EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

CHRONICLES ON EMPLOYEE OWNERSHIP IN SMEs 2000-2025

EFES NEWSLETTER

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December 2025 - Her name is Calamity

Over the past ten years, employee ownership in SMEs has seen extraordinary growth in Great Britain. We were rapidly moving towards a situation where one in ten SMEs would be employee-owned. In most cases, employees become 100% owners of their company. Without having to spend a single penny of their own money. This success was due to the introduction of the **Employee Ownership Trust** mechanism in 2014.

And then... "Calamity" Reeves arrived. Rachel Reeves is the new Chancellor of the Exchequer in the UK government elected in 2024. Bucking the European trend to facilitate business transfers, Calamity Reeves has opted to tax and retax.

For starters, a 20% inheritance tax is to be imposed on family transfers. Then, in her Budget Speech of 26 November, she announced a change affecting transfers to employees.

Instead of a 100% tax exemption on capital gains when transferring a company to employees, this exemption has now been cut to 50%.

The effect is dramatic. Overnight, **business transfers to employees in Great Britain have come to a halt**.

Instead of two business transfers per day, we're now practically at zero. Why is the impact so great? Because Calamity Reeves' decision breaks the very mechanism that finances transfers of businesses to their employees.

Given that the funding does not come out of the employees' pockets, it has to come from elsewhere. Selling a company to employees is essentially a sale on credit. It's like a car: you buy it on credit and can drive it from day one. The trust that represents the employees’ collective ownership buys the business on credit; the employees benefit from ownership from day one. From that moment on, they receive not only their salary, but also benefit from the company's profits. All this in exchange for the same workforce as before. This is what enables the loan to be repaid.

To work at scale, however, initial tax support is essential. And the necessary support is well known: business owners who sell to their employees must be exempt from capital gains tax on the sale. In Great Britain, for example, business transfers to employees are generally completed within five to seven years. This duration is entirely consistent with this type of operation. But by reducing public support, the required timeframe stretches to eight to ten years, making financing extremely difficult.

Many questions remain unanswered in the wake of this unfortunate episode. Will the British government reverse course? Are all ongoing business transfers doomed? What is Calamity Reeves' real motivation? – Instead of facilitating transfers in the form of an *Employee Ownership Trust*, she is promising a budget to promote cooperatives. In any event, the question of how to support business transfers will become increasingly pressing across Europe: should support go to families, or to employees?

November 2025 - Simplicity

Over the past ten years, employee ownership in SMEs has seen extraordinary growth in Great Britain (see previous newsletter). We are rapidly moving towards a situation where one in ten SMEs will be employee-owned.

In most cases, employees become 100% owners of their company (average size: 72 employees), without having to spend a single penny of their own money.

This success can be attributed to one key factor: the simplicity of the mechanism. That mechanism is the ***trust***, specifically the Employee Ownership Trust. No other legal structure offers such simplicity. This is what makes large-scale business transfers to employees so successful in the UK.

Incidentally, a large number of European countries have already adopted "trust" type laws, each with their own specific terminology: in France it's the “fiducie”, in French-speaking Belgium the “foundation privée”, in the Netherlands the “stichting”, in Germany and Austria the “stiftung”, and so on. Below, we use the word “trust”.

Here are the three main aspects of this simplicity:

1. To transfer a company, the trust is simply grafted onto it as the new personified owner. The company remains operational, and does not need to be replaced or modified in any way. It can continue to conduct business from day to day undisrupted.

2. The trust personifies the ownership of the company's community of employees. It is normally a small organisation of just three or five people, rarely more. These are the “trustees”. The company's employees do not own the shares, nor are they members of the trust, they are merely beneficiaries. Beneficiaries of what? Beneficiaries of the right to share in the company’s profits and to participate in its governance.

3. As a not-for-profit organisation, the trust is not taxed on its income or financial results, and is therefore tax-neutral when passing on company profits to employee owners.
In addition, the trust allows for a simple structure with great flexibility and many possible variants. All this makes it possible to transfer businesses to employees on a large scale, thanks to credit financing, without employees having to contribute any of their own money, and without taking any financial risk.

Only the trust mechanism makes this possible. No other structure can.

It cannot be a Spanish *sociedad laboral* – the *sociedad laboral* is not a trust. It cannot be a French *fonds commun de placement de reprise* – the *fonds commun de placement* is not a trust.

It cannot be a Belgian *société coopérative de participation*. This was introduced in Belgium by the law of 22 May 2001, as an initial attempt to establish a Coop-ESOP in Europe. However, it soon became clear that choosing a cooperative over a trust was not viable, due to this being inconsistent with European tax rules. As a result, the Belgian law has never functioned in practice. In this context, it is surprising to see that Slovenia has just passed its own Coop-ESOP mechanism. Belgium will watch with interest to see how Slovenia overcomes this obstacle.

October 2025 - The US Example

The ESOP model has in the United States been used since 1974, over 50 years, to organize the transfer of thousands of companies to employees. What has made it so successful? Employees become owners of their company without having to spend any of their own money.

There has been nothing more effective for introducing employee share ownership in SMEs. But unfortunately, nothing similar existed in Europe.

Then in 2014, Great Britain introduced the Employee Ownership Trust (EOT) model, which is much simpler than in its US counterpart. With this in common: this model also means that employees don't have to pay anything to become owners of their company.

After just a few years, it has become obvious: the number of business transfers to employees grew much faster than in the USA. In 2024, for example, there were 600 EOT transmissions in the UK, compared with 300 ESOP transmissions in the US.

Employee share ownership has made remarkable progress in SMEs in the UK. At present, of every 100 business transfers, eight go to employees. These employees generally become 100% owners of their company (average size: 72 employees). We're rapidly moving towards a situation where one-in-ten SMEs will be employee-owned.

The simplicity of the European system has thus won over the US ESOP, which is more ingenious and refined, but also more complex.

How should we react on the other side of the Atlantic? We could fear the worst, given the world we live in. Deny the obvious, stomp our feet, invoke the power of a bygone past - why not even tariffs? But not at all. Pragmatism and cool heads prevailed. Today, the EOT model is presented alongside the ESOP model in the employee share ownership panoply.

The National Center for Employee Ownership, the leading organization for employee ownership in the US, recently published a practical guide to the EOT model ("Using an Employee Ownership Trust for Business Transition").

This echoes the reference manual for managing an EOT, a new edition of which has just been published in the UK ("Employee-Ownership Trusts").

September 2025 - First Franco-British Employee Ownership Trust

Employee ownership has made remarkable progress in SMEs in the UK. At present, of every 100 business transfers, eight go to employees.

These employees generally become 100% owners of their company (average size: 72 employees).

The trust scheme is what makes this possible. In the UK, it is known as an "Employee Ownership Trust" (EOT).

peak retreats
The French Alps ski specialist

Many European countries already have trust-type legislation. In France it's the "fiducie" (and in Belgium the "fondation privée"), in the Netherlands a "stichting", in Germany or Austria a "Stiftung", in Sweden a "stiftelse"…

Now, we have the first Franco-British employee ownership trust !

They are Xavier Schouller and Nathalie Soma, two French nationals living not far from London. They set up their company in 2002. It's Peak Retreats "The French Alps Ski Specialist". Their specialty: ski holidays in the French Alps.

They now have over twenty employees and it's time for a smooth handover.

On 29 August, they set up their employee ownership trust with the help of Baxendale, the leading employee ownership consultancy. There are already over 150 companies offering specialist advice of this kind in the UK, up from around four in 2014, when the Employee Ownership Trust model was launched. This growth alone speaks volumes about the success of the scheme.

The next step will be the transfer of the company’s shares into the trust, for the benefit of all employees. We will be kept in the loop. Full information is available here for the trust and here for the company.

May 2025 - Employee-owned companies

The number of business transfers to employees continues to accelerate in Great Britain. The milestone of 2,200 transfers was reached in mid-April. In just over ten years, 160,000 employees have become owners of their own company, generally with 100% ownership.

On average, these businesses employ 73 people. And more and more of these companies are identifying themselves as "*proudly employee owned*".

Proudly employee owned.

Eight out of every 100 business transfers observed in the UK are currently being passed on to employees. How much further can this proportion increase? Can it exceed 10%? We don't know. What is the equilibrium level for employee-owned companies in the SME sector as a whole? Nobody knows.

But one thing is certain: For employee ownership in SMEs, today, for the first time in the world, we have succeeded in implementing a model that outperforms all others. Since 1974, the most renowned model worldwide was the ESOP plan in the United States. The *Employee Ownership Trust* model introduced in the UK in 2014 now appears to be by far the most effective.

For the first time, an in-depth academic study has just been published, assessing the real-world impact. It is authored by Professors Andrew Pendleton of the University of New South Wales and Andrew Robinson of the University of Leeds.

The study is available here

April 2025 - Employee share ownership in Europe in 2024

1. The paradigm shift in European employee share ownership is becoming increasingly apparent. In terms of dynamics, large companies are giving way to SMEs. In this case, employees do not share "a small piece of the cake", they acquire the biggest piece – in most cases, the whole cake. The context and objective are not so much to share profits as to meet the need for business transfers. Great Britain is becoming Europe's number one, while the continent, and France in particular, are fading into the background.

2. The paradox is deepening when it comes to employee share ownership in large European companies. Everything indicates that companies want it. Everything indicates that employees want it too. Companies are increasing the number of employee share plans. Yet overall, the number of employee shareholders is falling, employee ownership stake is stagnating, and the democratisation of employee share ownership is crumbling. As a result, the plans are becoming less and less effective. The plans and policies behind them are becoming increasingly undemocratic.

3. Why is employee share ownership taking a hit in Europe's large companies? The main reason is political. It is about the inability of European legislators to produce legislation in line with the development of large companies.
Today, only 35% of the employees of large European companies are still based in their home country (Graph 79 page 144). As a result, only a small minority of them are able to benefit from the tax incentives for employee share ownership set out in national legislation. Employee share ownership policies, for example, have lost 30% of their effectiveness in just a few years because they remained national in scope.
When it comes to employee share ownership, as with so many other issues, Europe is sick of its political divisions and localised thinking. European legislators continue to rely on outdated frameworks and mechanisms. This explains why recent legislative efforts in several countries have had no significant impact on employee share ownership in large companies. France's Loi Pacte is the ultimate example of this impotence.

4. A strong employee ownership movement is now taking hold in European SMEs, starting in Great Britain. In this country, employee buy-outs are now the most common form of transfer for SMEs, after family transmission. We are rapidly moving towards a situation where one in ten SMEs will be employee-owned. With 600 SME transfers to employees in 2024, Great Britain created 50,000 new employee owners in just one year, as many as all the workers cooperatives in France (SCOPs) over an entire century.

For employee share ownership worldwide, this marks a true revolution. In fact, for almost two hundred years, numerous frameworks and models have been tried and tested to develop employee ownership in SMEs. Today, for the first time in the world, we have succeeded in setting up a model that outperforms all others. Since 1974, the world's best-known model had been the ESOP plan in the United States. The *Employee Ownership Trust* formula introduced in the UK in 2014 now appears to be by far the most effective.

The reasons behind its success are well understood: well-designed legislation based on trust mechanisms. This is what ensures its three advantages of simplicity, ease and adaptability, in a way that no other model has been able to achieve.

As a result, the UK is the only European country (along with Norway) where the number of employee owners has increased over the last twelve years.

February 2025 - When you don't have the words

There is a rapid proliferation of companies identifying themselves as "*proudly employee-owned*" in the UK.

They display the following image:

Proudly employee owned.

The number of business transfers to employees has just reached 2,100, thanks to the *Employee Ownership Trust* mechanism. This represents over 150,000 employee owners, who in most cases own 100% of their company.

For the essential in Anglo-Saxon countries, employee share ownership is based on two pillars:

- In one, "a small piece of the cake" is shared. This arrangement applies more to large listed companies. Employees are invited to buy a few company shares using their savings. So they take a financial risk.

- In the other case, the entire cake is passed on to the employees. This arrangement applies more to SMEs. The company is sold to a trust created for the benefit of all employees. Employees don't invest a penny of their own money; they don't take any financial risk. The operation is financed by a loan that the employee-owners trust will repay, not through the employees' savings but through their work. In fact, in this arrangement, in addition to the “salary” part produced by their work, employee-owners also benefit from the “profit” part, enabling them to repay the loan. This arrangement therefore represents the most complete way of redistributing value through employee share ownership.

To designate these two differently defined systems, Anglo-Saxons have coined two distinct expressions. So “*employee share ownership*” for the small part of the cake becomes “*employee ownership*” for the whole cake, hence “*employee-owned*” for employee-owned companies.

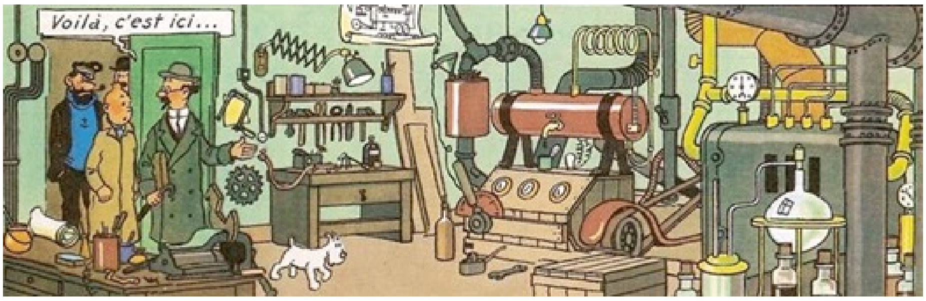
“*Employee share ownership - employee ownership*”, is a play on words. Like all word games, this one has a magical quality. Unfortunately, like most puns, it's also untranslatable. So in French, as in most other European languages (with two exceptions), we have only one expression to refer to the whole: it's “*actionnariat salarié*” for the small part of the cake, and it's “*actionnariat salarié*” again for the whole cake.

When you lack the words, you lack the concepts, and you can overlook a reality without understanding or even seeing it. This is the tragedy that most European countries are still experiencing today. The model that revolves around the small piece of cake is fairly well understood. On the other hand, the model where the driving force is the whole cake is either ignored or not understood at all.

To aid understanding, here's a short glossary of the employee ownership practice that continental Europe is struggling to introduce:

> **Employee-owned company** – Entreprise détenue par les salariés - **Empresa propiedad de sus empleados** – MitarbeiterUnternehmen - **Azienda di proprietà dei dipendenti** - Zaměstnanci vlastněná společnost - **Munkavállalói tulajdonú vállalat** - Spolka Pracownicza – **Werknemersbedrijf** - Personalägt företag - **Ansatteeid selskap** - Medarbejderejet virksomhed - **Podjetje v lasti zaposlenih** - Työntekijän omistama yritys - **Töötajatele kuuluv ettevõte** - Darbiniekam piederošs uzņēmums - **Darbuotojui priklausan**

January 2025 - Employee ownership in SMEs in 2025



In some parts of Europe, we are fast approaching the figure of one employee-owned SME in ten.

In 2024 in the UK, eight out of every one hundred business transfers were going to the employees, so the level of one in ten is very close. Every day, almost two SMEs are transferred to employees, and in most cases, it's a 100% transfer. There are far fewer cases where former owners choose to retain a stake in the company. The average company size transferred to employees was 58 employees in 2024, compared with 69 previously. As a result, the model is winning over increasingly broad categories of SMEs.

Will the proportion of 1/10 be reached by 2025, or even exceeded? We'll be keeping a close eye on this.

What is certain is that, for the first time in the world, employee ownership in SMEs is no longer a matter of experimentation, system designers, Professors Calculus, or other gurus. To the museum with all that! No longer a fringe phenomenon, no longer an anecdote, employee ownership is now being established as a pillar of the mass economy, that of SMEs as a whole.

This success is based on a very specific employee ownership formula, the Employee Ownership Trust (EOT). The EOT is by far the best choice, thanks to its simplicity and adaptability. It's not just one model, but a whole range, with a multitude of options. Clearly, that's its strength.

If we compare the number of business transfers to employees in 2024, we can see that in Great Britain alone, there were twice as many transfers in the form of EOT as in the USA in the form of ESOP plans (even though the British economy is much smaller than that of the USA).

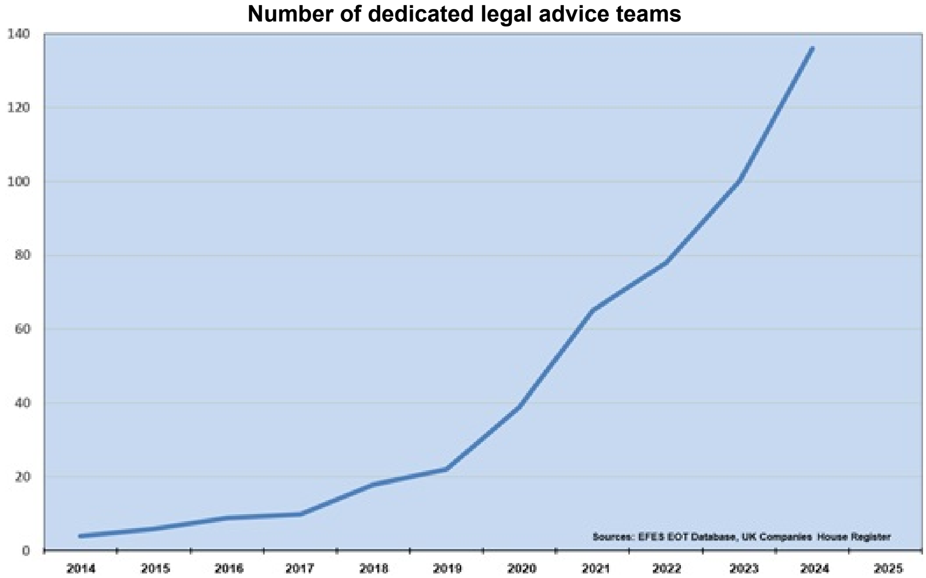
In Europe, many countries already have legislation enabling the formula to be applied (in France it is called a “fiducie”, in Belgium a “fondation privée”, in Denmark a “fonden”, etc.)

To be continued in 2025.

December 2024 - Netherlands Number One

In the UK, we are fast going to the figure of one in 10 SMEs being employee-owned. This is a real revolution for employee ownership. For the first time, this is no longer an experimental phase, but a transformation affecting all businesses and economic life.
This change is happening in response to a need: that of business transfers. Every 20 years or so, there is a new generation of owner-managers.
The fact that they do not have to invest a penny of their own money makes transferring businesses to employees much easier.
This can happen on a large scale thanks to the legal mechanism of *trust*.
A variety of skills is needed to effect the transfer of a business to employees: legal and tax advice, valuation and accounting, organisation and governance, communication, ...
When business transfers to Employee Ownership Trusts began in the UK in 2014, there were still only four teams of lawyers capable of organising these operations. Since then, the number of teams has grown exponentially (see chart). This has allowed many more such transfers to be carried out, validated by a growing number of experts. Back in 2012, the Nuttall Review announced that this would be a key success factor.

Business transfers to employee ownership in the UK
Number of dedicated legal advice teams



Now what about the Netherlands?
It has the same needs for business transfers.
Moreover, the Netherlands was the first continental country to introduce legislation allowing the use of trust mechanisms. It did so as early as 1985, 20 years ahead of Belgium or 25 years ahead of France. In the Netherlands, these mechanisms have long been used to organise corporate shareholding, including certain forms of employee ownership. This is what they call a STAK (*Stichting AdministratieKantoor*).
So today, the Netherlands is undoubtedly in the best position on the European continent to make the transition to a new, far more promising use for STAK: one that allows employees to own their company without risking a penny of their own money.
Of the 60,000 or so SMEs in the Netherlands, we could quickly move towards 6,000 employee-owned companies, as is already happening in Great Britain.
So the question arises:
Which Dutch business advisers will be the first to invest in this sense?

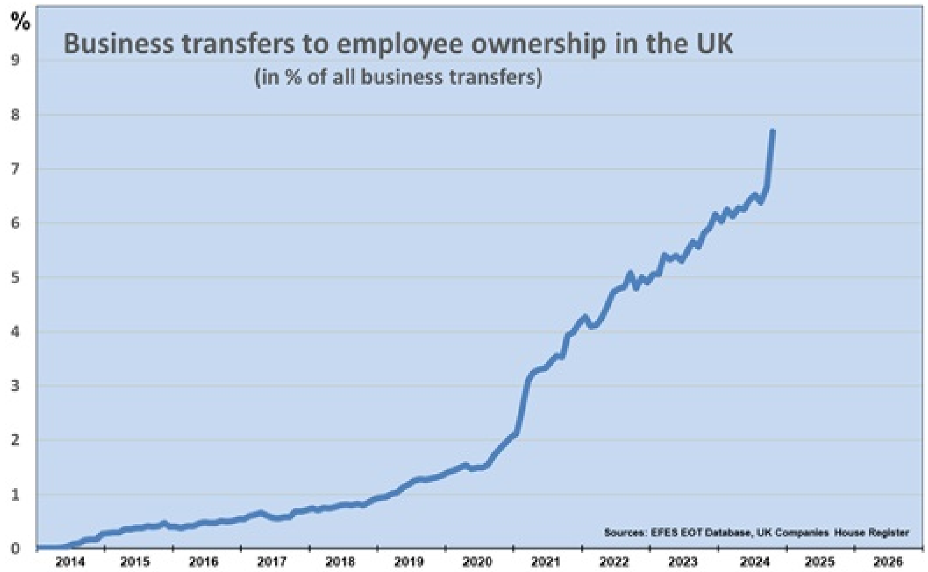
November 2024 - It is a real revolution

It is like a new iPhone, Steve Jobs style. But this time it's not an iPhone. It is employee ownership, and it is happening in Great Britain.

In terms of scale and speed of expansion, the rise of employee ownership in SMEs surpasses anything that has gone before. **A real revolution is unfolding before our very eyes.**

It won't be long before one in ten business transfers will go to employees (see graph). Another ten years and we'll be approaching the threshold of one employee-owned SME in ten. This applies to all UK SMEs, of which there are 210,000 today. At this rate, there will be 20,000 employee-owned businesses by 2035–2040.

As we can see, this is a major transformation in the corporate landscape and the roots and growth of companies.



The reason for this success is well known:

A new dynamic has emerged worldwide over the last ten years or so, that of **employee ownership in SMEs**. It takes precedence over other types of “financial participation” (profit-sharing, individual employee shareholding). It doesn't take the place of these other types, but is a new type that was previously virtually unknown.

This involves the transfer of businesses, mainly SMEs. We know that companies are passed on to a new generation of managers and owners every 20 years or so. The spectacular development in Great Britain is based on the *Employee Ownership Trust* arrangement. This makes it possible to organise the transfer of companies **without employees having to make any financial investment.**

Unlike traditional individual employee shareholding, the aim here is not to share "a small piece of the pie”. The idea is to “transfer control” of the company to a collective employee share ownership mechanism. That is another thing entirely.

And it works better than any other form of employee share ownership, especially in SMEs.

September 2024 - Celebrations

Employees can buy their company without having to pay a cent out of their own pocket.

For 50 years, we have known the mechanism that makes this kind of magic possible. Today marks the 50th anniversary of the ERISA law passed in the USA in 1974. This has enabled the mechanism known there as the ESOP (*Employee Stock Ownership Plan)* to be multiplied on a large scale.

The Menke Group itself celebrates its 50th anniversary (see press review). Founded by John Menke in 1974, the Menke Group is number one in the United States for consulting, setting up and managing employee stock ownership plans (ESOPs), which organise the transfer of companies to employees.

After 50 years, these mechanisms have reached cruising speed in the USA. We generally quote the figure of 10% of company employees, or one company in ten.

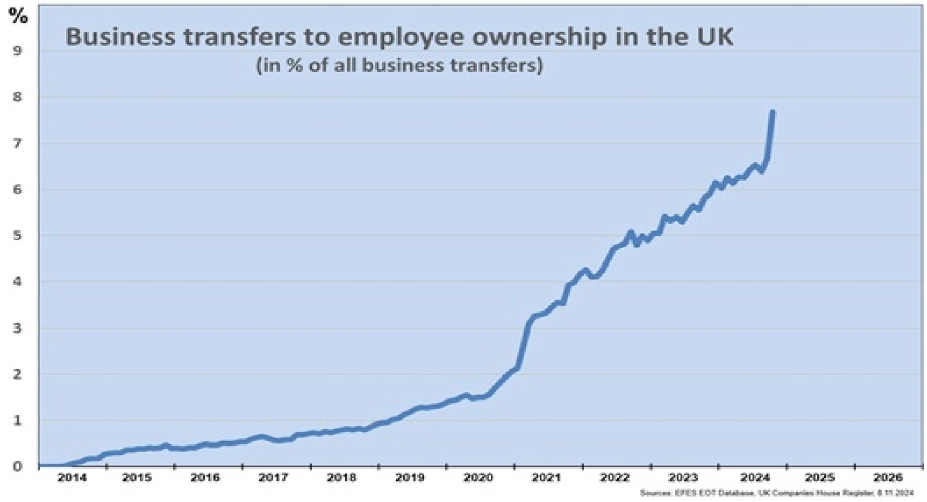
Similar mechanisms are being developed elsewhere in the world. Since June, Canada has been applying ad hoc legislation. A new case has arisen in Australia. Examples have been reported in Germany, Ireland and Slovenia.

Since 2014, Great Britain has made a big impact by introducing the use of a simplified mechanism for transferring companies to employees, by means of an Employee Ownership Trust. Like the American ESOP plan, this is a collective employee share ownership scheme.

Where are we after ten years? The success is spectacular. In ten years, 1,756 companies have been transferred to their 124,000 employees (at end of July 2024). By 2024, the number of companies passing on their know-how to their employees will be one or two a day. In most cases, they become 100% owners.

Even more significant is the comparison between the number of transfers to employees and all business transfers. Currently, the number of businesses transferred to employees represents 6% of all business transfers in Great Britain (see graph). At the current rate, it will not be long before the figure of one company in ten is reached.

Several other European countries already have the legal systems and skills to do the same, such as the Netherlands and Sweden. Calling all enthusiasts!



Sources: EFES Database, UK Companies House Register

June 2024 - First ESOP/EOT-style business transfer to employees in Ireland

After Great Britain, after Germany, here is a third European country. A first ESOP/EOT-style business transfer is reported in Ireland.

The ESOP mechanism has since 1974 been used extensively in the USA. In 2014, the UK introduced the EOT mechanism, a kind of simplified ESOP.

These collective employee ownership mechanisms enable the ownership of a company to be sold to employees without them having to pay a cent out of their own pockets.

Now Ireland has followed suit: Wolfgang Digital has become the first Irish-owned company to transition to employee ownership via an Employee Ownership Trust (EOT).

- Wolfgang Digital marketing company was founded by Alan Coleman in 2007 and employs 70 staff today.

- The "Wolfgang Talent Trust" has acquired 25% of the shares in Wolfgang Digital and all employees who have been working for the agency for more than 12 months have become “partners” in the Trust. This will allow them have a say in how the agency is run while also giving them a share of profits every three months. In addition, a portion of profits each year will be used to fund future share purchases by the trust which, all going according to plan, will become the majority owner within 10 years.

- Each team within the business has elected a representative who can bring their insights and ideas to any decision-maker within Wolfgang Digital. The employee representatives will elect trust board members from among them who will be the ultimate decision-makers on behalf of the trust.

More information about **Wolfgang Digital** and the new **Wolfgang Talent Trust**

May 2024 - First ESOP/EOT-style business transfer to employees in Germany

iteratec

nur dem team

The first ESOP/EOT-style business transfer to employees has been reported in Germany.

The ESOP mechanism has since 1974 been used extensively in the USA. In 2014, the UK introduced the EOT mechanism, a kind of simplified ESOP. These mechanisms enable the ownership of a company to be sold to employees without them having to pay a penny out of their own pockets.

Now Germany has followed suit:

- Klaus Eberhardt and Marke Goerke founded the IT company **Iteratec** in 1996. In 2018, the founders announced that they were retiring. At the time, the company employed almost 400 people and had an equity of close to €10 million.
- The founders proposed creating a holding company that in turn would own the company on behalf of all the employees. The cooperative company **Iteratec-Nurdemteam** was set up for this purpose in 2018. The cooperative's name reflected the founders' desire to sell their company "only to the team" of employees (in German "nur dem Team").
- In 2019, the founders sold a first 49% stake in the company to the employees' holding company. They provided the necessary financing to do this. The loan will then be paid back over the subsequent years through the cooperative's 49% share of the company's profits.
- In 2024, we are preparing to sell the remaining 51% of the company to the holding company, just as we did with the first tranche. The ultimate aim is to complete the sale to employees by 2027.

In conclusion, the stages observed at Iteratec are very similar to those that characterise the ESOP/EOT mechanisms that are becoming common worldwide.

We can do that here too!

See **Iteratec** and **Iteratec-Nurdemteam** for more information

Employee share ownership in Europe in 2023

• Recent data on employee share ownership in Europe confirms the major trends noted over the last ten years. Employee share ownership in large European companies is deteriorating. The main factor in this deterioration has now been clearly identified.

• On the other hand, the dynamics of employee share ownership in Europe are shifting towards SMEs. In just a few years, the UK has established itself as Europe's number one country for employee ownership in small and medium-sized companies.

• Why this falling off? It is a sign that employee share ownership plans are becoming less and less effective. The national fiscal policies that support them have reached their limits.

• Overall, employee share ownership policies, because they remained national, have lost 30% of their effectiveness in a few years. This explains why recent legislative efforts in several countries (Pacte Law in France, fourfold increase of tax incentives in Germany) have not had any significant impact on employee share ownership in large companies.

Press release

March 2024 - Number One

In just a few years, Great Britain has established itself as Number One in Europe for employee ownership in SMEs.

In 2023, 410 businesses were transferred to employees. More than one SME every day, - 620 companies if we include subsidiaries.

Thus for seventeen business transmissions, one was to employees. A year ago, it was still only one in twenty. The ratio of one in ten is now on the horizon.

At the origins of this success, the introduction of the Employee Ownership Trust scheme in 2014.

An employee ownership scheme which allows employees to buy their company **as a collective**.
In this way, no British employee had to invest their own financial means, their savings. No financial risk for employees.

On average, the value of each business transmission in 2023 amounted to 3.8 million Euros and the number of employees to 83, or nearly €50,000 per person.

It is clear that **individual** employee share ownership is not within reach of such amounts.

December 2023 - Employee Ownership is finally coming to Canada!

Canadian colleagues were calling for three things:

• A dedicated Employee Ownership Trust in the income tax act that would provide ownership benefits to all employees at no cost to them.

• A regulatory structure that ensured benefits would go to workers.

• And tax incentives to encourage owners to sell their businesses to their employees, as they do in the US and the UK.

In its Fall Economic Statement, the Federal government delivered meaningful tax incentives, and their policy now includes all three.

Canada's employee ownership policy is thus coming together very well, and significant uptake should be seen as soon as 2024.

Simply a revolution in employee ownership for SMEs in Canada.

More info

October 2023 - Risk-free

Employee ownership in SMEs is developing in all sectors and all branches of activity. Here are a few new cases of companies in Great Britain that have just been transferred to the employees:



All these employees became owners of their company, without having to pay anything.
They could keep their savings, nor did they have to take out a loan.
Yet they paid. How? With their work – the same work they had always done.
In other words, employee has not exposed them to any additional risk, contrary to the common misunderstandings.
The financial mechanism that enables companies to be passed on to employees is collective employee ownership.
It works in the USA. It works in Great Britain.
There are in fact many other European countries that have similar legal mechanisms in place: *private foundation, fondation privée, fiducie, stichting administratiekantoor, Privatstiftung, stiftelse*,…

Find out more

July 2023 - Collective employee ownership - the unstoppable rise


The new employee-owners at High Speed Training Company, UK

While individual employee share ownership is more common in large companies, collective employee ownership works better for SMEs.

By owning shares individually, employees invest their savings in company shares. Large companies are, of course, used to offering their shares to the public. For employees, the shares are often offered on advantageous terms, in the form of a reduced price or a company contribution.

In SMEs, it's a completely different story. Issuing of new shares is rare. Rather, ownership changes only in very specific circumstances: business transfers, when the managing owner wants to retire. We're not talking about a few shares, but the whole company. The sums involved are much larger. This is not something an individual employee can take on. On the other hand, it's perfect for collective employee ownership.

The collective ownership approach avoids the need for employees to invest, risk their own savings or go into debt. Financing comes from outside, in the form of credit, and employees do not bear the risk.

In the Anglo-Saxon world, trusts are used as the legal vehicle for organising this effectively. In the United States, they have used the *Employee Stock Ownership Plan* (ESOP) plan since 1974. In the UK, the *Employee Ownership Trust* option is becoming increasingly popular. Unstoppable.

There are legal vehicles in many European countries that can be used for the same collective employee ownership process. Their names vary from country to country: *private foundation, fondation privée, fiducie, stichting administratiekantoor, Privatstiftung, stiftelse*,…

Family ownership has for years been organised across Europe using these mechanisms. The time has come for employees to make use of collective ownership via these vehicles as well.

That will allow for employee ownership to spread throughout Europe, including to SMEs.

November 2022 - The great wave of collective employee ownership in SMEs

The employee owners of Oliver & Co. Solicitors

The wave of business transfers to employees has accelerated since the beginning of the summer in Great Britain.

Each day that passes, a new SME is transferred to the employees, most often at 100%.

In October, among others in our press review, the cases of: JDDK Architects, Lyneal Group, Planit-IE, Linear Recruitment, Intec Systems, Dent Instrumentation, Medstrom Beds, Shedkm Architects, Oliver & Co. Solicitors (see photo), Your Equipment Solutions, NE Components, RJ Lifts Services.

Since the introduction of the “*Employee Ownership Trust*”, the milestone of 1,000 new companies sold and 75,000 new employee shareholders has been reached.

This will support the goal of having one million employee shareholders in UK SMEs by 2030.

September 2022 - Employee share ownership, what is it?

Employee share ownership, what is it? Employee share ownership is when employees hold a stake in the capital of the company that employs them. It starts with one employee holding one share and can extend up to 100% held by all employees.

A small number of model employee share ownership plans exist around the world (but with many variations depending on the specific legislation of each country). These plans are more or less adapted to startups (or micro-enterprises) or to SMEs or large companies.

Like corporate ownership in general, employee share ownership plans can be divided into two main categories, individual direct and collective indirect share ownership:

Plans	Where	Ownership	
		Individual direct	Collective indirect
1. Employee Share Purchase Plan (ESPP)	World	X	
2. Stock Options	World	X	
3. Free Share Awards	World	X	
4. Workers Co-operatives	World (IT/ES/FR/UK)	X	
5. ESOP Plan	USA		X
6. Employee Ownership Trust (EOT)	UK/USA/+		X
7. Sociedades Laborales	Spain	X	
8. FCPE de reprise	France	X	
9. SCOP d'amorçage	France	X	

Direct individual employee share ownership is the most traditional and familiar form.. To achieve this, the employee uses part of his or her savings or financial resources to buy shares in the company, thus assuming a personal risk. This is possible under various types of plans. This category of employee share ownership plans is virtually the only one of its kind in continental Europe.

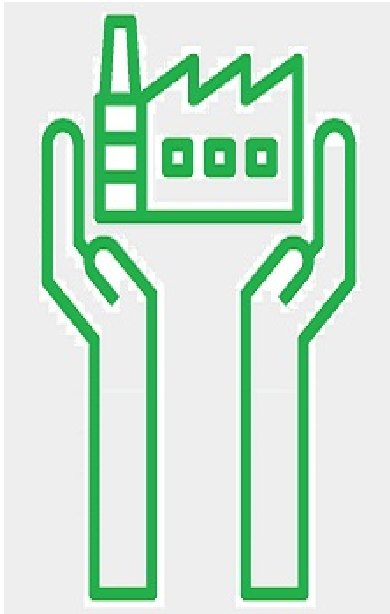
Indirect collective employee ownership is very little practised in Europe (except in the UK). This explains why employee share ownership in Europe is almost non-existent in SMEs, and why it is almost unknown outside large companies. Indeed, SMEs generally avoid increasing their shareholder numbers, whether or not they are employees. They are only forced into it when they become larger.

On the other hand, one particular phase may trigger a desire for new shareholders: Business transmission. That is why this is the best time to introduce employee ownership in SMEs. Indirect collective ownership is the most suitable form for transferring a company to employees. Plans within this category (ESOP, EOT) have been designed for this purpose. They allow employees to acquire ownership of their company, often 100%, without having to use up their savings or personal finances, and therefore without personal risk.

Indirect collective employee ownership plans (ESOPs, EOTs) facilitate the transfer of companies to employees, which direct individual share ownership schemes can only achieve with great difficulty and expense, as employee savings are usually not up to the task.

More information

July 2022 - Employee ownership in SMEs



Today it is a fact, employee ownership is developing at a dazzling rate in SMEs. Where? In Great Britain.

The secret? It is a collective employee ownership. Much easier to finance and to manage than individual shareholdings.

Every day in the UK, a new SME is passed on to its employees. Medium size, 75 employees. They often become 100% employee-owners.

Ten years ago, the Nuttal Review commissioned by the British government gave the signal for this political choice for employee ownership in SMEs. Hence a set of measures based on the implementation of the "Employee Ownership Trust" scheme.

Today Graeme Nuttal looks back on this success by showing "How the UK is encouraging employee ownership internationally". This ranges from the United States to Australia, Canada, South Africa as well as Denmark and continental Europe.

The next 10 years could see collective employee ownership established as the standard model of employee ownership internationally for business successions.

November 2021 - Go Ape Adventure Forest
New employee-owned company in the UK

Founders Rebecca and Tristram Mayhew announced on 23rd October 2021 that 90% of Go Ape shares will be transferred into an Employee Ownership Trust, for the benefit of all current and future employees. The remaining 10% of the business will be retained by Rebecca and Tristram.
Since founding Go Ape in 2002 the proudly independent company has experienced 'tree-mendous' growth. Nearly 20 years on they have built a multi-award winning forest adventure business with 35 locations across Britain. It welcomes over a million customers a year and employs a team of a thousand in the UK. Go Ape has also branched out across the pond, operating in 16 states in America.
Now what is the Go Ape new governance structure?
Before transferring the large majority of their shares into an Employee Ownership Trust (EOT) for the benefit of all employees, Go Ape's founders wrote down a statement of ambition for the company going forward. This statement is recorded as "'The Founders' Wishes".
It is based upon the core values that shaped the direction and decision making of Go Ape's first 20 years.

More information with **The Founders' Wishes**

May 2021 - A disinformation campaign in France

Supermenteur

An ever-increasing wave of employee buyouts has been surging around the world in recent months. It is a result of the pandemic. In the wake of the crisis, many SME owners now have a different outlook on life and want to pass on their businesses.
At present, one SME is being handed over to its employees every day in Great Britain, which equates to 85 people on average. **One small or medium-sized enterprise every day.** The employees become majority owners of the company, usually even holding 100% of the shares, as is the case in the SCOP, the workers' cooperatives in France.
This is thanks to the ESOP plan and its British variant, the EOT *(Employee Ownership Trust*). These are completely different from the employee share purchase plans as we know in large companies in Paris. Employees do not have to invest their own savings. Moreover, the latter would not be able to buy their company.
Thus, in the ESOP model, employees do not assume the financial risk personally.
In several countries, the cooperative movement is among the spearheads of ESOPs in SMEs. The same goes for the trade union movement. For example, Wales with the *Wales Co-operative Centre* and Scotland with the agency *Co-operative Development Scotland*.
In contrast, France currently offers a striking picture. Indeed, the ESOP gained a foothold in France through a campaign of misinformation organised through the press and political lobbying.
This campaign is led by the FAS, an organisation that groups a dozen active associations of employee shareholders into large groups in Paris. Find out more

March 2021 - A French Success Story

Since the beginning of the year, the number of Employee Ownership Trusts in the UK has been growing at an increasing rate.

At this pace, the number of companies passed on to employees will double this year to 600 or 700. Since the formula was put in place in April 2014, just a few years ago, it has been a success.

In comparison, France set up a "takeover FCPE" system in 2006.

In France, too, the figure is rising sharply. Indeed, only two cases of company transfers to takeover FCPEs had occurred between 2006 and 2020, but this number could rise to three in 2021, i.e. +50%. This would place France not far from the +100% expected in Great Britain and in any case much higher than all other European countries.

The takeover FCPE was designed on the same principle as the FCPEs that are so successful in large companies. In both cases, these are employee share purchase plans.

Under the share purchase plans, employees are invited to invest a portion of their savings in company shares. To this end, they benefit from incentives (price discounts, company contributions, tax bonuses, etc). These plans are well suited to large companies, whose size is a factor in mitigating financial risk.

On the other hand, buying the shares of an SME is a much riskier operation. And the investment by employees in an SME is generally made during a business transfer, so a significant part of the company, often 100%, must be purchased. Generally, employee savings are not within the scope of such an operation.

The countries that have been most successful in organising an employee ownership policy in SMEs are those that have adopted financial mechanisms that are essentially different from share purchase plans.

ESOP plans in the United States and Employee Ownership Trusts in the United Kingdom are not employee share purchase plans. Employees do not take the risk of investing their personal savings. These employee share ownership plans are therefore much less risky. And yet they allow employees to become owners of their company, often 100% thereof.

There is nothing to prevent the same financial mechanisms being adopted in France. Nothing serious stands in the way of implementing an effective employee share ownership policy in SMEs, thus heralding a new French success story.

More information

January 2021 - Employee share ownership in SMEs – Great Britain's success

It is well known that the transfer of a company represents the most favourable moment in time and the most efficient operation for multiplying employee share ownership in SMEs.

This is what convinced the USA to implement the ESOP technique in 1974. In Europe, the first country to act in the same direction was Great Britain, with the launch of the Employee Ownership Trust (EOT) formula in April 2014.

Question: Is it a success?

- From 19 transfers in 2014, it rose to 27 in 2015, then 33, 43, 56, 66 and finally 86 in the first eleven months of 2020 (Table 1). A total of 333 companies were thus transferred to more than 30,000 employee shareholders. To reach a comparable number of employee shareholders, it had taken France more than a hundred years, thanks to the formula of the workers' cooperative - the SCOPs (and even more in Italy with the *cooperative di lavoro*).
- In a very large number of cases, as with the ESOP plan, these are 100% business transfers to employees. In other cases, it is a question of partial transfer.
- The average size of the transferred companies is 91 employees, which is very representative of the size of the average SME. In a small number of cases, these are micro-enterprise transfers, with an average size of 7 employees. The average size of the "small" companies transferred is 25 employees, and the average size of the "medium" companies is 100 employees. Finally, there are 806 employees on average for "large" unlisted companies. All these figures are very much in line with the average size of the populations of companies of all sizes. The formula therefore shows a very high degree of adaptability, without bias in terms of the size of the companies.
- The sectors of activity concerned are mainly high value-added and high-tech sectors (Table 2). Here again, the wide range of business sectors is a sign of the formula's great adaptability.

In short: A remarkable success !

Thus Great Britain is the only European country so far to have been able to set up an effective policy of employee share owneership in SMEs.

Yet it could be even better.

Thus in 1980, a few years after its launch in 1974, the ESOP plan already had some 5,000 business transfers to its credit in the USA. At the time, the population of Great Britain was one third of that of the USA. On the scale of Great Britain, the ESOP plan had therefore enabled a little over 1,500 companies to be transferred, compared to the 333 company transfers observed today with the EOT formula.

2020 *	89
2019	66
2018	56
2017	43
2016	33
2015	27
2014	19
TOTAL	333

* 11 months

Number of companies	
Business development	59
Architects & design	49
Engineering	43
Manufacturing	41
Leisure & entertainment	18
IT services	15
Trade & distribution	14
Environmental	13
Construction	12
Legal & Accounting	11
Transport & deliveries	11
Finance	10
Hightech	10
Health & personal care	8
Social services	8
Real Estate	7
Hotels & catering	4
TOTAL	333

Why the difference in efficiency between the two formulas?

The EOT formula is a simplified derivative of the ESOP plan. It seems that in this case, as often, the original is better than the copy.

Indeed, there are two main differences between ESOP and EOT:

1. EOT is based on a tax exemption on dividends (distributed as bonuses to tax-exempt employees up to £3,600 per year), under special legislation. In comparison, the ESOP plan allows for the exemption not only of dividends but also of the company's profits. The ESOP formula therefore avoids both profit tax and dividend tax. And this, not by virtue of any particular legislation, but by virtue of the simple fiscal engineering of employee share ownership.

2. In the ESOP formula, employees can cash in their shares and sell them when they leave the company (usually upon retirement). In the EOT formula, they cannot, the trust holds the shares for an indefinite period of time, in perpetuity.

These two differences probably explain the much greater success of the ESOP plan.

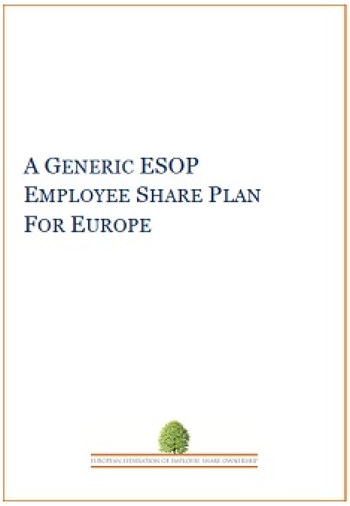
Today, however, there is a worldwide debate on the respective advantages of the two formulas. ESOP or EOT? The question is being asked in Great Britain as well as in the USA, Canada and Australia.

Two formulas are better than one! It might be appropriate in the USA to add the EOT formula next to the existing ESOP model. And it would no doubt be wise in Great Britain to introduce the ESOP formula in addition to EOTs.

In both cases, it should be easy to leave the choice of formula to the new shareholders. Once the trust has been set up, the choice of formula would be left to the new shareholders, allowing it to materialise either in the form of an ESOP or an EOT. There is no doubt that employee shareholding would find even more legitimacy and support.

Read more

July 2020 - Employee share ownership for SMEs



Worldwide, there is a model for employee share ownership plans for SMEs a thousand times more effective than all the others. It is the ESOP. It is very suitable for SME owners, as well as for employees.

Why? Because it is based on today's financial techniques, not those of past centuries.

In this model, employees do not have to find the money, sacrifice their savings, take the risk. Indeed, just as can be seen in the leveraged buyout techniques, it is the company and its shareholders that provide the financing and the guarantees.

How can we introduce this type of employee share ownership plan in every European country? A group of European and American experts explains how in this publication

November 2019 - Employee share ownership in SMEs

Employee share ownership cannot be effectively developed in SMEs by applying the same schemes as for large companies. Large companies have to raise more capital, they have to multiply the number of shareholders in this view, and it makes sense to involve many employee shareholders as well. In SMEs, the need for capital is limited, shareholders are few, and most often it does not make sense to allocate shares to many employees. In SMEs, collective employee share ownership schemes are far more efficient and, worldwide, the ESOP plan adopted in 1974 in the US is by far the most efficient of all.

The United Kingdom is the only country in Europe to have introduced employee share ownership schemes for SMEs with some success (but much less than in the US). For its part, the Labour Party has also made a proposal under the label of "employee ownership", which is controversial.

On the other hand, employee share ownership in SMEs, whether individual and direct as in large companies raises the question of devices to be able to exchange shares, as can be done on a stock market. In the US, the OTC Markets Group is pushing for this.

June 2014 - Strong move in the UK

High fiscal incentives are the base of the successful policy to promote employee ownership through ESOPs (Employee Stock Ownership Plan) in the USA. In contradiction with Europe, this allowed American public policies to promote employee ownership in SMEs. Some 11.000 ESOP companies can be found in the USA compared to only 300 quite similar cases in Europe.
It is now generally admitted in the UK that such policy has also to be promoted here, leading to higher productivity, greater levels of innovation and outstanding financial performances. Finance Bill 2014 designs two new tax reliefs to encourage and support the shift to employee-owned companies:

- Under the first new tax relief, the sale of a controlling interest in a business to an employee ownership trust, will be entirely free from capital gains tax.
- Under the second tax relief, bonuses of up to £3.600 per tax year paid to employees of companies controlled by an employee ownership trust benefit from an income tax exemption.

These new incentives are still relatively modest compared to those for ESOPs in the USA but the UK is clearly showing the right way for all European countries.

December 2012 - A new wave for employee ownership across Europe

A new wave boosting employee share ownership seems growing from major European countries. **Great Britain**: Employment Relations Minister Jo Swinson told that the British Government will do all in its power' to extend employee share ownership substantially within the UK. "We have to eliminate the barriers which inhibit the installation of employee share schemes and employee ownership in UK businesses", she said. "Over the years employee ownership and employee share ownership have not been nearly as far up government agendas as they should have been. For the workforce is our human capital and must be encouraged accordingly", said Ms Swinson. "Much more employee share ownership was needed now in large and small companies alike, because such schemes were an important factor in economic growth" the minister told to the Employee Share Ownership Center in London. **France**: President François Hollande announced a new legislation for employee share ownership and participation. **Germany**: As promised by Minister Philipp Rösler, the German Ministry of Economics and Technology launched a new Internet portal for employee ownership. **Italy**: Waiting for a new law on participation and employee ownership. The Parliament appointed the Government at the end of June, but the white smoke is still awaited in Rome.

November 2012 - British Government's plans to boost employee ownership sector

British Government announces its plans to boost employee ownership sector. The plans include assessing whether to establish an independent Institute for Employee Ownership, an ‘off the shelf’ model for setting up an employee owned business, work to examine the guidance on tax issues relating to employee ownership, a guide for staff and employers to request and agree an employee ownership takeover and work with the John Lewis Partnership to examine the barriers to funding for private sector employee owned companies. More details

September 2012 - A new era of capitalism in the UK

The British Government announces a new era of capitalism. "Never before, employee ownership had so much attention in the UK", Minister for Employment Norman Lamb said. They are going "to shift employee ownership into the mainstream of corporate Britain". On the other hand, the British administration for Revenue & Customs (HMRC) launched a public consultation about employee share plans. Something should be done in priority about employee share plans in large companies, as the comparison with France shows. This is appearing from the EFES answer to the HMRC consultation

July 2012 - Key recommendations to the British Government

Growing the economy is the British Government's most pressing priority. The Government adviser on employee ownership published its report, including his 28 recommendations to promote employee ownership in the UK. The recommendations focus mainly on the promotion of employee ownership in small and medium sized enterprises, at least 25% employee-owned. More information

July 2012 - The Nuttall Review of Employee Ownership

The British Government adviser on employee ownership publishes its report, including his 28 recommendations to promote employee ownership in the UK, in line with the British Governments' aim of shifting employee ownership into the mainstream of corporate Britain. The Nuttall Review of Employee Ownership

September 2011 - Two particular organizations in the UK

Two particular organizations has had a major influence on the popularity of employee ownership in the UK. The first was founded in 1979, with the help of the John Lewis Partnership, Scott Bader and other companies, and originally established as a consultancy, known as Job Ownership Ltd. It was the brainchild of Robert Oakeshott, who died in June this year. Robert was a founder member of the European Federation of Employee Share Ownership in 1998. It changed later its name to the Employee Ownership Association, acting as "the voice of co-owned business in the UK". The second organization known as ifs ProShare was founded (originally as ProShare) in 1992 by HM Treasury, the London Stock Exchange and a consortium of major companies. It provides "a voice for the Employee Share Ownership (ESO) industry in the UK".

December 2007 - All-Party Parliamentary Group on Employee Ownership in UK

British Parliament decided to set up a permanent All-Party Parliamentary Group on Employee Ownership. This looks a major political step for employee ownership in UK. The Group organised first a public inquiry, allowing us to express our requirements regarding employee ownership not only in UK but for the whole European Union. See inquiry