



OWNERSHIP INFORMATION SHEET

Employee Ownership

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Research indicates a combination of employee ownership and employee participation allows companies to outperform comparable businesses in terms of profitability, productivity and growth.

- Employee ownership combined with good management leads to better performance, the spread of wealth and a better working experience.
- Businesses owned by their employees have achieved exemplary degrees of corporate social responsibility, including involvement with the communities they operate in, and strong commitment to sustainability.
- Managers and the employees are on the same side and together they take the crucial decisions of ownership: distribution of profits, major strategic moves, and board representation.
- Employee owned business governance is characterised by high levels of integrity, transparency and accountability.

The employee owned sector represents a valuable widening in the diversity of corporate ownership models operating successfully in the economy, widening choice for employees, consumers, job seekers, suppliers and purchasers.

Businesses owned by their employees offer a valuable additional model of enterprise by distributing responsibility, and encouraging a collective sense of business ownership, commitment to innovation, and workforce-wide awareness of financial imperatives.

Employee buy-outs can be viable and desirable recovery options in insolvency scenarios, especially in economically deprived areas - by retaining jobs and skills in the local community, ensuring continuity for suppliers and customers.

- Nearly 25% of employees in the USA are members of an Employee Share Ownership Plan (ESOP).
- In the Mondragon area of Spain's Basque region, employee owned businesses employ 71,000 people and turn over \$A16.6 billion a year with \$A5.8 billion in employee equity.
- Half the GDP of Italy's Emilia Romagna region is generated by employee owned businesses with 60,000 workers.

The purchase of a business by, or on behalf of, the employees offers benefits to the out-going owner, the employees, the wider community and the economy:

- The business owner has an exit from the business which rewards him/her and ensures the business stays alive and goes on to thrive. It avoids asset stripping by competitors and retains the business and jobs in the locality;
- Selling to the employees ensures that the people on whom the business has depended are placed in control of the company, have control over their own futures and are adequately rewarded in the future; and
- Selling to employees gives control to those who have helped to build the business up over a number of years - those who know it best.