

**Transcript of the Talk Delivered by Former UK Employee Ownership Association Chief Executive [Iain Hasdell](#) at the IPSA Annual Conference in Dublin on 8<sup>th</sup> October 2015**

Thank you for such a kind reception.

I am absolutely delighted to have the opportunity this afternoon to share a few thoughts on employee ownership with you.

I am going to cover just one theme: insights from the UK.

Insights into how the UK has, over the last few years, become an international leader on employee ownership.

Insights into how the campaign I developed and led during my time running the Employee Ownership Association in the UK has driven this progress.

Insights on what those who want to see much more employee ownership in the Irish economy might possibly take from the UK experience.

And before I go any further let me just clarify what those words 'employee ownership' mean in this context.

They mean significant employee financial participation in a business in whatever form that participation takes, ranging from 100% ownership by employees through to gain sharing and profit sharing schemes and everything in between.

So, what has been going on in the UK?

There have been six keys to success.

Let me start at the very beginning with the first of these.

In the aftermath of the 2008/9 financial crash those interested in long term UK economic growth started to get interested in the diversification of business ownership.

Many realised that too many businesses in the UK were operating the plc model with a dominant goal of driving near term financial value for shareholders.

There was also a growing recognition that too many businesses were constantly looking to sell the business in the near term for profit.

It was accepted these and other short term behaviours helped in part to create the crash and to compound its impact in the UK.

**People were recognising economies that are structurally obsessed with short termism would crash again within a generation.**

**So the first major step we took was to cultivate this debate about economic ownership.**

**I was very loud and clear at the time that promoting employee ownership without a bigger picture economic rationale would get us nowhere.**

**We needed to be influencers in a wider debate about the nature of our economy.**

**So we lobbied for and supported the establishment of the Ownership Commission – an independent review into business ownership in the UK.**

**The Commission pleaded with politicians in its final report in early 2012 not to recreate the previous short term economy but instead to change the mix of ownership within it.**

**The Commission explicitly recommended that employee ownership, with its focus on long termism and higher performance, must play a significant role in the UK's economic recovery.**

**And so by being part of the wider debate we had suddenly wrestled the door slightly open. It was a real chance to make dramatic progress.**

**To take this chance we made five other huge leaps forward.**

**The second part was to shift the debate about employee ownership from ideology to the business case for more employee ownership.**

**If you make an argument designed to appeal only to people of a particular ideological persuasion then you are always going to limit your audience.**

**And this is where employee ownership in the UK was previously at risk of heading.**

**Far too many people involved in employee ownership circles were arguing in favour of it because it was a “nicer” way of doing business or that it was “morally better” or “fairer”.**

**I do not want to belittle those sentiments but that is not a compelling economic argument for anything at all.**

**I was determined not to get dragged into the lack of progress on employee ownership that had blighted the previous 20 years or more. So I shifted the ground.**

**We have created a business case that responds to the problems in the UK economy that were discussed in the Ownership Commission report.**

**A powerful business case for why there should be more employee ownership based on the facts that:**

- **employee owned businesses achieve higher productivity and innovation and they are more profitable;**
- **they therefore have a fantastic role to play in addressing the UK productivity deficit; and**
- **they provide a balance against the short termism that dominates business behaviours in our economy.**

**It is an impeccably clear business case framed in the language of the audiences we must influence.**

**This switch to having a clear, robust business case has contributed massively to our progress since the start of 2012.**

**The third of our major leaps forward has been to get the messages within this business case out to the right people at the right times.**

**To design, finance and deliver a winning communications campaign.**

**To dramatically increase the amount of conventional and social media coverage of employee ownership.**

**To bring business leaders together in a never ending programme of events at which they can learn about employee owned companies directly from those companies.**

**We have made stunning progress on all of this.**

**We started by securing from the UK Government a commitment to publish an independent report on employee ownership in the UK economy, to keep up the momentum the Ownership Commission had started.**

**I wanted this in order to inject some further “noise” into business and policy networks to keep employee ownership on the agenda.**

**The main aim was to use the profile that a Government brand brings with it to influence audiences outside of Government.**

**We asked that Graeme Nuttall should oversee the report and were delighted with how Graeme carried out that work with such distinction.**

**The report played an important role in helping us at the EOA to kick start a compelling campaign to raise awareness about employee ownership.**

**And in this campaign we have adopted the language of being an economic ‘sector’ – something that has helped enormously with credibility and in our advocacy work.**

**Because of the campaign, media coverage of employee ownership has been at its highest level ever over the last four years.**

**Employee owned business are more productive and more profitable than other types of companies.**

**Once these messages reach the right business, financial and political audiences the momentum becomes unstoppable.**

**Alongside all this, as a fourth key to success, we needed to develop better data.**

**Better data to evidence the structural flaws in the economy we want to help to address.**

**Better data to evidence the benefits for businesses and the economy of employee ownership.**

**And so we have been carefully distilling existing information and commissioning new research so that we have an even more robust story to tell about the sector.**

**As a result we now for the first time ever have a collection of meaningful data to illustrate the business case.**

**In terms of the benefits of our sector, for instance, we can say with real authority now that:**

- **The employee ownership sector's contribution to UK GDP is almost half way to the target I first announced in 2012 of 10% by 2020;**
- **Productivity in employee owned businesses is growing at an annual rate of 4.5% at a time when it is flat in all other types of businesses;**
- **Employee owned businesses are growing the size of their teams by nearly 3.5% each year and:**
- **Operating profits of the top 50 employee owned companies are growing at an annual rate of around 20%.**

**So, as well as a business case and a campaign plan we have built a growing body of robust evidence with which we can influence and persuade.**

**The fifth key to success has been to get the employee ownership message into Her Majesty's Treasury in order to cover the tax agenda.**

**I had learned a long time ago through my work in aerospace and pharmaceuticals that economic growth sectors only work if the tax system really helps them.**

**So I needed the Treasury to help us deliver some new exciting employee ownership tax incentives.**

**And so once the dust had settled on the Nuttall report – which did not really cover taxation in any depth or recommend tax changes - I set about a major push in 2013 to secure a Treasury review into the taxation treatment of employee ownership.**

**Importantly we drove for a review rather than demanding in advance individual technical legislative changes.**

**We wanted the outcome of the review to be shaped jointly and worked on in partnership between ourselves, civil servants and Ministers.**

**Our only condition was that its work would last less than 6 months.**

**The Government agreed to conduct a time limited review and we were then determined to make the most of it.**

**I made a decision early on to only ask for a very small package of things that will make the greatest positive difference, rather than argue for a large number of reforms addressing all the more minor tax and regulatory flaws that are undoubtedly in existence.**

**I also insisted the tax incentive proposals we developed were clearly self-financing to make it highly difficult for Ministers to argue against them.**

**So we developed proposals to reverse the unfair tax treatment of employee benefit trusts which in turn created a new tax incentive for vendors in business succession deals and forced an end to the unreasonable tax treatment of UK approved employee share schemes.**

**The rest is history really.**

**All of the tax incentives that we called for were recommended by the review and introduced in 2014.**

**These tax measures are playing a pivotal role in sustaining what has become a constant growth in the number of employee owned businesses being established.**

**The sixth key to success was to overhaul the Employee Ownership Association.**

**We owed to it ourselves and to our Members to further professionalise the organisation and to make sure the Association plays the role it should.**

**However good a business case or campaign plan you might have – unless the organisation that is leading the charge and co-ordinating effort is credible and influential – not much happens.**

**Some of the progress has involved a painful transition. The EOA used to be regularly dominated by technicians.**

Lawyers and accountants mainly.

Advocating – in a perfectly reasonable and enthusiastic way – technical solutions.

Arguing that more employee ownership was a good thing but constantly berating Government to regulate and legislate.

“If only” seemed to be the rallying call.

If only Government would do more.

But the technicians were too often spokespeople about the small rather than the big picture.

All that has gone.

But as I say not without some discomfort as an old guard doing things their way has gradually departed.

The language of the EOA is now about domestic and international markets and the creation of powerful businesses.

And the public face of the EOA is no longer accountants and lawyers.

The resulting change in impact has been enormous.

The EOA is now a strong industry and sector voice led by employee owned businesses, not advisors.

So, these six keys to success have created in the UK what I have been calling for some time now the decade of employee ownership.

A decade in which the size of the employee ownership sector has already doubled and will double again by 2020.

So what is it in this UK story that might be most insightful for Ireland?

Here in conclusion are a few brief thoughts .....

It has been fundamental to our success for us to link everything we do to a big picture analysis.

We made ourselves part of the big picture post crash debates on what was structurally wrong with the UK economy.

That gave us the credibility to advocate more employee ownership not as an end in itself but because it offers a solution to some of the deep seated issues in the economy like productivity and innovation.

**And the portrayal of ourselves as an economic sector has allowed those very many in positions of influence who believe in the economic sector model of growth, to engage with us.**

**It has also been fundamental for us to have a vision for progress – 10% of GDP delivered by businesses with significant employee ownership by 2020. A vision that allows others to join in. To get on board. To empathise and support.**

**In addition it has been essential for us to gear up the EOA to lead the drive towards this ambition. To reinvent the EOA as a business led body. Every piece of recent progress has been led by the EOA and so this really has been central.**

**The removal of ideology and the politics has also been invaluable.**

**Employee ownership now has bipartisan political support.**

**And the credibility we gained from producing the business case and the data behind it means that we are respected far more, especially in business communities.**

**It has also been essential to keep financing and running an impactful unrelenting awareness raising campaign.**

**This campaign to increase the profile of employee ownership acts like an echo chamber for positive messages – just like any good advertising campaign does.**

**And finally we have also been careful as a business led campaign not to rely on or ask or expect Government to do very much.**

**It is not for Government to build our sector for us.**

**Instead our progress has been and will continue to be based on businesses and entrepreneurs out there in the real economy growing employee ownership.**

**Unless business leaders are convinced employee ownership is a brilliant business model, nothing much ever happens!**

**So let me wrap up .....**

**This is a wonderful, unprecedented, time for employee ownership in the UK.**

**The UK is surging towards my 10% of GDP target.**

**It would be fantastic if Ireland, after the recent progress there has been on employee ownership in Japan, Italy, Australia and Southern Africa could become the next country to take a leap forward.**

**I hope that sharing my thoughts with you this afternoon may have helped you in some small way.**

**By giving you some ideas, some food for thought, for making that further progress on employee ownership in the Irish economy.**

**Yes you are starting from a long way back but so did we – very recently.**

**The Irish economy, built as it is on small and medium sized companies, is tailor made for employee ownership.**

**Indeed the ambition should be for Ireland to become a world leader in employee ownership.**

**Anything is achievable.....**

**.....where there is a will.**

**I leave you with a great quote, one of my favourites.**

**It is from Constance Baker Motley a few years before she became, to the astonishment of many, the first black woman to be appointed a US Federal Judge: Motley said:**

**“Something that might seem to some impossible now is not impossible”**

**Thank you very much.**