



Owning the workplace, securing the future

**A plan to support worker
buy-outs and expand
employee ownership
in Wales**

Sean Benstead and John Heneghan



the national organisation
for local economies

Owning the workplace, securing the future is an independent report by the Centre for Local Economic Strategies (CLES).

Established in 1986, CLES is a Manchester based charitable organisation working towards a future where local economies benefit people, place and the planet. This will happen when wealth and power serve local people, rather than the other way around, enabling communities to flourish.

We have an international reputation for our pioneering work on community wealth building and are the leading organisation for the movement in the UK.

CLES would like to thank the organisations who took part in this research:

- Business Wales
- Wales Co-operative Party
- Cwmpas
- Development Bank of Wales
- The Employee Ownership Association
- Social Business Wales
- FSB Wales
- Wales TUC
- The Welsh government

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Executive summary

This research explores the case for employee ownership as a means to deliver a more inclusive, secure and sustainable economy in Wales.

The research finds that, through new legislation – to compel action, provide for financial support and advice, and place employee ownership objectives on a statutory footing – Wales can lead the way in delivering the change needed to move employee ownership from the periphery to the mainstream.

The benefits generated by employee ownership directly address the most pressing challenges in the Welsh economy, including the prominence of geographically mobile and extractive capital, lagging productivity and resilience levels in the business base, poor quality jobs, “brain drain” and the impact of the climate emergency. For this reason, the report argues that democratising ownership for all should be by an objective that underpins the Welsh government’s foundational economy approach.

The report recommends putting in place legislation around employee ownership, which would build on the progressive

intent demonstrated by the Wellbeing of Future Generations Act and provide a powerful signal of the Welsh government’s commitment to lead the way in the UK and beyond in developing a distinct and place-based approach to national economic policy.

Furthermore, to do so would vividly illustrate the value of devolution in enabling Welsh policy makers to develop policy that delivers on Welsh economic ambitions.



ITEC Training

Executive summary

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The research CLES has undertaken has revealed a strong **case for employee ownership in Wales** as a means of:

- disrupting wealth extraction
- developing a healthier private sector
- building an economy for the future

To make this happen, the report identifies significant **opportunities** in the Welsh economy, namely:

- anticipated business closure
- social partnership arrangements
- succession planning
- start-ups
- market development and shaping activity
- crisis support vehicles and loans

Stakeholder engagement pinpointed two key **barriers** to expanding employee ownership in Wales: finance and culture.

To overcome these challenges and make the best of the opportunities to grow employee ownership in Wales, **the report recommends legislation inspired by the Italian Marcora Law** and provides a detailed account of the provisions it should contain and supportive policy approaches.

What is the Marcora Law?

The Marcora Law – named after the former industry minister Giovanni Marcora – is a legislative and financial framework introduced in Italy in the mid-1980s. The aim of this framework was to facilitate worker buy-out of enterprises through collaboration between the state, the co-operative sector, business owners and workers.

The Marcora Law legislates for the state to utilise powers over welfare expenditure, employment and industrial relations which are not currently within the devolved competence of Welsh government. However, this report has been inspired by the work on Marcora Law internationally and aims to understand how an expansion of employee ownership can be supported in the Welsh economy within the current devolution arrangements.

See p.15 for more detail on the Marcora Law.

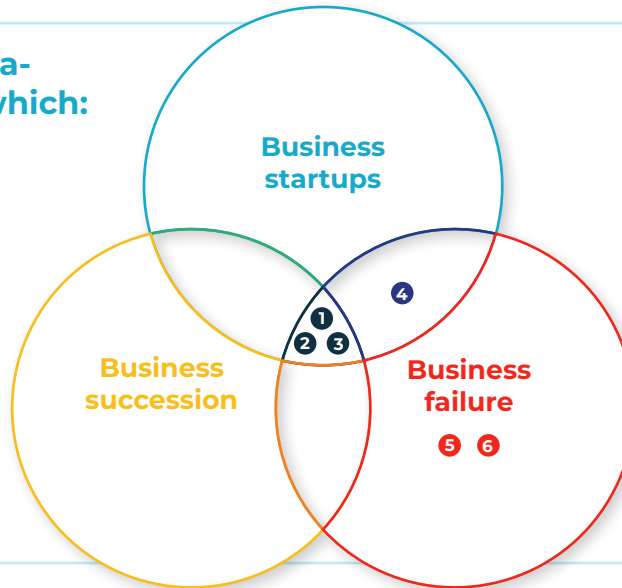
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Recommendations

Bring forward Marcora-inspired legislation, which:

- 1 Defines employee ownership and puts employee ownership objectives on a statutory footing
- 2 Imposes a duty to promote employee ownership in economic development/business support
- 3 Requires local business vitality assessments



- 4 Ensures that public procurement chains agree to the principles of worker buy-outs and employee ownership
- 5 Imposes a duty to engage Social Business Wales and the Development Bank of Wales
- 6 Provides for financial support and advice for worker buy-outs

Supporting actions:

Procurement policy guidance

International learning and collaboration

Ring-fenced loan fund for direct employee ownership

State holding company

Social economy eco-system

Amended social partnerships legislation

Strategic approaches:

Lobby for further devolution of powers

Develop clarity of long-term strategic intent

1

Introduction

The Welsh government is committed to strengthening the foundational economy in Wales as a cornerstone of their economic strategy. This report outlines how employee ownership can be a crucial intervention to further support this ambition and help retain wealth in Wales longer term – an approach which would see Wales leading the way in the UK and amongst other devolved nations and regions.

The need for a greater diversity of business ownership, investment and innovation has never been greater than in the current economic and social context.

The findings in this report draw on desk-based analysis of secondary data on employee ownership in Wales and a series of semi-structured interviews with key stakeholders to understand what could be done in terms of legislation and other policy interventions to accelerate and strengthen employee ownership in Wales.

Furthermore, the report contributes to the current debate on how new legislation can help support the Welsh government's existing commitments to provide greater support for worker buy-outs and to double the number of employee-owned businesses in Wales.



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The report:

- Sets out the background to employee ownership in Wales.
- Articulates the contribution that employee ownership can make to Welsh government policy priorities and to addressing known challenges in the Welsh economy.
- Makes the case for implementing a Welsh Marcora-inspired law.

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Context

About employee ownership

Employee ownership can be defined as a model of enterprise ownership where a business is totally or significantly owned by its employees¹. The Welsh government define this as employees having a “significant and meaningful” stake in a business.²

This means employees must have both:

- a financial stake in the business (e.g., by owning shares); and,
- a say in how it's run, known as employee engagement.

Many employee-owned enterprises trade in goods and services and generate surplus/profit. However, in contrast to investor-owned business, that surplus/profit is not taken by outside shareholders.

Employee ownership can take different forms and can be conceived as existing on a scale of diversity of ownership and democratic decision-making.

This diversity of ownership also correlates with the generative potential of a business. As opposed to where wealth is extracted, generative businesses are those which are broadly held, locally rooted, recirculate income, put communities first and provide people with opportunity, dignity and well-being.

Table 1



Direct employee ownership

Employees become registered individual shareholders with the employees-owners having a majority shareholding in their company. Under these models, business decision making can sit with all employee-owners as a collective or via an elected body.

Indirect employee ownership

Shares are held collectively on behalf of employees. This is usually done through an employee ownership trust (EOT). This is the model adopted by firms such as John Lewis and Partners, where all major decision-making powers are delegated to the trust.

Combined direct and indirect ownership

A combination of individual and collective share ownership. This can be a model adopted when a financial partner is invited to assist a worker buyout and either party can retain a significant ownership share and decision-making rights.

Management buyout

A purchase by a portion of employees (this is not an all-employee approach).

¹ Wales Co-operative Centre. (2020). Employee Ownership. p3.

² The Nuttal definition clarifies that what is “meaningful” goes beyond financial participation. The employees’ stake must underpin organisational structures that ensure employee engagement. In this way employee ownership can be seen as a business model in its own right.

Under direct employee ownership, businesses effectively operate a system of 100% employee ownership, maximising democratic participation of the workforce. Directly employee-owned firms may operate as worker co-operatives, with forms of democratic representation for employee-owners,³ but not all employee ownership models are co-operatives. There are other models under the employee ownership umbrella that differ in governance structure and spread of ownership among employees. For example, as Table 1 shows, an EOT is a model that differs from direct models of ownership on the point of business control.

In EOT models, employees are beneficiaries of a trust, controlled by trustees, who decide how the employees benefit and the allocation, or retention, of ownership shares. In addition to constraints on worker control and ownership, EOTs are known to be more expensive and onerous to establish, either through start-up or transition, due to the complicated and often bureaucratic nature of the governance structure.

According to data from Cwmpas, at the time of writing, there are 37 employee-owned businesses in Wales and work is progressing on supporting further worker buy-outs to add to that number.

Nevertheless, EOTs represent a viable model of transition from private investor-owned enterprise and offer significant advantages to both employees and business owners.

At the other end of the scale are management buyouts, where ownership is transferred to a selection of employees within a given hierarchy which further restricts the diversity of ownership and control. While this model may be favourable to ensure “business-as-usual” and has merit in being part of succession plans to avoid extractive corporate capture, it cannot reap the full suite of benefits enjoyed by direct, or indirect, models of ownership such as co-operatives and EOTs.

Within this scale, research suggests that worker co-operatives, as direct forms of ownership, are particularly effective as counterweights to job losses and firm closure.⁴

³ The International Co-operative Alliance defines a worker co-operative as: “autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.” [Read](#)

⁴ Vieta. (2015). The Italian road to creating worker co-operatives from worker buyouts: Italy’s worker-recuperated enterprises and the Legge Marcora framework. p5; Corcoran et al. (2010). The worker co-operative movements in Italy, Mondragon and France. p6.

Why it matters

Employee-owned businesses can also be defined – at least in part – by their relationship with a locality, in that they often develop because there is a strong association between the business operation and a specific place and community.

This can take many and related forms — for example, employees may all live in the town or neighbourhood and/or the business has a close attachment with a specific geography. This means that there is the potential for the benefits of the business's development to flow back into the local community in the form of jobs, income and investment.

The democratic governance structures associated with employee ownership, depending on the specific model, can mean that a higher proportion of people are involved in the management process than in a conventional business of the same size. This potentially creates opportunities for management skills, competencies, responsibilities and expertise to be more widely shared amongst employees. This can provide the potential for businesses to be more aware and responsive to the needs of employees and the local community rather than the priorities set by investors and financial institutions who may not have a close connection to the specific locality where a business is based.

Shared ownership between employees also allows for the share of profits/surplus to be distributed

more evenly than in traditional private investor-led models, which is particularly pertinent given the cost-of-living debate in the UK at present.

In recent years, research suggests that there has been a decline of wage share relative to profits.⁵ A 2017 report in the US shows that employee-owners have 33% higher median income from wages overall, across all wage levels.⁶ A more recent UK report, by the Social Market Foundation,⁷ showed that employee shareholders in the lowest income quartile – the poorest 25% in the UK – have median net financial wealth £10,900 greater than those that are not employee shareholders, significantly contributing to the financial resilience of lower-paid workers. This allows for greater purchasing power among those workers in a given locality, contributing to a multiplier effect which, in turn, creates additional jobs via increased demand for local goods and services.

Despite a growing interest in employee ownership within national and devolved governments, much of the support landscape in Wales is orientated under “social enterprise” as an umbrella category. As such, perceptions have developed that employee ownership sits as a fringe element of social enterprise. Given the suite of economic and social benefits described above, and the more widespread potential of employee ownership as a mainstream option, at scale, within the general commercial economy, it should be afforded priority and bespoke support in its own right.

5 Guschanski & Ozlem. (2018). Loss of bargaining power explains decline of wage share relative to profits. Royal Economic Society.

6 National Centre for Employee Ownership. (2017). Employee ownership & economic well-being: household wealth, job stability and employment quality among employee owners Age 28 to 34. p4.

7 Social Market Foundation. (2021). A stake in success: employee share ownership and the post-Covid economy.

Employee ownership in Wales

Policy and legislation

There are many routes to employee ownership and different routes suit different economic contexts. One route is through state support for employee ownership start-ups. This is the strategy being taken in the north east of England where the North of Tyne Combined Authority has supported a new supply teachers co-operative with bespoke business support and provided demand through school procurement.⁸ Another strategy is through worker buy-outs, where businesses transition from a model of private ownership to an employee ownership model. The latter is the strategy facilitated by the mechanism known internationally as the Marcora Law. To radically shift the ownership landscape of any locality, a joint approach will be required.

The debate on employee ownership in Wales is not a new one, and this report sits within a broader context of growing interest in employee ownership from national, regional and UK governments, as well as from employees themselves. Whilst employee ownership has a long-standing history in Wales, including the notable Tower Colliery worker buyout in 1994, a contemporary timeline for employee ownership in the country can be argued to have begun in 2008.

As the 2008 financial crisis unfolded, Westminster's APPG on employee ownership made recommendations including a review of procurement guidelines to ensure the value gained benefits of employee ownership were fully understood by procurement officers, alongside fiscal concessions to both employee-owned enterprise, prospective investors, and lenders who support employee-owned start-ups in areas of socio-economic deprivation⁹.

The UK coalition government launched the Nuttall Review¹⁰ in 2012. This report noted an "unprecedented political interest" in employee ownership, recommended measures to hardwire considerations of employee-owned enterprise into regulatory decision making and appealed to Westminster to consider the lack of funding for opportunities for worker buy-outs and employee-owned start-ups.

These reports and reviews were not without some success, with special provisions introduced by the Finance Act 2014, ensuring annual income tax exemptions and total capital gains tax exemptions for indirect employee ownership models when over 51% of company shares are owned by an EOT.¹¹

8 Jones. (2022). Unions tackling wealth extraction on the front line. CLES. [Read](#)

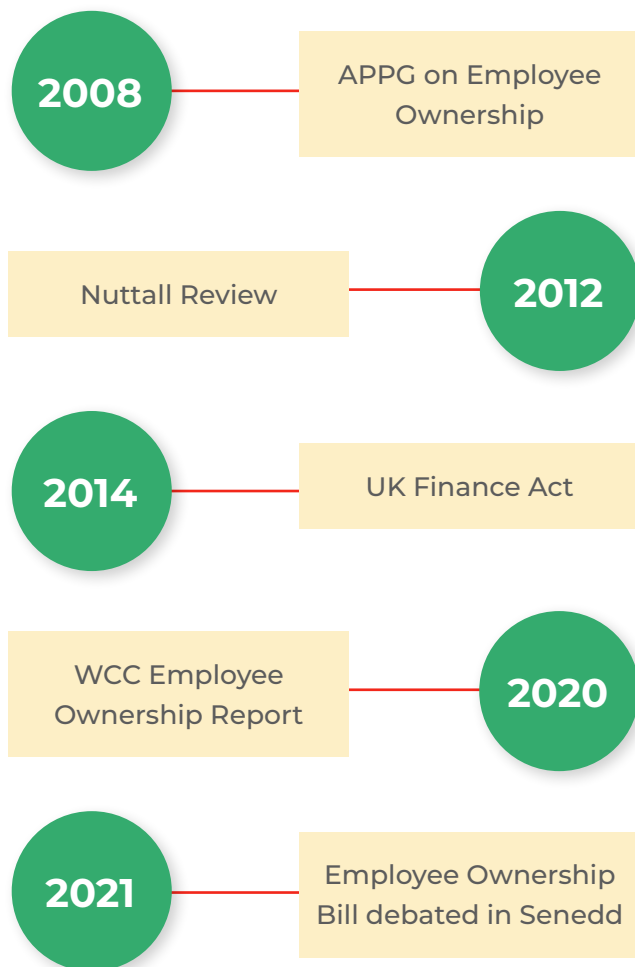
9 All Party Parliamentary Group on Employee Ownership. (2008). Share value: how employee ownership is changing the face of business. pp5-6.

10 Nuttall. (2012). Sharing success: the Nuttall review of employee ownership.

11 Odds & Redrup. (2019). Employee ownership trusts. Hill Dickenson. [Read](#)

Context

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More recently, Cwmpas (previously known as the Wales Co-operative Centre) have been updating the call for more support for employee-owned enterprise in the context of a Covid-19-induced economic downturn and the cessation of furlough support.¹² This culminated in a legislative proposal debated in the Senedd, in October 2021,¹³ in which the need for a “Welsh Marcora Law” was a frame of reference. The motion was proposed by Huw Irranca-Davies MS, Labour and Co-operative Party member and chair of the Senedd Co-operative Party group.

The proposed bill provides for a legal framework, financial support, and advice for worker buy-outs. The bill if enacted would:

- Establish a statutory duty to double the size of the co-operative economy by 2026 and to actively promote employee ownership and worker buy-outs.
- Provide for financial support and advice for workers to buy out all or part of a business facing closure or down-sizing and to establish a workers’ co-operative.
- Ensure that all companies in Wales in receipt of public funding or part of the social partnership and ethical procurement chains agree to the principles of worker buy-outs and employee ownership.

¹² Wales Co-operative Centre. Employee ownership. pp15-16.

¹³ Debate on a Members Legislative Proposal: an employee ownership bill. [Read](#)

Context

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The Programme for Government includes a specific commitment to “provide greater support for worker buyouts and seek to double the number of employee-owned businesses”.¹⁴

Other commitments in the Programme for Government are also of potential relevance to employee ownership, specifically those to:

- expand the Development Bank of Wales’ patient capital funds;
- increase the use of equity stakes in business support; and
- build on [our] approach to the foundational economy and develop a Backing Local Firms Fund to support local businesses.

Ownership and business models are also relevant to the Welsh government’s fair work commitments, currently being progressed via the draft Social Partnership and Public Procurement (Wales) Bill.



Melin Tregwynt EOT Amanda and Eifion Griffiths and Derek Walker CEO of Cwmpas

This is in the context of an existing progressive legislative and policy approach in Wales which prioritises economic, social and environmental well-being, including the Wellbeing of Future Generations Act and policies aimed at strengthening the foundational economy – those businesses and sectors which deliver the everyday goods and services that people across Wales depend on.

¹⁴ Welsh Government. (2021). Policy and strategy: Programme for Government update. [Read](#)

The foundational economy

The foundational economy is a concept that has been developed to describe the economic importance of the goods, services and other forms of provision that are necessary for a “good life to be enjoyed by as many people as possible”.¹⁵ This can include a diverse range of policy areas including housing, childcare, utilities, health, education, public parks/recreation and culture. Traditionally, many of these goods and services were provided by the state as part of a collective endeavour because of their importance in providing the foundations of a better life for workers, and in recognition of their importance for a more inclusive economic system.

However, in recent decades, programmes of privatisation have disrupted traditional ideas about how everyday services are provided and also given powerful corporate actors access to public services, data and money. There is ample evidence that this transfer of ownership and provision means that these services are often delivered more for the benefit of private rather than public interest.¹⁶

Measures which provide the basis to disrupt monopolies of foundational economy provision, or at the very least question its power, are vital to help ensure that workers, particularly those on the lowest incomes, can continue to access the everyday goods, services and other provision that are essential to help them live a life that they have a reason to value.¹⁷

The Welsh government has adopted the language and idea of the foundational economy to help inform its economic policy approach. It argues that the foundational economy provides an opportunity to support good employment, keep more money and investment in Wales by reducing “leakage” and address the environmental cost of long supply chains.¹⁸

Raising awareness of the opportunities of employee ownership alongside measures to accelerate its adoption for start-ups and existing businesses is another opportunity for the Welsh government to help safeguard jobs and investment in Wales, as well as a means to drive up standards in decent work. It can also be part of a wider package of measures to help develop and deliver a just transition in energy towards net zero.

¹⁵ Froud et al. (2018). Foundational Economy: the infrastructure of everyday life. Manchester University Press. Page xvi.

¹⁶ Ibid.

¹⁷ Nussbaun. (2011). Creating capabilities. The human development approach. The Belknap Press of Harvard University Press.

¹⁸ Business Wales. Foundational economy. [Read](#)

What is the Marcora Law?

The Legge Marcora / Law 49/1985, popularly known as the Marcora Law after the former Italian industry minister Giovanni Marcora, is a legislative and financial framework introduced in Italy in the mid-1980s. The aim of this framework was to facilitate worker buy-outs of enterprises in response to market failure, business closures and rising unemployment. In almost every case of a worker buy-out through this mechanism, enterprises are transformed into a worker co-operative governance structure with democratic management of the firm by the employee-owners. Effectively, the Marcora Law is a mechanism to facilitate and support worker buy-outs through collaboration between the state, the co-operative sector, business owners and workers.

The Marcora Law legislates for the state to utilise specific powers to redirect welfare expenditure towards worker buy-outs at the point of business failure – specifically, via a fund which invests in the share capital of a “phoenix” co-operative, matching

up to three times what the employees invest, by capitalising up to three years’ unemployment benefit. The employees forgo the right to unemployment benefit during that period, should the co-operative fail.

With powers over welfare expenditure, employment, and industrial relations not within the devolved competence of Welsh government, the Marcora Law is not directly replicable in the Welsh context. However, this report has been inspired by the work on Marcora Law internationally and aims to understand how an expansion of employee ownership can be supported in the Welsh economy within the current devolution arrangements, including opportunities for businesses in financial difficulties to transition to an employee ownership model.

Business support

Publicly funded business support activity in Wales is primarily delivered via Business Wales, Cwmpas and local authority business support functions. Support for voluntary and third sector organisations is also provided via the WVCA. Additionally, there are a wide range of UK-wide and Welsh-specific programmes in relation to skills development, training and innovation support.

It is notable that, despite the 2019 Conservative Party manifesto commitment that the Shared Prosperity Fund would match or exceed the amount of Structural Funds received in each of the four nations of the UK, the three-year funding programme recently announced by the UK government¹⁹ represents a loss of more than £1bn in unreplaced funding over that period.²⁰ The bypassing of the Welsh government via regional allocation to local authorities – albeit in alignment with the Welsh government’s Framework for Regional Investment²¹ – fundamentally undermines the Welsh government’s ability to strategically co-ordinate and prioritise investment where it is most needed.

To match a clear, longer-term ambition and the aspirations of the Welsh government, it will be vital that the core existing business support is provided with a stable funding landscape to operate from. Below, we explore the existing business support infrastructure relevant to the employee ownership agenda.

Business Wales

Business Wales is a “one-stop-shop” service providing tiered support to businesses across Wales. Business Wales has predominantly been funded via European Structural Investments and organised to deliver these funds’ strategic priorities as well as the economic development priorities of the Welsh government.

Delivery spans a range of programmes including the provision of information, advice, and guidance via business advisors, organised across three teams covering south east, mid and west, and north Wales. The service includes generic as well as more specialist advice, but in relation to employee ownership, a key role is signposting to specific expertise with Social Business Wales’ employee ownership team.

Cwmpas

Cwmpas is a not-for-profit co-operative organisation that supports people in Wales to improve their lives and livelihoods while working for a fairer economy. Cwmpas help to create and retain wealth within Welsh communities through the growth of co-operatives and social businesses and by providing people with the skills to take more control of their own lives and strengthen their communities.

¹⁹ Department for Levelling Up, Housing & Communities. (2022). Guidance for UKSPF allocations. [Read](#)

²⁰ Gething, (2022). Written statement: The UK Shared Prosperity Fund. [Read](#)

²¹ Welsh Government. (2020). Regional investment in Wales: framework. [Read](#)

Their current projects are as follows:

- **Social Business Wales** provides intensive, one-to-one support to startup social businesses as well as those which have ambitions to grow and a viable business proposal. Social Business Wales hosts a specialist employee ownership team, and this team is expanding in response to the Welsh government's commitments, anticipating rising demand for specialised employee ownership business support.
- **Digital Communities Wales: Digital Confidence, Health and Well-being** works with organisations across Wales, in order to help people increase their confidence using digital technology so they can improve and manage their health and well-being.
- **Communities Creating Homes** offers support and advice to new and existing organisations looking to develop co-operative community-led housing schemes in Wales.
- **Community Shares Wales Resilience Project** helps communities raise investment to protect and strengthen the things that matter to them, such as pubs, libraries or other local services. They also offer consultancy and training services to enable organisations in the public, private and third sector to maximise their social impact.

Financial support

The financial support landscape for businesses in Wales, in addition to private, commercial lending, includes UK-wide support – for example, access to the British Business Bank and Start Up Loans Company – and Welsh government support, via the Development Bank of Wales and through various grant support programmes. Individual local authorities also offer a range of smaller grants to support businesses in certain circumstances.

Below, we explore those aspects of the financial landscape relevant to employee ownership where the Welsh government has specific leverage and influence.

Development Bank of Wales

The Development Bank of Wales exists to offer financial products to clients on a commercial basis where most commercial banks would not see incentives to invest. As such, the Development Bank fills market gaps to help businesses secure access to the finance needed to start up, strengthen and grow. In November 2021, the Welsh Minister for Economy issued the Development Bank a term of government remit letter which set out the priorities that the Welsh government would like the bank to address.

In line with the Programme for Government, Development Bank of Wales will support employee buy-outs raising awareness among businesses where funds are able to support such actions.²²

Direct funding from Welsh government

The Welsh government has provided direct financial support both to Welsh and foreign firms looking to invest in Wales. These investments have included programmes targeted towards specific policy priorities, such as the Valleys Taskforce and the Tech Valleys programme.

The Social Enterprise Fund

In 2021, to fulfil some of the Programme for Government commitments, the Welsh government introduced a social enterprise fund that makes £574,000 available to support four new projects aimed toward the delivery of a “fairer and greener economic recovery”.²³

Two of these projects are specifically relevant to employee ownership.

- The Buy Local, Buy Social project promotes and supports the strengthening of local economies by working with local authorities, health boards and other public bodies to buy more of their goods and services locally. They do so by commissioning and procuring within the local SME and social enterprise supply chain.
- Additional support for promoting employee ownership in Wales helps support the development of marketing materials and campaigns for employee ownership.

Foundational Economy Challenge Fund

The Foundational Economy Challenge Fund has supported a series of experimental projects aimed at enabling Welsh government, with the help of partners, to test how the foundational economy can be best supported and which government interventions work best.

²² Gething. (2021). Term of Government remit letter for the Development Bank of Wales plc. [Read](#)

²³ Evans. (2021). Wales' social enterprise receive £574,000 Welsh government funding boost. Wales Co-operative Centre.

Lessons from elsewhere

Numerous initiatives to boost employee ownership, that have been taken forward in the UK and internationally, provide insight for Wales.

While the case studies below do not provide exact models to replicate, and all exist within their own unique political economic context, they provide inspiration in relation to the scale of ambition which could be applied in Wales and learning which can, at least in part, be applied in the context of a Welsh Marcora-inspired law and wider enabling measures:

- **Co-operative Development Scotland (p20)** provides a model for Wales to watch closely. With extensive business support provision for a significant, and growing, number of employee owned businesses, future collaboration between Scotland and Wales on this agenda could yield results for both countries.
- **The Hamon Law (p22)** shows the value of legislation which defines and emphasises employee ownership models as socially generative, while offering duties for owners at the point of business failure and provisions to facilitate private investor finance without ceding the core components of direct employee ownership. While this framework may be beyond Welsh devolved competence, the Hamon Law provides inspiration as to how legislation can facilitate employee ownership expansion beyond the provision of direct financial support.
- **REAS (p23)** holds lessons around the need for employee owned enterprises to co-operate around mutual support and learning based on values of solidarity.
- **Mondragon (p24)** provides a key example, and potential longer-term ambition, for Wales, in terms of the scale at which employee owned models can operate, the economic power they can wield and employee ownership models' resilience to crisis.
- **Evergreen Co-operatives (p24)** and **the Preston Co-operative Development Network (p21)** show how community wealth building practice, already maturing in Wales, can be mobilised to build the capacities of employee owned enterprise by utilising existing economic levers and the economic heft of anchor institutions.

Case study: Scotland

There are currently 103 employee-owned businesses in Scotland and the Scottish government has set a target to grow this number to 500 by 2030. To meet this target, Co-operative Development Scotland was established as an arm of Scottish Enterprise²⁴ to provide business support through expert advice and services, including feasibility studies and advisory work on legal requirements and governance structures.²⁵

Scottish Enterprise signposts interested parties toward several methods of financial support for worker buy-outs. They note that the main sources of funding for employee ownership include:²⁶

- **Vendor financing** – where the owner replaces the equity they have in the business with debt. The company then repays this debt with a mixture of available cash reserves and future surplus cash.
- **Mainstream lenders** – where external funding is supplied from banks or commercial organisations.
- **Specialist lenders** – these lenders cater for employee-owned companies, and thus understand different company dynamics and the need for patient capital.
- **Employee investment** – some employees are willing to contribute their own money.

This example demonstrates the ability of dedicated business support provision to help raise awareness of employee ownership as a feasible and credible succession model as well as signposting businesses to specific packages of support including finance and HR.

24 Scottish Enterprise is Scotland's national economic development agency and a non-departmental public body of the Scottish Government.

25 Co-operative Development Scotland. About. [Read](#)

26 Co-operative Development Scotland. Video guide on employee ownership. [View](#)

Case study: England

England has a rich history as one of the homes of the co-operative movement. In today's Greater Manchester, the Rochdale Society of Equitable Pioneers was born amidst the social inequities of the industrial revolution in the 19th century. The co-operative model that they advocated for, based on values of democracy, equity and mutualism, spread internationally as people all over the world saw the merits of this model of business ownership.

Today, as community wealth building has gained traction in England, plural ownership has emerged as a core pillar of progressive institutional economics. This approach focuses on maximising the contribution of more locally generative businesses – and therefore co-operatives – as a form of direct employee ownership, have been a key point of focus. In Preston, for example, the Preston Co-operative Development Network²⁷ has emerged as an organisation that campaigns for and consults prospective co-operative clients on a range of business support matters, including co-production of detailed business plans and financial forecasts, paying registration and legal fees as well as the setup of book-keeping systems. To be eligible for this support, prospective clients need to:

- be currently living or working in Preston or the surrounding area.
- have at least three or more people in the group who are interested in forming a co-operative.
- have a co-operative business idea that the groups can explore.
- be interested in learning new skills.

Integral to Preston's approach to community wealth building, according to the Network's mapping,²⁸ Preston itself now boasts three co-operatives which include a taxi firm. Across the broader county of Lancashire, this number increases to 18.

Other local authorities in the UK are also developing bespoke business and financial support arrangements to promote employee ownership and co-operative development. Sheffield City Region, for example, has become a regional partner in the Ownership Hub,²⁹ a joint project between Co-operatives UK and the Employee Ownership Association, in order to raise awareness, develop training and deliver advice and expertise on employee ownership. Greater Manchester Combined Authority are considering a similar approach. The North of Tyne Combined Authority have launched a strategic partnership with Power to Change to develop a Social Finance Fund³⁰ to deliver innovative financial products including loans and equity to support start-up, innovation and scale-up activity in the social economy.

²⁷ Preston Co-operative Development Network. About. [Read](#)

²⁸ PCDN. Map of Lancashire based co-ops and social enterprises. [Read](#)

²⁹ South Yorkshire Business. Ownership hub. [Read](#)

³⁰ North of Tyne Combined Authority. Social Finance Fund. [Read](#)

Case study: France

Introduced in 2014 in France, the Hamon Law aims to support the social and solidarity economy as a mode of entrepreneurship and economic development and to “fight against 20,000 redundancies per year linked to enterprise closures which close their business in the absence of candidates to take them over”.³¹

Structures and organisations of the social and solidarity economy in France are united around the following principles:³²

- a purpose aimed at the general or collective interest
- democratic governance, based on the principle “one person = one vote”
- limited lucrativity
- the primacy of the human person over capital
- a strong link to their territory
- free membership.

The Hamon Law set out to define the social and solidarity economy and establish legal obligations for employers to disclose the contemplated sale, gift, exchange, or contribution of a controlling stake in their company so that employees can make an offer of a worker buy-out. This was amended in 2015 by the Macron Law to significantly expand exemptions so that only sales triggered this mechanism, and massively reduced the penalty for violation to only 2% of sale value.³³

These provisions apply to “petites et moyennes entreprises” of 249 employees or less.

One of the principal objectives of the Hamon Law was to amplify the financing available for social and solidarity economy and worker buy-outs. In contrast to the Marcora Law, much of this funding comes from investor partners with favourable terms and conditions to employees who do not have the capital available to purchase a majority of shares. These statutory provisions grant a right for workers to create transitional co-operative societies as a vehicle for a worker buy-out, allowing employees a majority vote in decision making, without immediately having the capital to purchase a majority share.³⁴ After a period of seven years, the investing partner must sell or obtain reimbursement for their capital contribution and, in the meantime, the company benefits from a suite of tax incentives.

The Hamon Law provides inspiration as to how legislation may be enacted to constrain the control of investing parties while ensuring worker buy-outs have access to private capital in the absence of financial assistance from elsewhere – although acknowledging that, at present, Wales does not have the devolved fiscal powers to replicate this approach.

31 CECOPA Europe (2012). A French law for worker buy-outs? [Read](#)

32 Bouroniko. (2020). The social and solidarity economy in France. Institute of Entrepreneurship Development. [Read](#)

33 IFLR. (2016). Employee entrepreneurship. Corporate: French M&A. (2016). pp38-39.

34 Matas. (2019). La SCOP d’amorçage, un mode de cession sous-estimé. Les Echos Entrepreneurs.

Case study: Spain

Established in 1995, Red de Economía Alternativa y Solidaria (REAS) is a network of networks that represents entities of the alternative and solidarity economy in Spain. This national “network of networks” is made up of more than 800 entities and companies, categorised by territorial sub-networks including: Andalusia, Aragon, Balearic Islands, Canary Islands, Castilla La Mancha, Castilla y León, Catalonia, Euskadi, Extremadura, Galicia, La Rioja, Madrid, Murcia, Navarra, and Valencia. There are also sectoral sub-networks that include: Ethical Finance, Fair Trade, Renewable Energy and Circular Economy.³⁵

REAS serves as a convenor to bring together all relevant parties working on the agenda of the solidarity economy as an approach to economic activity that prioritises people, the environment and sustainable development above other interests. As a movement, REAS champions social enterprise in much of the same way as is done in the UK, without much explicit focus on employee ownership in particular.

Wales benefits from many organisations that are interested in the employee ownership agenda, particularly as it relates to the foundational economy. REAS provides an example of what can be done, instead or alongside of legislation to help mainstream employee ownership within economic policy and, in doing so, challenge out of date perceptions of employee ownership longer term.

35 CEPES. REAS – Red De Redes De Economía Alternativa Y Solidaria. [Read](#)

Case study: Mondragon

The Mondragon Corporation, founded in 1956, is one of the most often cited examples of worker co-operatives. Mondragon is a federation of worker co-operatives in the Basque region of Spain that operates under the values of participation, innovation, social responsibility and co-operation. Workers in Mondragon have the right to participate in a democratic decision-making governance structure.³⁶

Today, Mondragon consists of 98 businesses in direct worker ownership and has a portfolio of 80,000 employees that cuts across sectors, including exporting manufacturers. Mondragon made a name for itself as “recession proof” after 2008 as it offered greater flexibility due to the plurality of decision making, ease of labour re-allocation due to the federated co-operative structure and the absence of surplus extraction to shareholders.³⁷

However, the model is contingent on the specific conditions of the Basque Country economy and a growth model that may trade-off some principles of employee ownership. Mondragon benefits from being in an advanced industrial economy and competing in an export-led economy which also has a network of international subsidiaries that do not follow employee ownership models.³⁸ Despite this, the co-operative of co-operatives federation model provides inspiration as to the scale and ambition to which co-operative and employee ownership models can aspire in Wales.

36 Tang. (2019). Exploring the Mondragon co-operative system. Beneficial State Foundation Perspectives.

37 Tremlett. (2013). Mondragon: Spain's giant co-operative where times are hard but few go bust. The Guardian.

38 Goodman. (2020). Co-ops in Spain's Basque Region soften capitalism's rough edges. The New York Times.

Case study: Cleveland, USA

The so-called “Cleveland model” provides an example of employee ownership at the city scale and has provided much inspiration for community wealth building.

In the Cleveland Model, several worker co-operatives were established under an over-arching non-profit organisation, called Evergreen Co-operatives, which provides business support, technical assistance, and strategic guidance in a similar fashion to that offered by Cwmpas in Wales. However, Evergreen Co-operatives also operates a revolving loan fund to channel investment from various sources to seed fund new co-operative start-ups.

In addition to their seed-funding mechanism, Evergreen Co-operatives benefits greatly from the support of anchor institutions, who assist in building capacity by fostering demand through the procurement of their goods and services.

3

The case for employee ownership in Wales

As seen in the previous sections of this report, there is a strong case for employee ownership as an ethical, democratic and economically just approach to business stewardship. This section goes further and explores the social and economic benefits and the contribution that employee ownership can make to addressing specific challenges in the Welsh economy.

Disrupting wealth extraction

With so many public services now run outwith the state, there are real challenges in terms of quality, ethics and diversity of provision. A greater emphasis on and promotion of employee ownership could help to disrupt monopolies and poor service from private sector providers across various areas of publicly commissioned service activity. The need to move urgently on tackling the profit motive in services such as social care is already recognised in Wales, so a focus on employee ownership would align well with existing policy drivers, such as the Social Services & Wellbeing (Wales) Act, which places a duty on local authorities to promote co-operatives, social enterprises, user-led and third sector organisations for social care.

Previous Welsh government economic policy – which relied heavily on attracting inward and foreign direct investment – has meant that geographically mobile and often extractive capital has increasing prominence in the Welsh economy. Whilst the relative success in attracting foreign direct investment has created and safeguarded employment opportunities, there

are vulnerabilities when too much ownership in the Welsh economy is vested in those with little long-term allegiance or stake in the communities of Wales.

Focusing economic development policy and practice more towards employee ownership – supported by capital which operates for the common good rather than extractive returns – protects the real economy in Wales against this vulnerability and future uncertainty.

There have been calls for worker buy-outs to be an integral part of any future government supported rescue packages to “empower the right actors, with the right capital, for the right reasons, to achieve a [high performing and very resilient future]” for businesses under threat.³⁹ As explored later in this report, state acquisition of distressed business assets, which could then be relaunched under democratic forms of ownership, is one feasible arena in which a Welsh Marcora-inspired law could operate.

³⁹ Wright. (2022). Co-op policy blog #26: co-ops to the rescue? Co-operatives UK.

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A healthy private sector

Evidence suggests that employee-owned businesses now contribute to a significant and growing share of the UK's GDP — 4% annually,⁴⁰ equivalent to nearly half of the value added of the UK's entire manufacturing sector.⁴¹

Increasing the proportion of employee-owned businesses in the Welsh economy would help to retain more wealth in Wales rather than seeing it extracted out of the economy to shareholders and investors with no long-term interest in the country.

Productivity and growth

UK productivity performs poorly compared to other developed nations. Furthermore, the productivity gap between Wales and the rest of the UK remains significant.⁴²

Employee ownership can result in a more engaged, involved and motivated workforce which in turn may lead to increased productivity.⁴³ Mutual purpose and democratic governance in worker co-operatives, for example, enriches business culture and improves performance.⁴⁴ Whilst the evidence base suggests that employee

ownership is not, in itself, a silver bullet for higher productivity, the majority of studies make a link between the two.⁴⁵

It is unsurprising, then, that employee ownership is being adopted as a business model of choice to consolidate success and provide the foundations for future business growth and should be viewed as an integral part of the response to the productivity challenge in Wales.

Resilience

ONS data reveals that the share of SMEs with debt has more than doubled since the onset of the Covid-19 pandemic and that liquidations are 34% higher.⁴⁶ In February 2022, the Bank of England estimated that one in three indebted SMEs were at serious risk of closure.⁴⁷ According to Economic Intelligence Wales' annual report on the performance of the Welsh economy, the proportion of Welsh SMEs with concerns about their ability to repay debt increased from 24% in Q3 2020 (21% for UK SMEs) to 30% in Q4 2020 (24% for UK SMEs).⁴⁸

Employee owned businesses, by contrast, are

40 Employee Ownership Association. What is employee ownership? [Read](#)

41 The World Bank. (2020). Manufacturing, value added (% of GDP), United Kingdom. [View](#)

42 A. Henley. (2021). Wales' productivity challenge: exploring the issues. Productivity Insights Paper No. 007, The Productivity Institute.

43 Fakhfakh et al. (2011). Productivity, capital and labor in labor-managed and conventional firms. [Read](#)

44 Pérotin. (2012). The performance of worker co-operatives. [Read](#)

45 Matrix Evidence. (2010). The employee ownership effect: a review of the evidence'. pp17-18.

46 Office for National Statistics. (2020). Business insights and impacts on the UK.

47 Official Statistics. (2022). Commentary – monthly insolvency statistics. The Insolvency Service.

48 Economic Intelligence Wales. (2021). Annual report. [Read](#)

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structured to plan for the long term and are more likely to survive difficult economic conditions.⁴⁹ Evidence from countries with higher rates of worker buy-outs and conversions to employee ownership suggests that converted businesses are on average more resilient over the long term, compared with other businesses.⁵⁰ Even in the context of the Covid-19 pandemic, research by Co-operatives UK revealed that co-operatives were four times less likely to go bust in 2020 than businesses generally, despite the pandemic.⁵¹

Moreover, the co-operative ethos leads to different forms of business-to-business relationships – characterised by mutuality – which are much more likely to lead to more resilient, connected supply chain ecosystems in the communities in which they are based.

Good jobs for all

Worker co-operatives outperform other business forms in terms of their ability to create jobs – 35% more by turnover compared to UK employers as whole.⁵²

Importantly, though, because profits are shared, rather than being extracted away from local communities for the benefit of distant shareholders, these tend to be better quality jobs,

with higher rates of pay. Pay ratios among staff (the difference in pay between the top and bottom of the organisation) also tend to be smaller. Because employee-owned businesses are genuinely rooted in local communities, this means more money being retained and circulating locally, creating local economic multipliers which in turn benefit other local businesses and supply chains.

The “missing middle”

21st century deindustrialisation has seen a general decline of large industry in Wales – and while the Welsh economy has seen a rapid increase in micro-businesses, many of these firms do not progress to become SMEs.⁵³ The result is an economy dominated by micro and small enterprise at one end of the spectrum and large multinationals at the other, but with a “missing middle” of strong, grounded and locally rooted businesses.⁵⁴

Developing this “missing middle” is a central objective of the foundational economy approach in Wales: establishing a stable base of medium sized Welsh firms which are capable of selling outside Wales but have decision-making rooted firmly in communities.

49 CECOP. (2013). Business transfers to employees under the form of a co-operative in Europe. [Read](#)

50 Vieta et al. (2015). The Italian road to recuperating enterprises and the Legge Marcora framework Italy's worker buyouts in times of crisis. [Read](#)

51 Co-operatives UK. (2021.) The co-op economy report 2021. [Read](#)

52 Pérotin. (2015). What do we really know about worker co-operatives? [Read](#)

53 FSB Wales. (2017). Wales' missing middle.

54 The term “missing middle” was coined by the Federation of Small Businesses in 2017.

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Medium sized businesses in Wales are vulnerable to corporate capture, with a significant number of firms selling up once they get to a certain size of turnover. According to the Federation of Small Business:⁵⁵

“Medium-sized firms that are successful often have pressures to change their ownership model. This includes becoming a publicly listed company (and accepting the notion of shareholder value), looking for angel investors or even selling the business in its entirety to a larger entity. All of these options have profound implications for Wales’ missing middle with the key question being; will the next owner represent a safe pair of hands?”

Increasing the proportion of employee-owned businesses that are intrinsically locally rooted, needs, therefore, to include a specific focus on medium-sized enterprise.

In this context employee ownership needs to be seen as a necessary counterweight to the monopolising forces of private equity – to which the Welsh economy is particularly vulnerable – acting as a vital buffer to firms being acquired by

investors who may seek to relocate or transition away from Welsh supply chains.

Succession

Currently, 43% of SMEs in Wales do not have a succession plan in place and only 12% of family-owned firms sustain this status beyond the third generation. Within the next five years, one in five of all SMEs in Wales are planning closure or succession – a potential 15,000 business owners considering leaving their businesses.⁵⁶



Aber Instruments

These business owners may face a choice of ceasing trading, selling their businesses to larger and more extractive enterprises or choosing a transfer of the business into an employee-owned enterprise, thus allowing employees to keep their jobs and businesses to remain locally rooted for the longer term.

⁵⁵ FSB Wales. (2017). Wales' missing middle.

⁵⁶ Wales Co-operative Centre. Welsh Senedd debates the need for an Employee Ownership Bill.

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An economy for the future

Talent retention

In the context of current labour market conditions, where staff recruitment and retention are proving to be significant barriers to business viability and growth, employee ownership confers real advantages, especially for those businesses most dependent on their human capital, such as those in service sectors – a factor especially important in the context of the challenge of the “missing middle” in Wales.

Enabling more Welsh-based companies to stay in business in Wales also provides a reason for young people to feel confident about staying and investing in Wales for the longer term, thereby stemming the so-called “brain drain”.

Supporting net zero

The environmental crisis will have significant impacts for Wales, including sea level rises, increased warmer temperatures and the risk of severe weather events.

The Welsh government is committed to net zero as part of the Programme for Government and there is scope to maximise the potential of employee ownership in support of the government’s net zero ambitions.

Employee ownership can enable workers in carbon intensive industries to plan and own the transition to a low carbon future. From the workers who produced the pioneering plan for a socially useful conversion of their arms manufacturing plant with Lucas Plan in the 1970s,⁵⁷ to the Rolls Royce workers currently engaged in developing an alternative production plan for their sites,⁵⁸ employees have shown themselves to be uniquely placed to think about new and innovative applications of their skills and tools. Placing workers in the driving seat of their firms in ownership succession plans can ensure a sustainable future for businesses currently engaged in high carbon activity.

⁵⁷ Wainwright. (2016). When the workers nearly took control: five lessons from the Lucas Plan. New Thinking for the British Economy. Open Democracy.

⁵⁸ Minio-Paluello. (2021). Pushing for a Green New Deal at Rolls Royce. TUC.

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Automation

Artificial intelligence and automation are already transforming many industries and have the potential to bring about profound and significant changes. Numerous studies have highlighted the potential productivity gains from automation,⁵⁹ but its implications for employment – in professional as well as lower skilled occupations – are also significant.

As more jobs become automated and labour is replaced, more value is derived

from the intellectual capital that underpins it.

This means that a greater portion of surplus that would have previously been distributed to workers is now extracted through intellectual property rights. There is the potential that this will be accompanied by an even starker reallocation of wealth from workers to those who would extract it from Welsh communities. In this context, employee ownership provides, at least in part, a buffer against the potential negative impacts of increased automation for the people of Wales.



Gateway Dental Practice © Patrick Olnier

⁵⁹ For example: McKinsey Global Institute. (2017). A future that works: automation, employment and productivity.

4

Making employee ownership happen in Wales

This section examines how employee ownership can be strengthened within the Welsh economy through legislation and other activities designed to develop opportunities across a range of areas, including business support, finance and network development.

Opportunities

In the stakeholder engagement conducted for this report there was widespread support for employee ownership and a sense that more could be done to unlock its potential for the Welsh economy. This needs greater recognition and championing, exploring opportunities to promote employee ownership at any point in the business cycle.

Whilst the Italian Marcora Law is specifically focused on facilitating worker buy-outs of enterprises in response to market failure in order to protect against business closure and job losses, this is only one of a range of scenarios where employee ownership can be promoted.

To see employee ownership simply through the lens of business failure, or as an option of last resort, would be to miss significant potential opportunities. Employee ownership needs to be viewed in the mainstream business narrative as a preferred option for, and of benefit to, successful companies.

Business closure

Transition to worker ownership in the context of a potential or likely business closure can be a way of safeguarding jobs which would otherwise be lost to the local community. However, these are inherently unfavourable circumstances, requiring a reactive effort in the context of distressed companies, often with relatively little time for planning and during a period of intense stress.

Clearly, worker buy-outs are no panacea against businesses failing – however, there are circumstances where business or site closure decisions are made in the strategic interests of the business owners, even though the business itself remains economically viable. It is in these situations when worker buy-outs are most likely to succeed.

Currently, exploring the potential for a worker buy-out in the context of a likely business closure is far from standard practice. There is a

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well-rehearsed response to proposed larger-scale business closures: active campaigning; support and negotiations led by trade unions; government task forces to marshal discussions and interventions; and a range of support organised by local authorities and relevant agencies. Exploration of the feasibility of a worker buy-out rarely features.

Instead, the response is focused on interventions to keep organisations viable, and support is aimed at avoiding or reducing any period of staff unemployment (for example, by accessing ReAct⁶⁰ funding to retrain or update skills).

Legislation could play an important role here by normalising the exploration of a worker buy-out as a default element of the response to likely business failure in certain scenarios. However, timing is key: for there to be a reasonable chance of transfer to employee ownership being properly explored, issues need to be flagged early and the employee ownership agenda needs to feature in the mindset of all of the parties concerned.

Betsaide SAL

The employee owned company Betsaide SAL61 (Sociedades Laborales), – an iron foundry located in Elorrio, Spain – was formed in 1989 when workers bought the insolvent business.

Although the worker buy-out did see a reduction in employee numbers, the process saved the foundry and protected numerous jobs. It is now a successful producer of ductile iron parts to leading customers in the automobile and truck industry, and agricultural sector.

It is interesting that there are few contemporary examples of worker buy-outs protecting against significant job losses in the UK. This demonstrates the need for the legislative and wider enabling measures recommended in this report to ensure that relevant actors are compelled to act in a timely fashion to explore the feasibility of a worker buy-out in the event of potential business failure or site closure.

⁶⁰ Careers Wales. ReAct Funding. About. [Read](#)

⁶¹ Betsaid. About. [Read](#)

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Social partnership arrangements

Proactive approaches – as opposed to reactive responses to market failure – will be key to increasing employee ownership in Wales, and in ensuring that the approach becomes more prominent in mainstream business narratives.

This means using the opportunities where the right people are already around the table. Social partnership arrangements – including the Social Partnership Council, which brings together government, unions, and employer groups, and which is being brought onto a statutory footing via the Social Partnerships Bill⁶² — are an obvious forum for the employee ownership agenda to be given greater prominence. To do this, the Welsh government could use their role in social partnerships to promote employee ownership as a component of fair work practices encouraged by public sector procurement.

This approach would benefit all parties. For trade unions, employee ownership and unionised co-operatives have a role to play in the ongoing revitalisation of the movement. For business owners, exploring how employees can have a greater stake in the business has benefits for productivity, by attracting and retaining staff, and in succession planning (see section two). For the Welsh government and local state actors, seeding this conversation early lays the foundations for later success and signals strong intent to rebalance ownership in the Welsh economy.

Business succession

As this report has argued, employee ownership provides a practical solution to the “succession time bomb”. However, research commissioned by the Welsh government and Cwmpas has highlighted the need for heightened awareness of, and support for, transforming businesses into employee ownership as part of a planned succession approach.⁶³

Whilst there have been resources and efforts targeted at succession planning – for example Cwmpas (through the Social Business Wales programme) has supported over 50 Welsh businesses with advice about ownership transition – there are still opportunities to raise awareness.

Business support advisors including those within the private sector (accountants, financial advisors and financial institutions) could be provided with opportunities to learn more about employee ownership in order to make sure that business owners have access to the full range of information available to plan for the longer term. This will help to ensure that business owners can put in place employee ownership succession plans as a mainstream option at scale.

⁶² Welsh Government. (2021). Draft Social Partnership and Public Procurement (Wales) Bill. [Read](#)

⁶³ Wavehill. (2017). How dangerous is the business succession timebomb? SME succession planning support in Wales. [Read](#)

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Go Ape

Go Ape is an outdoor adventure company that operates multiple locations around the UK and employs around 1,000 staff on a part-time or full-time basis. They have enjoyed significant growth since their founding in 2002, but, like many businesses, were required to cease operations in March 2020. This put significant pressure on the future viability of the business and they were forced to rely on emergency cash reserves and the Coronavirus Business Interruption Loan Scheme.⁶⁴ The mounting workload in customer services also required a degree of staff flexibility to allow the ease of labour re-allocation within the business.⁶⁵

The owners of Go Ape had the desire to develop a succession plan prior to the pandemic and the employee buy-in demonstrated in the lockdown period highlighted employee ownership as a viable option for this planning. In doing so, the owners of Go Ape hope to build on their success by retaining and further harnessing the innovation demonstrated by their employees. This transition also has the potential to significantly increase the share of surplus capital distributed to employees through direct pay and sharing the company's profits more equitably. However, the generative capacity of Go Ape is restricted through its governance structure, which comprises only two employees on the six-person Trust board, while the others are former individual shareholders.⁶⁶

In this scenario, business advisers could tailor support around the propensity of employee ownership transitions to build on business success and growth. Support could also be offered to ensure employees are well equipped to transition over time to a direct employee ownership model and maximise the generative potential of the approach.

64 Moules. (2022). Pandemic teaches Go Ape's co-founders the value of employee ownership. Financial Times. Feb 2022. [Read](#)

65 Ibid.

66 Wright. (2022). Go Ape's founders on selling up to their employees: "it's not socialism, it's stakeholder capitalism". The Telegraph. March 2022. [Read](#)

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Startups

New business startups represent one route to increasing the prominence of co-operatives. Yet there remains a lack of awareness and understanding about co-operatives amongst entrepreneurs and advisors and co-operative startups face barriers to accessing finance.

Admittedly, to challenge the “missing middle” (see section two), conversions and scale-ups provide more opportunities to rebalance ownership in the Welsh economy than a focus on start-ups.

However, the emergence of a greater proportion of start-up ventures choosing co-operative models would be a signal of the degree to which worker ownership is genuinely a mainstream consideration.

There are various support offers for business startups in Wales, including advice, support, and funding from across the business support (Business Wales, Cwmpas, and local authorities) and financial landscape. All interactions with people interesting in starting a new business provide an opportunity to discuss and consider the merits of establishing as an employee-owned organisation.

Make Architects

15 of the UK's top 100 architectural practices are employee owned.⁶⁷ Make Architects⁶⁸ is an international practice with 150 employees based in offices in London, Hong Kong, and Sydney, which has been employee owned since its launch in 2004.

According to Make's founders, the structure was a purposeful choice, designed to maximise innovation by “imagining a workplace where everyone had a say and solutions were found together.”

Make Director, Jason Parker:



From a design point of view, the whole process is energised. There's no top-down instruction, which is empowering. Design requires lots of directions and voices, so the more diverse and collaborative the teams, the better. Employee ownership underpins that.

⁶⁷ Marrs. (2018). Power to the people: the rise of the employee-owned practice. Architects' Journal. [Read](#)

⁶⁸ Make Architects. About. [Read](#)

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Market development and shaping

Increasingly, progressive economic development practice is recognising the need for more interventionist approaches to market development and market-shaping. That is, supporting the development of new, more locally generative businesses as alternatives to extractive business models or supporting the creation of new businesses where there is potential demand, but local supply capacity is under-developed.

Public sector supply voids – where Welsh public sector spending is leaking outside of Wales, but where supply capacity does not exist locally – provide an opportunity to promote new, local capacity to meet that demand. The “Better Jobs Closer to Home” pilots foreshadow what more could be possible in this space. Elsewhere in Wales, progressive anchor institutions such as Hywel Dda University Health Board and Carmarthenshire County Council, working with the Welsh government, are exploring the potential to develop new food processing and manufacturing capacity in south west Wales to supply processed food to health and social care settings.

For categories of public sector spend dominated by unequal and extractive forms of ownership, there is increasing appetite to support the development of co-operative alternatives. Social care provision is a particular case in point, and,

across the UK, local authorities are looking to support the development of worker-owned or multi-stakeholder co-operatives to deliver services such as domiciliary care for adults.

Governance models and new forms of worker ownership offer a means not only of raising pay and status, but of distributing power more fairly between workers, care receivers and other stakeholders (e.g., care receivers’ families). Emerging examples of such experimentation include well-being teams, self-managing neighbourhood teams of carers inspired by the Dutch Buurtzorg model, Equal Care Co-op – a collectively owned online platform for care services – and Co-operative Care Colne Valley.⁶⁹

69 CLES and Common Wealth. (2021). Caring for the earth, caring for each other: an industrial strategy for adult social care. [Read](#)

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Employee-owned care providers

There are a number of employee-owned care providers in Scotland, including care companies which have transitioned to employee ownership – for example, Highland Home Carers,⁷⁰ the second largest employee-owned company in Scotland, Stewartry Care,⁷¹ Paramount Care,⁷² and Aspire Housing and Personal Development,⁷³ – and new providers which have been established as employee-owned companies, such as Caledonia Social Care.⁷⁴

These companies all believe that employee ownership improves staff engagement and wellbeing which leads to better patient experience and outcomes.

The Welsh government have recognised the failings of the social care market and have intervened to reshape the market in the best interests of service users in Wales. S16 of the Social Services (Wellbeing Act) 2014 requires local authorities to promote social enterprises, co-operatives, user-led services and the third sector in the provision of care and support. The Backing Local Firms Fund⁷⁵ is currently being targeted to tackle the recruitment crisis in social care. Work is also underway on the development of a strategy to nurture the role of the third sector in the foundational economy, with a specific focus on the social care sector.

The social partnership legislation currently being drafted by the Welsh government will place requirements on public bodies to have a procurement strategy to encourage and support more joined up, clearer and more sustainable approaches – providing additional supportive policy. Opportunities exist, therefore, to prioritise employee ownership in this more interventionist market development activity.

The Programme for Government commitment in Wales to establish Unnos, a national construction company, to support councils and social landlords to improve the supply of social and affordable housing, is a notable example of this type of progressive interventionism.

Beyond public sector procurement, there is also room for more radical interventions to develop generative alternatives to exploitative and extractive business practices, where a worker-owned alternative could potentially be a viable proposition. Examples include the development of worker owned co-operatives as a collective alternative to low-paid, self-employed and atomized work in the gig economy.

⁷⁰ Highland Home Carers. About. [Read](#)

⁷¹ Stewartry Care. About. [Read](#)

⁷² Paramount Care Aberdeen. About. [Read](#)

⁷³ Aspire Housing & Personal Development Services. About. [Read](#)

⁷⁴ Caledonia Social Care. An employee owned company. About. [Read](#)

⁷⁵ Welsh Government. (2021). New £1 million fund to back local businesses in communities across Wales. [Read](#)

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Islington Council and Wings food delivery cooperative

Wings was formed as an alternative food delivery platform in July 2021, in response to plummeting wages within courier platforms as pandemic-induced surplus labour flooded into gig economy services. The organisation is committed to providing riders with a guaranteed hourly-paid London Living Wage, sick pay and workplace benefits.

Recognising both the costs and benefits of developing a platform co-operative within a landscape of established extractive competitors, Islington Council supported Wings with grant funding, as part of a broader strategy to deliver an inclusive and green local economy.⁷⁶

Inevitable challenges will emerge as extractive competitors' models acquire new private investment to stave off their own bankruptcy, threatening the success of the new co-operative platform. However, further intervention to develop more social and co-operative enterprises could allow for a more stable supply and demand base for Wings.

Crisis support

The Covid-19 pandemic has resulted in unprecedented levels of crisis support for Welsh businesses. Whilst the pandemic is currently moving into a new phase and bespoke support packages such as the Economic Resilience Fund are closed, there is widespread consensus that we may be entering a new era of crises – whether as a result of further Covid variants, future pandemics, global warming, or geopolitical conflict.

Future crisis responses could include the creation of a state holding company to acquire and hold distressed business assets until such time as they can be relaunched. Such state holding companies are commonplace around the world, whereby the holding company acquires and holds distressed business assets until such time as they can be relaunched under democratic forms of ownership. To ensure firms benefiting from public support during the crisis remain locally owned and operate in the public interest, the state holding company could mandate that its full or partial ownership interest be transferred to workers. This type of intervention would be particularly relevant as regards businesses in the foundational economy, which provide those goods and services on which the wellbeing of communities most directly rely.

Bespoke support to enable sectoral transition away from carbon-intensive industries could also be configured via a debt-for-equity lending approach, used to support transition at-scale to employee ownership.

⁷⁶ Islington Council. (2021). Agenda item, questions from members of the Council. Item 144.

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Barriers

Our research and stakeholder engagement has identified two main barriers for the expansion of employee ownership: finance and culture.

Finance

Worker buy-outs face difficulties when it comes to access to finance to purchase businesses, due to commercial banks' considerations of risk. While the research conducted for this report suggested that it is unclear whether lack of capital to fund worker buy-outs has led to prospective worker buy-outs failing to get off the ground, this challenge does act as a significant disincentive for employees who cannot rely on personal finance and assets to fund a takeover.

These difficulties become exacerbated in takeover situations where there are assets to be purchased or when transitions are occurring at a point of business crisis or failure. While it was noted that the capitalisation challenge is not entirely insurmountable, many worker buy-outs have been supported by the personal assets of individuals, particularly to cover the significant costs of registration fees and legal and financial advice, which are only exacerbated when transition occurs at point of business failure.

Currently, commercial lenders are not incentivised by the relatively low numbers of worker buy-out clients and the need for new types of financial products that work for them. To get around this

problem, private finance could be considered, including angel investors. However, in the absence of legislative powers to constrain the decision-making of the investing party, this would result in conceding control of the enterprise to private interests.

There are UK-wide tax incentives for some models of employee ownership that help facilitate transfers to employee ownership. Most notably, the Finance Act 2014 introduced Capital Gains Tax incentives for qualifying employee ownership trusts satisfying the following criteria:⁷⁷

- the company whose shares are disposed of is a trading company, or the parent company of a trading group;
- the trust which acquires the shares operates for the benefit of all employees;
- the trust has a controlling interest in the company at the end of the tax year, which it did not have at the start of that year;
- certain participators are excluded from being beneficiaries of the trust; and
- the claimant must not previously have qualified for relief on the same company's shares.

⁷⁷ Employee Ownership Wales. A guide to tax for employee ownership. [Read](#)

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This legislation represents significant progress and increases the attractiveness of future transitions to employee ownership. However, it fails to eliminate the initial problem of ease of access to capital for a worker buy-out. In addition, the narrow criteria means that equal assistance is not available to all models of employee ownership, including models of direct ownership.

Within Wales itself, there has been a welcome intervention by Welsh government through the remit letter to the Development Bank for Wales.⁷⁸ However, as will be explored in later sections of this report, there are still significant challenges relating to the clarity of the scale of support and the compulsion on the Development Bank of Wales to act on the remit letter.

Culture

The second challenge relates to the perception of employee ownership amongst the range of business models available.

Within the landscape of business support, finance and corporate structures, there is a lack of awareness and understanding of all alternative models for business and their generative

capability, including employee ownership models. While this challenge does not refer to a material challenge in the same way as access to finance, cultural attitudes often drive material outcomes.

A component of this cultural challenge lies in a perceived hierarchy of social business, demonstrated through communications. In this schema, employee ownership sits under social enterprise as a desired and socially responsible business model. Here, the key messages around the specific economically and socially generative benefits of employee ownership are often lost or not given due prominence. Instead, employee ownership models are inadvertently positioned as a peripheral, fringe movement. A notable example of this framing, as will be explored further below, can be found in the language around the Welsh government's social enterprise fund which – although it can be interpreted as supporting employee ownership models under the banner of “Buy Local, Buy Social” – is without explicit reference to them.

Without employee ownership being explicitly positioned as a central pillar of a mainstream, generative, geographically rooted and socially just Welsh economy, the policy required for this to happen is also unlikely to fall into place.

⁷⁸ Gething. (2021). Term of government remit letter for the Development Bank of Wales plc. Welsh Government.

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Why legislation?

Although measures to promote employee ownership and the co-operative economy already feature in the Welsh Programme for Government, there is also a strong and compelling rationale for legislative change.

This report acknowledges that the Senedd has limited legislative capacity. The need to respond to the fallout and recovery from the Covid-19 pandemic and to the ongoing impacts of the UK's withdrawal from the European Union have created an even more constrained environment for Welsh government legislation. However, the need for Wales to continue to assert a distinctive and progressive legislative agenda has never been so compelling.

Wales leading the way

Wales has demonstrated – through landmark legislation such as the Wellbeing of Future Generations Act – how the country leads the way in the UK and beyond. A Wales Marcora-inspired law can build on that progressive intent and would serve as companion legislation to the Wellbeing of Future Generations Act, highlighting the contribution that increasing democratic

ownership can make to unlocking a well-being economy fit for future generations.

Supporting structural change

As this report has shown, rebalancing ownership of the economy is key to tackling Wales' strategic economic challenges. Taking a sectoral or foundational focus without focusing on issues of ownership will not tackle the dysfunctions of an unequal and extractive economy. What is required is a long-term, systemic, structural reorientation of the Welsh economy and that, in turn, requires a significant cultural shift. It requires clarity of intent and policy focused on longevity beyond the term of Programme for Government commitments – one that can outlast individual ministerial priorities.

Putting in place a statutory duty to promote employee ownership and worker buy-outs, with accompanying targets also on a statutory footing, would be an effective spur from aspiration to adoption. It would be a siren call to stimulate a culture shift towards seeing employee ownership normalised in the mainstream economy.

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The Programme for Government commitment to double the number of employee owned businesses in Wales is a welcome first step. But it is conservative in its scale and ambition, representing a modest step from 30 employee-owned business in Wales to 60. To put this into context, the latest Size Analysis of Active Businesses in Wales shows that there were

267,000 enterprises active in Wales in 2019. Of these, 2,200 were medium-sized firms (50 to 250 employees), 300 of which were non-UK owned and 1,700 were large firms (more than 250 employees), 600 of which were non-UK owned.⁷⁹

The current low base of employee ownership in the Welsh economy (in comparison to Scotland, for example) shows that there is considerable potential which isn't being unlocked. Legislation could help to turbocharge the prominence and profile of employee ownership and compel action and alignment on a longer-term re-orientation of the Welsh economy.



Insight

Fulfilling Welsh ambitions

Putting in place legislation around employee ownership would give a powerful signal of the Welsh government's commitment to the foundational economy as set out in the Wellbeing of Future Generations Act. It would also complement existing legislation and policy on the foundational economy but enable it to go further and deeper, giving Wales the opportunity to create a distinct and place-based approach to its national economic policy. This would demonstrate the value of devolution in enabling Welsh policy makers to diverge from the one-size-fits-all approach of the UK government: Welsh policy to deliver on Welsh economic ambitions.

⁷⁹ Welsh Government. (2019). Statistical first release: size analysis of active businesses in Wales. [Read](#)

What would legislation look like?

The following section sets out a proposed potential framing for a Welsh Marcora-inspired law, which seeks to address the identified challenges of capitalisation and culture, highlighted earlier in this report.

Clearly, any new legislation cannot seek to mimic the Marcora Law as applied in Italy. The Marcora Law enables a redirection of welfare spend to capitalise a worker buy-out at the point of likely business failure. However, social security is a reserved matter (as are employment and industrial relations), so not within the devolved competence of the Senedd. Moreover, the opportunities to promote employee ownership go beyond interventions just at the point of business failure. To stimulate the desired culture shift discussed above, the legislation also needs to promote – and at times require – action in a range of different contexts.

Table 2 sets out a proposed scope of potential provisions for a Welsh Marcora-inspired law.

These provisions, along with proposed enabling measures in the following pages, are explored in more detail in the recommendations attached to this report.

Table 2

Provision
Define employee ownership and provide a statutory focus on those employee ownership models with the most generative capacity, i.e., direct employee ownership (employees as shareholders) and indirect employee ownership (EOTs), as opposed to management buyouts.
Put the objective of pluralising the Welsh economy and increasing the contribution of employee ownership on to a statutory footing. That is, a statutory commitment to the long-term objective of re-orienting the Welsh economy towards a significantly greater proportion of businesses in Wales being employee owned.
A duty to promote employee ownership (as prioritised by the legislation) in economic development and business support activity.
A duty to engage Social Business Wales and the Development Bank of Wales and relevant state actors in certain circumstances.
Provide for financial support and advice for workers to buy out all or part of a business facing closure or down-sizing and to establish a workers' co-operative.
Require local authorities to prepare and publish local business vitality assessments.
Ensure that all companies in Wales in receipt of public funding or part of the social partnership and ethical procurement chains agree to the principles of worker buy-outs and employee ownership.

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Complementary policy

While this report has made the case for legislative change to support employee ownership in Wales, there are also range of measures that could be enacted by a variety of actors both in lieu of legislation and to support it.

In order to optimise the potential impact of employee ownership, whether there is new legislation or not, it will be important to ensure that all the policy levers and interventions that might protect, encourage and nurture employee-owned businesses are properly engaged and aligned to ensure a fully concerted approach.

Social Business Wales

Ambition and intent

To ensure the alignment of policy levers for employee ownership, the Welsh government should begin by clearly positioning the opportunity as a key plank of their ambitions for a stronger, more inclusive foundational economy in Wales.

First and foremost, this will require a greater degree of clarity in long-term ambition, intent

and the scale of the change needed. This could, for example, include the framing of the current goal of doubling the number of employee owned businesses as part of a more radical long-term vision to fundamentally shift the balance of the economy. Here, an explicit signal of intent would help guide policymakers at all levels to work in tandem towards the same objective.

This framing also represents an opportunity to strengthen the Welsh government's policy narrative on the foundational economy by emphasising issues of ownership more explicitly.

Refocusing business support

The work of Social Business Wales' employee ownership team, as part of the broader Business Wales family, is already proving instrumental in supporting the growth of employee ownership in Wales. It is positive that this team is growing, in anticipation of increased demand as a result of the current Programme for Government policy commitments.

The relationship between Social Business Wales and the broader business support infrastructure in Wales is crucial, as the most significant volume of contacts into the business community come through more generic business support contacts via Business Wales advisors, local authorities, and the Development Bank of Wales.

There is still work to be done in ensuring that these relationships are strengthened and employee ownership is being championed in

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everyday conversations as a component of more general advice. For example, Business Wales can be empowered to move away from a conventional role of signposting employee ownership and worker buy-out support to Cwmpas and toward being an active champion for employee ownership models in the everyday conversations of frontline advisors.

In addition, while existing support is indeed growing in favour of more generative business models, this has been mainly in favour of “social businesses”.⁸⁰ Under this umbrella term, you can find a range of different models including social enterprises, co-operatives, mutuals and employee owned businesses. If the Welsh government want to succeed in growing employee ownership specifically, then language needs to change to put a more explicit focus on employee ownership in its own right.

Bolstering financial support

Financial support via the Development Bank of Wales has been instrumental in facilitating transfers into employee ownership, with notable recent success stories including, for example, the transfer of Cwmni Da, one of Wales’ leading TV production companies, into an employee ownership trust.

However, the number of investments to support employee ownership thus far has been modest, with 57 organisations supported via equity finance or debt-based provision, the majority of these being in support of management buyouts as opposed to worker buy-outs. Whilst acknowledging that this

will inevitably be a demand-led process (and that the Development Bank is clearly responsive to the expectations set out in its remit letter), there is an opportunity for the Bank to really lead by example on risk, especially in relation to worker buy-outs.

In this respect, the language in Development Bank Wales’ remit letter could arguably be strengthened, with greater compulsion to act, especially in relation to worker buy-outs at the point of business failure. A dedicated and ringfenced fund for worker buy-outs could be established, in recognition of the more generative contribution of direct employee ownership. There is also merit in considering the development of more innovative finance solutions for worker buy-outs, which could shift the balance of risk away from individual employees.

Integrating to progressive procurement

The vision for public procurement in Wales⁸¹ makes clear the expectation that procurement be utilised as a lever for wellbeing outcomes, developing supply chains and relationships for long-term social good. In this context public spending can be used to re-wire supply chains to ensure that activity, particularly in the foundational economy, leads to a better quality of life for communities across Wales. This is a tried and tested pillar of community wealth building⁸² and a welcome strategy. Implicit in this is using the power of procurement to shift the balance of firms in the wider commercial economy towards those that are locally economically generative as opposed to extractive.

⁸⁰ Social Business Wales. About. [Read](#)

⁸¹ Welsh Government. (2021). Guidance: Welsh procurement policy statement. [Read](#)

⁸² CLES. Progressive procurement of goods and services. [Read](#)

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There are opportunities to be even more explicit about ownership in this context and to make clearer expectations to flex procurement spend to support locally rooted employee-owned businesses.

This extends to the design and delivery of aligned areas of programme and grant support, such as any future iterations of the Foundational Economy Challenge Fund, and the “Buy Local, Buy Social” campaign.

Additionally, the Wales Procurement Policy Statement 2021 points to principles to follow that “will support Welsh government policy objectives relating to progressive procurement, such as the Foundational Economy” and “will promote value-based procurement which delivers optimum long-term outcomes for Wales”.⁸³

With upcoming UK-wide procurement reform⁸⁴

likely to include a legislative requirement for Welsh contracting authorities to have regard for the Wales Procurement Policy Statement, this is an apt opportunity to ingrain employee ownership and worker buy-out objectives explicitly within procurement considerations.

Awareness raising and skills

In line with a clear signal of intent and ambition from government, actors at every level of the public and private sector – including those within the business community, schools and further and higher education – can mobilise to be active champions of employee ownership. This can happen through raising awareness of the social and economic benefits as well as provision of skills to empower a generation of future employee-owners.

⁸³ Welsh Government. (2021). Guidance: Wales procurement policy Statement principles 5 & 10.

⁸⁴ UK Parliament. Procurement Bill. [Read](#)

Recommendations

The following recommendations set out a series of interventions, of varying scope and scale, to support worker buyouts in Wales.

These include provisions within a proposed Welsh Marcora-inspired law and enabling measures that can be enacted in lieu of legislation, but which would also be essential to ensure it has maximum impact.

These recommendations sit within the current devolved competence of the Welsh government, in the functional activities of economic development, social partnership and procurement.

1. Legislate for a Welsh Marcora-inspired law.

This should contain provisions which:

- a. Define employee ownership and provide a statutory focus on those employee ownership models with the most generative capacity.**
- b. Put the objective of pluralising the Welsh economy and increasing the contribution of employee ownership, and the principles behind the legislation, on to a statutory footing.**

There are pros and cons to putting specific targets into legislation, but the statement of principles could be accompanied by specific legislative targets, framed by way of high-level outcomes, or alternatively by outputs, which could be varied by ministers for each Senedd term, subject to consultation.

- c. Impose a duty for the Welsh government, its relevant agencies and local authorities to promote employee ownership (as prioritised by the legislation) in economic development and business support activity.**

Enshrining such a provision in legislation could, at least in part, ensure continued strategic influence in the context of UK government approaches which seek to bypass the Senedd. Guidance on this duty could elaborate on the potential opportunities and mechanisms available, including:

Recommendations

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- Proactive engagement with SMEs to prepare for succession planning.
- Assessment of opportunities for market development activity to grow local capacity to fill known public sector procurement supply voids and to create local alternatives to extractive business models.
- Ensuring that employee ownership is engrained in everyday conversations as part of general business support and advice activity – e.g., so that Business Wales advisors are equipped to take a proactive, as well as reactive, approach to raising employee ownership as an option at all stages of the business cycle and able to refer to Social Business Wales for more expert advice and support.

d. Impose a duty to engage Social Business Wales and the Development Bank of Wales with relevant state actors in certain circumstances.

The intent of this provision is to ensure that transfer to employee ownership is considered, at the earliest practicable opportunity, in order to enable recommendation 1.e.

e. Provide for financial support and advice for workers to buy out all or part of a business facing closure or down-sizing and to establish a workers' co-operative.

f. Require local authorities to prepare and publish local business vitality assessments.

These would assess the SME business base within a local authority geography to:

- Assess the plurality of the local SME business base, by sector.
- Establish the potential community impact of any potential SME business failure – for example, the presence of a single medium-sized business upon which a community is significantly dependent for local employment.
- Identify significant businesses potentially vulnerable to takeover or corporate capture.

The above could draw on the pan-Wales SME supply chain mapping work recently commissioned by Welsh government. Its purpose would be to prioritise and guide more proactive business support and advice and targeted exploration of the potential for employee ownership.

g. Ensure that all companies in Wales in receipt of public funding or part of the social partnership and ethical procurement chains agree to the principles of worker buy-out and employee ownership.

Recommendations

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2. Explore opportunities to amend social partnerships legislation and any supporting guidance.

Specifically, to:

- a. Ensure that social partnership arrangements are used as a vehicle to promote and discuss opportunities for transition to employee ownership.**
- b. Include a reference to employee ownership as an accepted vehicle likely to result in the characteristics of fair work, as described in the legislation.**

3. Make clear through public procurement policy guidance the potential positive contribution of employee ownership to the Welsh Procurement Policy Statement principles.

4. Maximise opportunities for international learning and collaboration.

Taking a proactive role in practical innovation and peer support will inspire innovative thinking in this space.

5. Support the social economy ecosystem in Wales.

While progressive policy and legislation provides a framework for growing employee ownership in Wales, innovation in the social and solidarity economy stems from the grassroots. Networking and collaboration are key to unlocking this innovative capacity. Consideration could be given to supporting this through communities of practice and action learning approaches facilitated through an existing, trusted agency, such as Cwmpas.

6. Explore the potential development of a state holding company capable of holding distressed business assets to be acquired through a debt-for-equity approach to business support as an alternative or accompaniment to Welsh government business grants in times of national crisis.

7. Support the development of a ring-fenced loan fund, administered by the Development Bank for Wales to incentivise direct employee ownership and put worker ownership through direct shareholding on an equal footing to employee ownership trusts.

This could be supported by greater emphasis on the benefits of increased employee ownership in future remit letters to the Development Bank of Wales, encouraging the Bank to become the exemplar for risk, providing innovative patient capital to support direct employee ownership and shifting the risk away from employees.

8. Develop a policy narrative which delivers clarity on longer-term strategic intent in relation to employee ownership and which highlights how contributory policy areas intersect.

This approach is an opportunity to deliver strategic clarity on the long-term objective to re-orient the Welsh economy towards a significant increase in employee ownership, with the current Programme for Government commitment to double the number of employee ownership firms clearly framed as a stepping stone.

This is an opportunity to recognise the potential for synergy from disparate policy areas towards this objective, including: the foundational economy, net zero, progressive public procurement, Backing Local Firms Fund, the Social Services and Wellbeing (Wales) Act 2014 and the Social Partnership Bill.

It can be used to raise the profile of the importance of ownership and to put employee-owned businesses on an equal footing in the perceived hierarchy of generative and social businesses in Wales.

To support this, efforts should be made to improve intelligence and data on business ownership, so that the number and size of employee owned businesses can be more easily monitored. In this respect, opportunities to amend Welsh government supported data systems, alongside lobbying of key UK-wide statistical authorities such as the Office for National Statistics, should be explored.

9. Continue to press the UK government for further devolution of powers over fiscal policy, finance, employment and welfare support which would help to strengthen legislation longer term.

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