



MEDIA RELEASE

Employee Ownership leads to better performance, says UK expert Nuttall Economies can become more productive as employee ownership rises

SYDNEY, 24 May 2013; As Britain embarks on a program to reform its economy with one of the central pillars increasing employee ownership, the expert who prepared a review for the British Government, was in Sydney to address company directors, executives, politicians and lobbyists.

Graeme Nuttall, author of the well-received Nuttall Review which has seen the British government agree to undertake measures to raise employee ownership, told attendees of the Employee Ownership Association annual conference that companies which have majority employee ownership perform better than all-share companies.

The UK Employee Ownership Index outperforms FTSE All-Share companies. Employee-owned companies in this comparison are defined as companies which are more than 10 per cent owned by employees. Britain's Deputy Prime Minister Nick Clegg has championed employee ownership, saying it aims "to get employee ownership into the bloodstream" of the British economy. Change is needed in the UK workforce. A large-scale government-funded survey, released this week, found that worker insecurity in Britain is at its highest level in 20 years. The British government has allocated 50 million pounds annually to grow employee ownership and has introduced a major program of legislative change, a new research institute and "template" models for new companies.

In Australia, the Federal Opposition has also assessed the benefits of employee ownership and is pushing for higher levels of employee ownership.

"As we look to the challenges in the decades ahead, we know our capacity to do better will be built on a more productive economy," said the Honourable Tony Smith MP, Shadow Parliamentary Secretary for Tax Reform. "A revolution in employee share ownership has the potential to add a couple of cylinders to our economic engine."

"For the enterprise it unlocks the human capital of employees, which can drive improvements and greater success," said Smith. "Employees who have shares are more likely to be in tune, and part of, a company's mission and success because they have a stake in the outcome."

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Editorial Notes:

In the USA there are around 10,900 Employee Share Ownership Plans (ESOPs) employing more than 13 million US employees. In a joint project with the Employee Ownership Foundation, the NCEO found that employee ownership averts a substantial amount of unemployment and saved the US Federal Government over \$23 billion in 2010. Data from the General Social Survey shows that in 2010, for instance, 12.1% of all working adults in the private sector reported having been laid off during the prior 12 months, compared to just 2.6% of those respondents who own stock in their company through a company-sponsored employee ownership plan. This dramatic difference remains even after adjusting for different conditions faced by employee-owners and non-employee-owners.

Well known and highly successful employee owned companies include John Lewis (UK) and Publix (US, retail sales of \$27 billion in 2011 and more than 152,500 employees).

Employee-owned firms have, on average, 4-5% higher productivity than other businesses and the Employee Ownership Index has outperformed the FTSE All Share Index by an average of 10% annually since 1992. The UK Coalition Government is taking action to enable these models to flourish in both the private and public sectors. Employee owned companies make it possible for more people to share the rewards of success.

In Australia, the Federal Parliamentary Enquiry into Family Business has found that the extent to which family businesses will be transferred or closed in the coming decade as a result of the retirement of the baby boomer generation, has stark policy implications for our economy. Employee share ownership is a proven, successful pathway for retiring owners in planning their succession, resulting in both the saving of the business and retention of jobs.

In a review of the tax arrangements for employee share plans the EOA has called for changes to reverse a significant decline in employee ownership in Australia. Our expert panel, which includes representatives from accounting and legal firms, noted that changes were urgently required in order for Australia to keep pace with international trends to increase the level of employee share ownership in the economy.

The conference will conclude with the [ESOP of the Year Awards](#). Award winners last year included Westpac, BHP Billiton and local Western Sydney manufacturing firm C-Mac Industries (which has seen its productivity increase by 18 per cent since assuming an employee-owned structure in 2010).

The full conference program is available from this link: <http://employeeownershipconference.com.au/>