

Shareholders and employee shareholders in European SMEs

PMEX is the European project of a trading platform for non-listed shares. What could be the potential for such platform? These are the information which the following research work was looking for.

The following facts are particularly highlighted:

- The number of shareholders in SMEs and in large non-listed companies is very small in Europe.
- In number, employee shareholders are the most numerous shareholders in SMEs and in large non-listed companies.
- The workers cooperative scheme is declining in Europe, while new employee share ownership schemes are expanding.
- The UK provides high quality information about these facts, while reliable information are almost non-existent in other European countries.

Here is the table of European enterprises in 2018 in number and in employment. They are detailed in micro, small, medium and large sized companies as it is usual in European business statistics. The number of European startups is also mentioned.

European enterprises in 2018 (number and employment)

Type	Size (employment)	Enterprises (number)	Employment (number)
micro	0 - 9	23.325.000	43.500.000
small	10 - 49	1.472.000	29.500.000
medium	50 - 249	236.000	24.700.000
	All SMEs	25.032.000	97.700.000
large	250 +	47.000	49.000.000
	Non-listed	44.884	13.000.000
	Listed	2.116	36.000.000
	Total	25.079.000	146.800.000
	Startups	18.250	
PMEX target	Non-listed 50 +	280.884	37.700.000

Sources:

European Commission Annual Report on European SMEs 2018/2019,
Eurostat, EFES Database, European Stock Exchanges

It can be assumed that the main target for PMEX will be the medium and the large non-listed European enterprises, and maybe also the startups. Roughly said, one per thousand of the 25 million European enterprises.

The 2.116 large listed enterprises and the 280.000 enterprises of the PMEX target employ a similar number of employees, 36 million and 38 respectively. On average, these are 17.000 employees for each large listed enterprise and 130 employees for each medium sized or large non-listed one.

Considering the market capitalization and shareholdings in European enterprises, things are very different for listed enterprises and for non-listed ones.

Information are good for listed enterprises. However, there are surprisingly little quantitative information about the shareholders of non-listed enterprises in Europe. It is well generally assumed that "The number of shareholders in SMEs are in most cases limited compared to publicly listed entities and their investment is usually far longer term." ([EFRAG Discussion Paper](#), Preliminary Views on Accounting Standards for Small and Medium-sized Entities, 2004). But quantitative studies seems almost non-existent.

About listed enterprises, all information are gathered in the EFES database of European companies on a yearly base from 2006. These include the 2.400 large European listed companies in 2018. The definition of the large listed company includes all of them whose market capitalization is 200 million Euro or more. The average number of shareholders observed in each large listed company was 42.500.

About European SMEs, the average number of 3-4 shareholders is usually assumed.

The best quantitative information about shareholders in SMEs can be found **in Italy**.

The [Rapporto Cerved PMI 2018](#), "Le PMI familiari in Italia: un'analisi basata sulla tecnologia dei grafi" shows that (see page 117):

- 148.000 SMEs are identified in Italy employing 10 to 250 employees, involving 470.000 shareholders (3.18 shareholders on average in each SME).
- On which 60.000 SMEs have no shareholders outside the family.
- On the 470.000 shareholders, 302.000 are family owners and 168.000 are not.
- The 168.000 non-family shareholders are thus located in 88.000 SMEs, which means 1.90 non-family shareholder on average in each SME.
- In addition, Italy counts 5.085 large non listed companies with 18.911 shareholders (3.72 shareholders on average).

So the average number of shareholders in large non-listed companies is not very different from what it is in SMEs.

Some good sources **in Belgium** confirm the same small number of shareholders in SMEs as in Italy.

- The database of shareholders in Walloon enterprises ([L'actionariat des entreprises wallonnes](#)) shows for instance that 1.992 enterprises employ 51 to 200 persons, on which only two have more than 1 to 5 controlling shareholders sharing the entire capital. It is remarkable that these two cases are employee share ownership cases (A&R, Balteau).
- A research work due to Deminor about 2.670 Belgian SMEs led to the number of 2.9 to 3.5 shareholders on average in each of them (Deminor, [L'application de la Gouvernance d'Entreprise dans les PME belges](#), 2011).

In Germany, the [Institut für Mittelstandsforschung Bonn](#) is the major German research institute on SMEs. Germany has its own definition of SMEs including enterprises up to 500 employees, the "Mittelstand". "The Mittelstand refers to owner- and family managed and owned enterprises" (The Mittelstand: a Specific Entrepreneurial Profile of the Social Market Economy, Friederike Welter, Journal for Markets and Ethics/Zeitschrift für Marktwirtschaft und Ethik, 2018). It is promoting the idea that the Mittelstand is essentially family based, - that's all, and it doesn't offer any quantitative information about the number of owners in SMEs.

- However, an enquiry due to the Deutsches Aktieninstitut (DAI) in 2007 revealed that on 287 German responding SMEs, 235 had only one shareholder, 46 had a few number and 6 had more (2 %).

The situation **in France** is quite similar as in Germany. Beside the usual definitions of SMEs, France promotes the concept of Intermediate Size Companies - "*Entreprises de Taille Intermédiaire*" (ETI) - which roughly coincides in number with the group of large non-listed enterprises. However, French literature doesn't provide any precise quantitative information about shareholders neither in French SMEs nor in ETIs. Most information is rather qualitative and with no clear distinction between listed

and non-listed companies (see for instance Tristan Auvray, [L'Evolution de l'Actionariat en France: 1977-2017](#), Revue d'Economie Financière 2018/2).

On the other hand, the EFES database of European companies provides additional information about shareholders in non-listed companies, by two different ways. First, a hundred new listed companies enter each year the database, following Initial Public Offerings (IPOs). Therefore, based on prospectuses and other information, the history of the ownership of these companies can usually be reconstructed over the previous 15 years and often from their origin. Secondly, the EFES database gather information about hundreds majority-employee-owned companies in Europe and the history of their ownership over the last 15 years.

The information from the EFES database confirm the small number of shareholders in SMEs as described above in Italy and in other European countries.

It provides also information about the market capitalization of listed companies as well as of medium and large-sized non-listed ones, leading to the following table.

European enterprises in 2018 (market capitalization, number of shareholders)

Type	Size (employment)	Capitalization (billion €)	Shareholders (number)
micro	0 - 9	n.c.	n.s.
small	10 - 49	n.c.	3.680.000
medium	50 - 249	€ 1.500	700.000
	SMEs	€ 1.500	4.380.000
large	250 +	€ 13.294	90.700.000
	Non-listed	€ 1.250	700.000
	Listed	€ 12.044	90.000.000
	Total	€ 14.794	95.080.000
	Startups		
PMEX target	Non-listed 50 +	€ 2.750	1.400.000

This table enlightens the fact that the number of shareholders is small in SMEs as well as in large non-listed enterprises.

On the other hand, the average number of 42.500 shareholders in 2.116 listed companies leads to 90 million. Of course, knowing that many shareholders are involved in more than one company, these 90 million have to be understood as 90 million individual shareholdings rather than 90 million persons.

Anyway, the number of 90 million in listed companies has to be compared with the 1.4 million shareholders for the PMEX target, 60 times lower. Based on this, the potential space for trading platforms such PMEX currently appears to be no more than 1.5% of all European stock exchanges. In addition, it has also to be considered that the valuation of listed companies is much higher. As a matter of fact, the average market capitalization of the 2.116 large European listed companies is of 5.690 million Euro (May 2019) compared to 2.750.000 million Euro in 280.884 enterprises or 10 million Euro on average, 569 times lower. Another idea of the potential for PMEX could be given by extrapolating the 2% of the DAI enquiry (see above) to the 280.884 enterprises of our PMEX target, leading roughly to 6.000 enterprises.

Beside the fact that the number of shareholders is small in SMEs and in large non-listed enterprises, another point can be observed through the EFES database: This small number is mainly made of employee shareholders.

Indeed, at the start of a business, there are usually one, two, three active partners holding the entire capital. These are usually also the first employees. Subsequently, in order to increase the social capital, families and relatives are called upon, then private and, more rarely, public funds and *private equity*. At the same time, the call is also made to employees, first to executives or even later to all employees.

In number, employee shareholders including managers are therefore the most numerous shareholders in SMEs and in large non-listed enterprises, and in terms of ownership stake, they are often the majority together with executive owners. However, these employee shareholders are concentrated in a small number of companies, most of them being identified in the EFES database.

On the other hand, it is interesting to know that the observations made **in the UK** confirm these findings (see hereafter).

Non-listed companies in the EFES database

The EFES database gathers information about all European non-listed companies having significant employee share ownership, which means all companies employing 100 persons or more, whose employee share ownership involves more than the few top executives (see table in appendix).

Non-listed companies having significant employee share ownership were slowly growing in numbers in Europe, from 271 in 2010 to 286 in 2013 and 334 in 2019 (+17% from 2013 to 2019).

Workers cooperatives were traditionally the most numerous among them. However in 2019, for the first time, the number of workers coops decreased to 167, exactly the same number as for other schemes.

In fact, the number of such large workers co-operatives was continuously declining from 189 in 2013 to 167 in 2019 (-12%), while the number of other employee-owned companies increased from 97 in 2013 to 167 in 2019 (+72%).

On the other hand, two single European countries, France and the UK made the demonstration of a positive dynamics leading to a small population of a few dozen of employee-owned companies besides workers coops.

In France, the number of non-listed companies having significant employee share ownership increased from 80 in 2010 to 114 on which 41 non-coops in 2019 (+42%).

In the UK, the number of non-listed companies having significant employee share ownership increased from 36 in 2010 to 88 on which 85 non-coops in 2019 (+144%).

Anyway, France is still the European country with the highest number of such companies. This is probably why the call for a dedicated share trading platform gets more interest in France.

Beside France and the UK, all other European countries cannot show more than only a few exceptional cases: One case in Austria, one in Belgium, up to five or six cases in Sweden or in The Netherlands.

Shareholders and employee shareholders in British SMEs

The UK provides particularly good information about shareholders in SMEs and in large non-listed companies, each shareholder being identified as well as his shareholdings, and the information being freely available through [Companies House](#), the UK's registrar of companies.

A sample of 50 companies was investigated on which 37 SMEs (118 employees on average) and 13 large non-listed ones (706 employees on average), leading to the following findings.

	Number of shareholders (average)	Employee shareholders (average)	Employee shareholders (in %)
SMEs	9,57	6,35	66%
Large non-listed	16,38	12,38	76%

Amongst the 37 SMEs, 8 have a significant number of employee shareholders, or 22%, while 4 non-listed companies have a significant number of employee shareholders or 31%. The main reasons for this are stock option plans, leading to remarkably stable employee shareholdings.

Finally, this sample brings confirmation about the following differences of employee share ownership in SMEs and large non-listed companies compared with listed ones:

- Only two companies in the sample appear to have employee share ownership for all employees, just 5%. This has to be compared with the number of 74% in British listed companies.
- Finally, the number of employee shareholders in SMEs as well as in large non-listed companies compared to the number of employees reveals the low democratisation rate of 2 to 5%. This has to be compared with the rate of 24% in British listed companies.

Appendix: Non-listed companies in the EFES database

Non-listed companies having significant employee share ownership
(employing 100 persons or more)

Countries	Companies (number)										On which	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Coops 2019	Others 2019
AT - Austria	1	1	0	1	1	1	1	1	1	1	0	1
BE - Belgium	0	0	0	0	0	1	1	1	1	1	0	1
BG - Bulgaria	2	2	2	2	2	1	1	1	1	0	0	0
CH - Switzerland	0	0	0	0	0	0	0	0	0	1	0	1
CY - Cyprus	0	0	0	0	0	0	0	0	0	0	0	0
CZ - Czech Republic	26	26	25	24	24	24	24	22	20	19	19	0
DA - Denmark	1	1	0	0	0	0	0	0	0	0	0	0
DE - Germany	2	2	3	4	4	4	4	4	4	5	0	5
EE - Estonia	0	0	0	0	0	0	0	0	0	0	0	0
ES - Spain	63	60	59	68	69	68	65	59	56	55	41	14
FI - Finland	0	0	0	0	0	0	0	0	0	0	0	0
FR - France	80	81	83	89	90	97	94	103	103	114	73	41
GR - Greece	0	0	0	0	0	0	0	0	0	0	0	0
HR - Croatia	0	0	0	0	0	0	0	0	0	0	0	0
HU - Hungary	9	9	9	8	7	4	2	2	2	2	0	2
IE - Ireland	1	1	1	1	0	0	0	0	1	1	0	1
IS - Iceland	0	0	0	0	0	0	0	0	0	0	0	0
IT - Italy	34	35	37	36	33	33	30	29	29	26	26	0
LT - Lithuania	0	0	0	0	0	0	0	0	0	0	0	0
LU - Luxemburg	0	0	0	0	0	0	0	0	0	0	0	0
LV - Latvia	0	0	0	0	0	0	0	0	0	0	0	0
MT - Malta	0	0	0	0	0	0	0	0	0	0	0	0
NL - Netherlands	2	2	4	4	4	4	3	4	5	6	0	6
NO - Norway	0	0	0	1	1	1	1	1	2	2	0	2
PL - Poland	3	3	3	3	3	3	3	3	3	3	3	0
PT - Portugal	0	0	0	0	0	0	0	0	0	0	0	0
RO - Romania	0	0	0	0	0	0	0	0	0	0	0	0
SK - Slovakia	3	3	3	2	2	2	2	2	2	2	2	0
SL - Slovenia	8	7	7	6	6	5	5	5	3	3	0	3
SV - Sweden	0	0	0	0	0	0	0	0	5	5	0	5
UK - United Kingdom	36	36	35	37	36	55	63	66	80	88	3	85
TOTAL 31 COUNTRIES	271	269	271	286	282	303	299	303	318	334	167	167
New Member States (except PL)	50	47	46	42	41	36	34	32	28	26	21	5

Countries	On which workers' co-operatives (number)						
	2013	2014	2015	2016	2017	2018	2019
CZ - Czech Republic	24	24	24	24	22	20	19
ES - Spain	43	48	48	47	44	41	41
FR - France	76	76	80	78	78	73	73
IT - Italy	36	33	33	30	29	29	26
UK - United Kingdom	3	3	2	3	3	3	3
TOTAL 31 COUNTRIES	189	191	193	188	182	172	167
New Member States (except PL)	28	28	27	27	25	23	21

Countries	On which non co-operatives (number)						
	2013	2014	2015	2016	2017	2018	2019
TOTAL 31 COUNTRIES	97	91	110	111	121	146	167