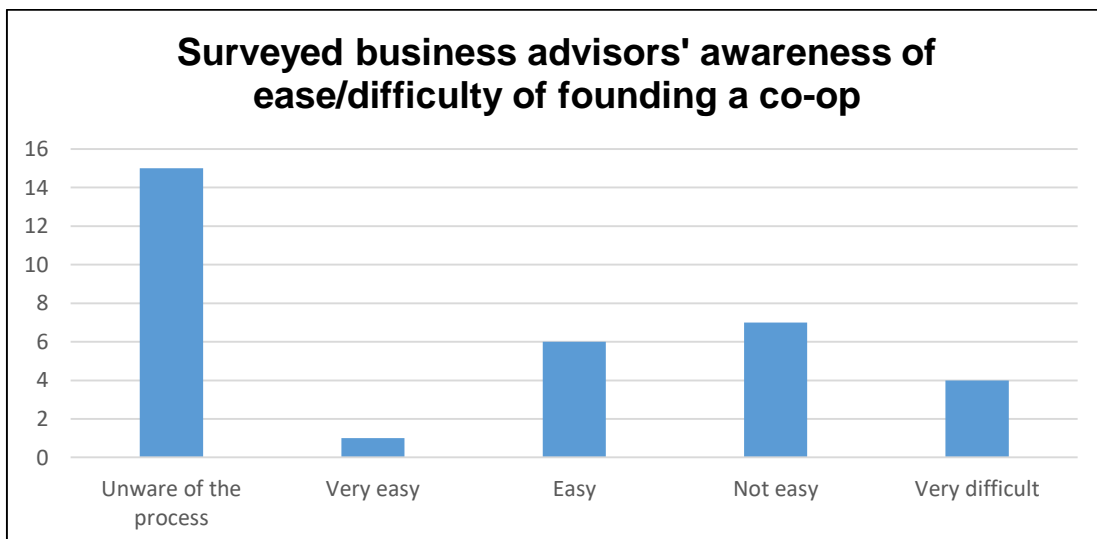
Why doesn't your business have a succession plan?



Data from Wavehill (2017) 'How Dangerous is the Business Succession Time Bomb? – SME succession planning support in Wales'

Similarly, co-operative approaches to entrepreneurship are still rare, but interest in working and doing business in more purposeful, ethical and collaborative ways is growing.³⁸ In many sectors individuals and small groups want to retain ownership and control of their livelihoods but also benefit from collaboration.³⁹ And while these new entrepreneurs want to found successful, rewarding businesses, they also increasingly want to create something that reflects their ethics and wider social concerns and aspirations. And thus they sometimes want their business to evolve in a way that gives everyone a stake and a say, partly as a means of protecting the mission and values of the business after they exit. These individuals and groups are potential founders of new employee and worker owned businesses.

We have evidence that the number of such individuals and small groups who found their business along co-operative lines, is limited by a lack of awareness, practical understanding and appreciation of co-operative options. We know from running awareness raising workshops that there are a lot of would-be founders who are looking to work and do business in a more fulfilling, ethical and collaborative way, but who lack a clear understanding of what their practical options are. Research for Co-operatives UK has also identified unhelpful gaps in the knowledge and advice offering of those who influence the decisions of these founders.⁴⁰ Without the right information and advice, would-be founders can lack the confidence and conviction to choose a co-operative option. Too often, Co-operatives UK hears from founders who came to a co-operative option "by chance."



From Alliance Manchester Business School (2018) 'The Co-operative Business Model: promoting awareness amongst business advisers'

To increase the number of start-ups, evolutions and conversions we must address these information and support failures. This is best done by working with partners in local (e.g. city-regional) business support ecosystems.

But we also have evidence that these information and support failures will not be addressed until government includes help for employee and worker ownership in its business support interventions.

Lessons from Scotland

In proportion to size of business population, **Scotland has a significant lead over the rest of the UK in the rate of conversions to employee ownership.**⁴¹ Experts in the field believe this is because Scottish Government has developed a very effective programme over the past decade; one that increases awareness of employee ownership as a succession option and then provides access to specialist advice and support to help conversions happen.⁴²

Lessons from the United States

We have to look outside the UK, and particularly to the United States, for examples of municipal-level interventions to support the start-up of worker owned businesses. Notably, New York City Council funds and convenes the 'Worker Co-operative Business Development Initiative', which combines awareness raising through networks and communities with specialist support for worker owned start-ups. A \$2.9m commitment in 2018 has supported almost 50 new worker co-operatives.⁴³

The federal government in the United States is also funding specialised business support for employee and worker ownership, following the bipartisan Main Street Employee Ownership Act.⁴⁴

5. Proposal: Expanding the Ownership Hub

The EOA and Co-operatives UK have secured £572,200 to establish the Ownership Hub, specifically to start addressing the information and support failures described in **part 4**. The Ownership Hub will work within local business support ecosystems to:

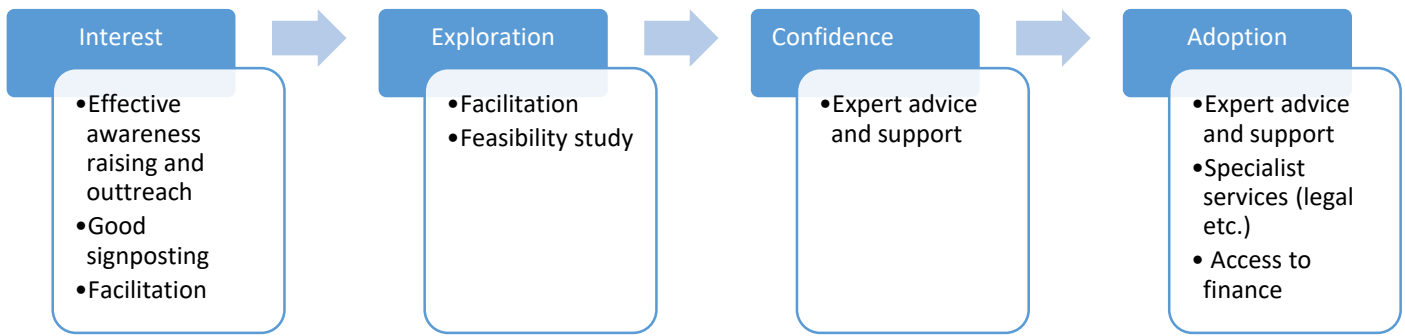
- **increase awareness and understanding** of employee and worker ownership among entrepreneurs, workers, business owners and those who advise them
- **provide expert advice and support** to aid the voluntary adoption of employee and worker ownership at start-up, during early development and via conversion

In the first instance, the Ownership Hub will initially run pilots in one or two carefully selected places, from 2021 to 2023, coproducing the interventions with local partners.

We suggest that following learnings gathered from our initial pilot phase, government could **allocate £10 million in the 2020 CSR** to enable up to 20 more CAs/LEPs to participate in the Ownership Hub, starting in **2022-23**. Expanding the Ownership Hub in this way would lead to a mainstreaming of employee and worker ownership in both public and privately funded business support.

Summary of Ownership Hub intervention

In its pilot phase the Ownership Hub will include targeted awareness raising and outreach, up-skilling of advisers and the commissioning of expert facilitation, advice and support. These measures will assist people on a journey from general interest, through to more detailed exploration of options, with growing confidence and conviction, towards adoption of employee and worker ownership, where appropriate.



At the local level we expect the Ownership Hub to break down into three interventions (awareness raising and promotion, adviser capacity building and direct technical support) and two pathways (start-ups and conversions).

	Start-ups	Conversions
Awareness raising and outreach	<p>Marketing, promotion and outreach targeted at cohorts of would-be founders</p> <p>Partnering LEPs, Growth Hubs, local authorities, trade unions, professional associations, community organisations, shared workspaces, business networks and higher/further education institutions</p>	<p>Marketing, promotion and engagement targeted at SME owners/leaders</p> <p>Partnering LEPs, Growth Hubs, local authorities, trade unions, professional associations, community organisations, shared workspaces, business networks and higher/further education institutions</p> <p>Offer to help SME/family business plan ownership succession</p> <p>Positioning employee ownership as part of a wider menu of options for planned succession</p> <p>Working through local Chambers of Commerce etc. to raise local awareness of succession and employee ownership</p> <p>Gathering intelligence and mapping the 'succession landscape' in the area</p>
Adviser capacity building	<p>Offer of CPD-like training to individuals working in relevant professional services, to improve their basic awareness and understanding of worker co-operatives, triage and sign-posting</p> <p>Including offer of training for advisors working through Growth Hubs, New Enterprise Allowance providers and Start-up Loans providers</p>	<p>Offer of CPD-like training to individual working in relevant professional services within LEP Areas, to improve their basic awareness and understanding of employee ownership and conversions, triage and sign-posting</p> <p>Including offer of training for advisors working through Growth Hubs</p>
Direct technical support	<p>Paid-for expert-led sessions to explore would-be founders' specific co-op options in detail, with a diagnostic/feasibility objective</p> <p>Paid-for expert co-operative development support covering formation, business planning and co-operative organising</p>	<p>Paid-for diagnostic/feasibility activities</p> <p>Paid-for expert support should the diagnostic identify a viable conversion opportunity</p>

The optimum spatial level for the local interventions in England would be CAs and LEPs. This will allow the intervention model to fully align with wider business support, networking and funding infrastructure. CAs and LEPs with inclusive ownership ambitions would choose to be partners and hosts for the intervention. There are encouraging signs of an appetite for this in a number of places.⁴⁵

Proposed expansion

The Ownership Hub will operate with a scalable 'hub and spoke' model, with minimal central administration supporting locally embedded interventions.

For three years from 2021 to 2023 the Ownership Hub will work in up to two carefully selected CAs/LEPs to pilot awareness and support interventions.

From 2022-23, there will be scope to take what we have learned and expand the Ownership Hub into other CAs/LEPs. We suggest that in 2022-23 government provides funds for up to 20 additional CAs/LEPs to participate in the Ownership Hub for an initial three year programme. Based on our modelling of costs, government would need to budget **£10 million**⁴⁶ **over three years from 2022-23**, if 20 additional CAs/LEPs participated.

6. Cost-benefit

Return on investment

Rigorous evidence suggests that government could expect to get at least a **sixfold return on investment** for every pound spent in the Ownership Hub.⁴⁷ This does not fully take into account the social value added.

Outputs

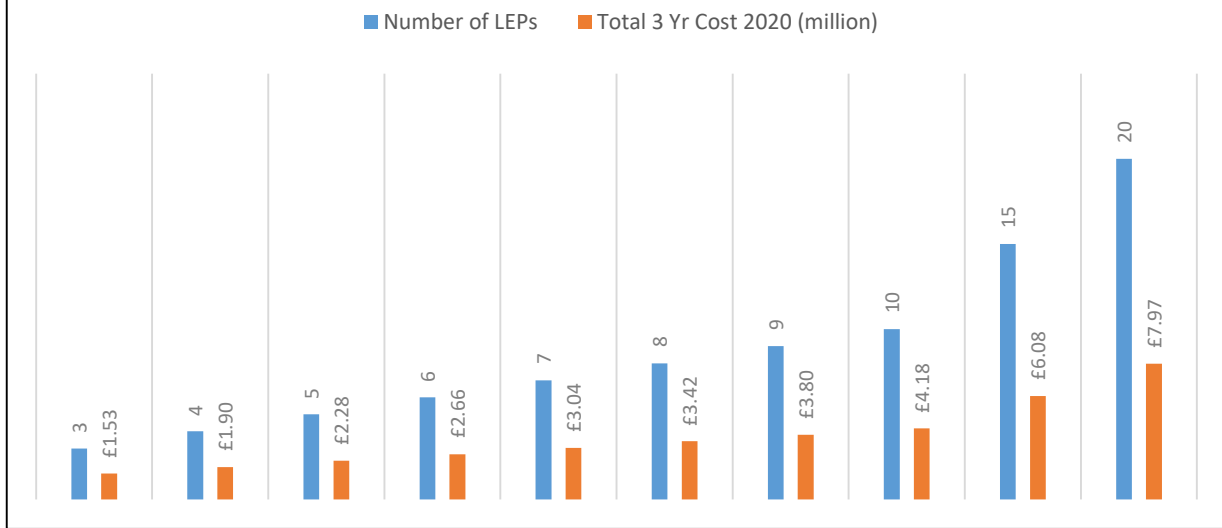
A spend of £10 million over three years starting in 2022-23 would result in the following:

- approximately 400 *additional* businesses adopting employee and worker ownership through either start-up or conversion, with up to 280,000 good jobs retained or created
- approximately 1,200 *additional* SME owners helped to plan their ownership succession and to understand the employee ownership option, up to technical diagnostic and feasibility study
- approximately *additional* 1,200 founders (of founder groups) helped to explore a co-operative option for their start-up, up to technical diagnostic, feasibility study and group facilitation
- approximately 200 *additional* business advisors with enhanced awareness and understanding of employee and worker ownership
- continuous action learning to inform future interventions to support employee and worker ownership

In participating CA/LEP Areas, we envisage that these outcomes will lead to a self-sustaining expansion of employee and worker ownership that will continue long after the three year pilot ends. Employee and worker ownership options will become more 'mainstream' within the local business community and its supporting eco-system. **This mainstreaming will reduce the cost of supporting employee and worker ownership.**

The cost of the Ownership Hub grows depending on how many CAs/LEPs are participating. But some central 'hub' costs remain static even as more 'spoke' CAs/LEPs are added, up to certain inflection points. And crucially, our model has the potential to produce substantial economies of scale as the number of participating CAs/LEPs increases. For example, were the number of participating CAs/LEPs to double from 5 to 10, the total modelled costs (2020 costs) would be less than double, rising from £2.28 million to £4.18 million over three years. These economies of scale are visualised below.

TOTAL EST. 3 YEAR COST, INCREASING BY NUMBER OF PARTICIPATING CA/LEP



Outside the participating CAs/LEPs, this success will engender greater awareness of and confidence in employee and worker ownership among policymakers, business groups and professional associations. We envisage that this momentum will result in many more CAs/LEPs allocating resources to support and expansion of employee and worker ownership in their areas.

On conservative estimates, predicated on an assumption that the baseline of 146 new employee and worker owned businesses per year continues unchanged over a decade, and each participating CA/LEP Area contributes 20 additional new employee and worker owned businesses over three years, with the number of participating CAs/LEPs growing over the decade, the intervention could deliver at least 800,000 employee and worker owners by 2030 (see table below).

	Number of CAs/LEPs participating	Baseline three year start-ups and conversions	Additional employee and worker owned businesses created through intervention	Total additional employee and worker owned businesses over three years with intervention	Total number of employee and worker owned businesses	Total number of employee and worker owners
2017-19 (baseline)	0	438*	N/A	N/A	1,100	200,000
2020-22	5	438	100**	538	1,638	297,818***
2023-25	15	438	300	738	2,376	432,000
2026-28	30	438	600	1,038	3,414	620,727
2029-31	38	438	760	1,198	4,612	838,545

* The most recent annual data from EOA and Co-operatives UK multiplied by three

** Based on the projected 20 additional employee and worker owned businesses per CA/LEP over three years of the intervention

*** Increasing by the same percentage as the total number of employee and worker owned businesses

Crucially, this intervention is intended to act as a catalyst that over time significantly increases the frequency with which people and businesses become aware of, explore and adopt employee and worker ownership. The direct outcomes modelled here would not account for the total knock-on impacts over a whole decade. Nor do these figures account for all the activity we would like to see in Scotland, Wales and Northern Ireland.

Once the approaches we advocate here are mainstreamed in business eco-systems across the country, and as the momentum builds, there is every chance of achieving one million employee and worker owners in the UK by 2030.

Outcomes

A £10 million spend in 2022-23 would lay the ground work for a rapid expansion in employee and worker ownership, with these approaches mainstreamed in both public and privately funded business support. Feasibly this could lead to one million employee and worker owners sharing a stake and say in business by 2030. The outcomes of such a major expansion would include:

- the creation of hundreds of thousands of good, wellbeing-enhancing livelihoods
- the safeguarding of hundreds of thousands of jobs that would otherwise be at risk because of failed or suboptimal succession
- more resilient, more inclusive and more productive local businesses in parts of the UK in need of levelling up
- lower inequalities in income, wealth, wellbeing, opportunity and influence, in parts of the UK in need of levelling up

Public value

In the table below we suggest how allocating public money for the intervention we've described would deliver 'public value' using the framework proposed by Sir Michael Barber and adopted for this Spending Review.⁴⁸

Public value pillar	Our proposal
1. pursuing goals	<p>We have proposed clear and measurable three year goals for engaging with businesses and would-be founders, enhancing the capability of advisors and supporting employee and worker ownership start-ups and conversions.</p> <p>We have also suggested an achievable ambition of one million employee and worker owners by 2030.</p> <p>These ambitions and our proposals for how to achieve them are informed by evidence of what works and current barriers.</p>
2. managing inputs	<p>Our financial and non-financial resource planning has been informed by our considerable experience of designing and delivering successful interventions to promote and support employee and worker owned businesses, not least our work to develop the Ownership Hub. Co-operatives UK's successes include work to develop the community shares market ⁴⁹ and its national co-operative development programme The Hive.⁵⁰ The EOA delivers a successful programme of engagement, awareness and capacity building for employee owned businesses.</p> <p>We have a deep practical experience of projecting, monitoring and managing supply and demand and costs relating to engagement, training and the provision of expert advice and support for employee and worker owned businesses.</p>
3. engaging users and citizens	<p>Evidence suggests that public perceptions of employee and worker ownership are very positive.⁵¹ Furthermore, there is evidence that the public is in favour of efforts to foster a more inclusive economy.⁵²</p> <p>The intervention we're proposing will broaden the reach of business policy by engaging employees and workers who may never otherwise aspire to business ownership. It will provide more people with practical options for having a greater stake and say in the</p>

	<p>economy.</p> <p>Our theory of change is that furnishing businesses, workers, entrepreneurs and communities with the relevant information in the most relevant contexts, and then providing access to expert help, enables them to make the most of a wider range of options, empowering them to build a more productive, inclusive economy for themselves, <i>voluntarily</i>.</p> <p>In designing and implementing the proposed intervention, the EOA and Co-operatives UK draw on the knowledge and assistance of the hundreds of employee and worker owned businesses and specialist advisors in our membership networks.</p> <p>We are also drawing substantially on the experiences and lessons from the Scottish Government's success in engaging with businesses that might convert to employee ownership.</p>
<p>4. developing system capacity</p>	<p>First and foremost this intervention is intended to enhance the capability of local ecosystems of LEPs, Growth Hubs, business advisors, networks and communities to support employee and worker ownership.</p> <p>It also provides a practical means for a different parts of national and local government to collaborate on an inclusive economic agenda, such as BEIS, MHCLG and the Inclusive Economy Unit in Whitehall and LEPs across England.</p> <p>Our proposal responds to evidence and experience telling us what the biggest barriers to expanding employee and worker ownership are in existing private and public sector delivery chains.</p> <p>Both the EOA and Co-operatives UK are trusted, respected and accountable membership organisations that are not-for-profit, politically independent and socially purposed. Both have track records in working successfully with public bodies, businesses and civil society. Co-operatives UK has a track record of successfully managing multi-million pound projects for public and charitable partners, such as the Community Shares Unit, The Hive, Empowering Places⁵³ and now the Ownership Hub.</p> <p>Our intervention has been designed to facilitate continuous improvement with live feedback loops to ensure the activities can be effectively refined, adapted and scaled, during each year, over multi-year cycles and across different locations through the hub and spoke model.</p>

About the Employee Ownership Association

The EOA is a not for profit, politically independent organisation that represents and supports the development of the £30+bn employee ownership sector. It campaigns to influence, inspire and support UK employee ownership to become more respected, more widespread and more successful. The EOA connects its members with learning and support and works closely with them to champion the sector by sharing their stories, best practice and expertise.

About Co-operatives UK

Co-operatives UK is a politically independent, not for profit association that unites, develops and promotes thousands of co-ops across the UK. From high street retailers and community owned pubs, to agricultural producer organizations and worker owned businesses, co-ops are everywhere and together they are worth £38.2 billion to the UK economy.

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References

¹ <https://www.gov.scot/news/new-leadership-group-for-employee-ownership/>

² This added dimension to leveling up has been convincingly argued for in recent papers published by the [Social Market Foundation](#) and [Institute for Fiscal Studies](#)

³ <https://www.aldermore.co.uk/about-us/newsroom/2018/08/nearly-two-thirds-of-small-and-medium-sized-business-leaders-do-not-have-a-succession-plan/>

⁴ <https://www.thecityuk.com/home/covid-19-update/recapitalisation/>

⁵ CECOP (2013) '[Business Transfers to Employees under the Form of a Cooperative in Europe](#)

⁶ Vieta, Depedri & Carrano (2015) '[The Italian Road to Recuperating Enterprises and the Legge Marcora Framework Italy's Worker Buyouts in Times of Crisis](#)'

⁷ Robinson & Pendleton (2019) '[Employee Ownership In Britain: Size and Character](#)

⁸ Comparison of all available data on worker co-op turnover and employee numbers and UK government business statistics

⁹ Virginie Pérotin (2015) '[What do we really know about worker co-operatives?](#)

¹⁰ Virginie Pérotin (2015) '[What do we really know about worker co-operatives?](#)

¹¹ Co-operatives UK (2018) '[Gender Pay Gap Report](#)'

¹² National Centre for Employee Ownership (2017) '[Employee Ownership and Economic Well-Being](#)'

¹³ Coad & Binder (2014) '[Causal linkages between work and life satisfaction and their determinants in a structural VAR approach](#)'

¹⁴ Employee Ownership Association (2017) '[The Ownership Dividend](#)'

¹⁵ Co-operatives UK (2020) '[The Co-op Economy](#)'

¹⁶ Co-operatives UK (2019) '[Co-operative Business Survival](#)'

¹⁷ Virginie Pérotin (2012) '[The performance of worker co-operatives](#)'

¹⁸ Lampel, Bhalla & Chordia (2014) '[Does employee ownership confer long-term resilience?](#)'

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²² ONS (2019) '[Mergers and acquisitions involving UK companies: October to December 2018](#)'

²³ DIT (2018) '[Estimating the economic impact of FDI to support the Department for International Trade's promotion strategy](#)'

²⁴ Manchester Independent Economic Review (2015) '[Growing Inward and Indigenous Investment](#)'

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- ²⁵ Virginie Pérotin (2012) '[The performance of worker co-operatives](#)'
- ²⁶ Fathi Fakhfakh, Virginie Pérotin, Monica Gago (2011) '[Productivity, Capital and Labor in Labor-Managed and Conventional Firms](#)'
- ²⁷ Employee Ownership Association (2017) '[The Ownership Dividend](#)'
- ²⁸ See the evidence presented in the 2012 [Nuttall Review of Employee Ownership](#)
- ²⁹ Chartered Institute of Personnel and Development '[People and the creation of value](#)'
- ³⁰ Matthew Taylor (2017) '[Good Work: The Taylor Review of Modern Working Practices](#)'
- ³¹ Employee Ownership Association (2018) '[The Ownership Dividend](#)'
- ³² Virginie Pérotin (2012) '[The performance of worker co-operatives](#)'
- ³³ IPPR (2017) '[Corporate Governance Reform: Turning business towards long-term success](#)'
- ³⁴ In July and August 2019 more than 470 businesses and individuals signed up in support of the One Million Owners agenda, including John Lewis Partnership, Richer Sounds and Suma Wholefoods.
- ³⁵ This business case was first developed in 2018-19 in anticipation of a CSR in 2019 and these baselines are still useful.
- ³⁶ Based on the median number of employees in the [top 50 employee owned businesses](#) (700). A low-end estimate would be 36,600 jobs retained or created, based on the average number of employees involved in past EOT conversions (90). Experts at the White Rose Centre for Employee Ownership predict that the average number of employees in conversions is likely to increase. We also expect our Ownership Hub programme to prompt some larger conversions. The C19 crisis is also expected to make some larger conversions more likely.
- ³⁷ Wavehill (2017) '[How Dangerous is the Business Succession Time Bomb? – SME succession planning support in Wales](#)'
- ³⁸ Mission-led Business Review (2017) '[On a Mission in the UK Economy](#)'
- ³⁹ FSB and RSA (2017) '[The self-organising self-employed](#)'
- ⁴⁰ Alliance Manchester Business School (2018) '[The Co-operative Business Model: promoting awareness amongst business advisers](#)'
- ⁴¹ Scotland now accounts for 16 percent of all EOT-owned businesses ([see here](#)) in the UK but only has 6 percent of all UK businesses ([see here](#))
- ⁴² See Graeme Nutall [here](#)
- ⁴³ New York City Council (2018) '[Working Together: A Report on the Fourth Year of the Worker Cooperative Business Development Initiative](#)'
- ⁴⁴ https://smlr.rutgers.edu/sites/default/files/documents/ResearchDocs/3-21-18_main_street_employee_ownership_act_summary_5_copy.pdf
- ⁴⁵ For example, the ambitions to support co-operatives and inclusive business in the Greater Manchester and West Midlands [Local Industrial Strategies](#)
- ⁴⁶ Based on 2020 modelled costs of £7.97 million for 20 CAs/LEPs, plus 2.6 per cent inflation a year to 2023-24 bring the figure to £8.39 million, plus central government costs and contingencies
- ⁴⁷ See [this independent evaluation](#) of Scottish Enterprise's programme to support conversions to employee and worker ownership:
<http://www.evaluationsonline.org.uk/evaluations/Documents.do?action=download&id=766&ui=browse>
- ⁴⁸ <https://quarterly.blog.gov.uk/2019/02/13/getting-full-value-from-government-spending/>
- ⁴⁹ <http://communityshares.org.uk/>
- ⁵⁰ <https://www.uk.coop/the-hive/>
- ⁵¹ <https://employeeownership.co.uk/resources/facts-and-figures/>
- ⁵² <https://www.ippr.org/files/2018-09/unfair-and-in-need-of-reform-report-september18.pdf>
- ⁵³ <https://www.uk.coop/apply-become-empowering-places-capacity-support-provider>