COMMONWEALTH OF AUSTRALIA

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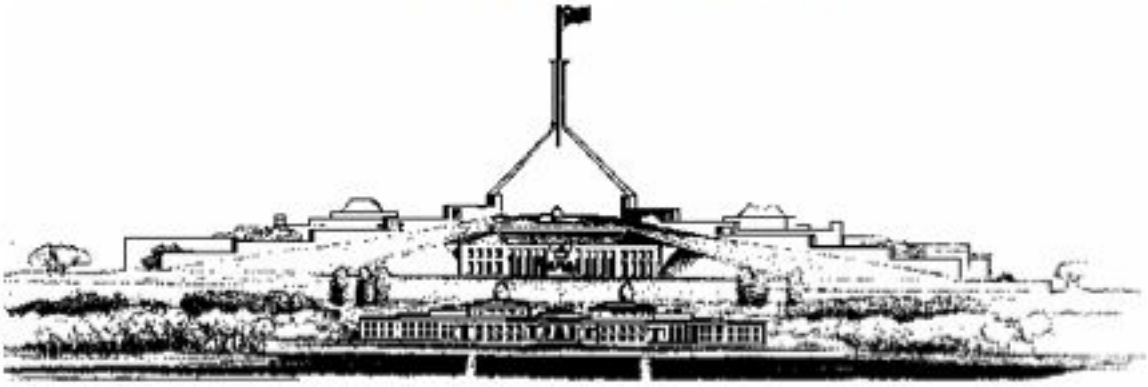

HOUSE OF REPRESENTATIVES

Federation Chamber

GRIEVANCE DEBATE

Employee Share Ownership

SPEECH

Monday, 14 July 2014

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date	Monday, 14 July 2014	**Source**	House
Page	7901	**Proof**	No
Questioner		**Responder**	
Speaker	Van Manen, Bert, MP	**Question No.**	

Mr VAN MANEN (Forde) (16:56): I wish to speak tonight about the notion of shared ownership via employee share ownership schemes. The notion of share ownership within an employee's place of work is designed to facilitate increased investment and interest in innovation and productivity. Whilst employee share ownership is not a new concept, it is something that I believe can be expanded and utilised in order to improve the personal wealth of employees and business owners alike, in addition to providing a welcome boost to innovation and productivity.

David Erdal, in his recent book *Beyond The Corporation: Humanity Working*, says:

For the last 200 years and more we have been working with the particular standard theory about the rights of owners of corporations and their relationship with their employees. Being told by experts that there is no alternative, people have tended to act as though there really is none. Economists have then seen confirmation for their claims in a world they have in part created.

But what happens when the model changes, when the employees—all the employees—of a company come to own the business where they work? He says:

Instead of toiling as the servants of people who make all the decisions and take all the profits, the employee-owners become active partners in their business, sharing information, influence and profits together. They share the effort and they share the wealth. Productivity and happiness are the result.

He goes on to say:

It is time to acknowledge this evidence, and to hear the voices of the employee-owners. What the available information shows is that in fact employee-owned companies do well—as long as the employees are treated as partners. With the right leadership they do very well, both economically and for the people in them.

The Employee Ownership Australia and New Zealand Association has released a report today and I would like to quote from the executive summary of that report:

Employee companies consistently outperform their peers in a downturn. Some useful company case studies in this area are John Lewis Partnership (UK)—

A division having been called in the House of Representatives—

Sitting suspended from 16:59 to 17:1 8

Mr VAN MANEN: Before the suspension for the division I had begun to quote from the executive summary of the Employee Ownership Australia and New Zealand Association report released today on the value of employee share ownership. I will start that quotation again so it is here in full:

Employee companies consistently outperform their peers in a downturn. Some useful company case studies in this area are John Lewis Partnership (UK) a retail department store, Publix Supermarkets in the US, Arup UK and Australia, all of which are considered to have best workplace practises and to have outperformed peers through the GAFF. John Lewis Partnership has delivered employees after tax bonuses of 15 per cent for the last seven years for every employee whilst other similar sized listed entities in the UK have delivered between zero and three per cent in average bonuses over a similar period. Publix is the fastest growing supermarket chain in the US with almost 200,000 employees that has been voted in the top 100 companies to work for, for 15 years.

The report goes on to examine the impact that reform in this area could have on the Australian economy, specifically if there was a reversal of the 2009 legislation that the former Labor government introduced with

the removal of tax at cessation as a taxation point. From report's findings go on to show that employee share ownership reform is likely to have a potential $1.4 billion positive impact on the Australian economy over a 10-year period. In addition, both salary sacrifice plans and options plans in the reversal of the 2009 changes will have a significant impact which would result in an increase in the amount of employee share scheme revenue subject to income tax that would be the equivalent of some $215.6 million year on year once the changes have been implemented. Both of these figures suggest that this reform would be a great initiative to help boost our economy.

Not only that but, as I touched on earlier, employee share ownership provides an opportunity to strengthen operations, organisations, relationships and business models within Australian business enterprises through allowing employees to make a vested interest in their workplace. Under an employee share ownership plan, employees are given the opportunity to utilise their knowledge and expertise as both an employee and a business owner to grow their own personal wealth and the future wealth of Australian SMEs. I believe it is a tremendous complement to our world-leading superannuation system and also to people's ability to accumulate personal assets outside of superannuation. The great thing about an employee share ownership plan is that it will strengthen our SMEs while most other proposals focus heavily on the big end of town or solely on innovation.

It is worthwhile having a bit of a look at the history of employee share ownership. It has been discussed in this place numerous times. In 1999, the House of Representatives Standing Committee on Employment, Education and Workplace Relations ran an inquiry into employee share ownership in Australian enterprises. In 2009, the Senate Economics References Committee revisited employee share schemes and produced a report of the same name, following an inquiry on 23 June 2009.

Since the onset of the global financial crisis, businesses have been struggling to obtain the capital required to expand. One way, I believe, to facilitate this, through an injection of capital for these businesses, would be to create a framework where employees of our small to medium enterprises are given the option to become economic owners in their workplace. These businesses will then be able to achieve some of the following four key policy objectives that were outlined in the *Shared endeavours* report, a report commissioned from the 1999 inquiry: to align more closely the interests of employers and employees so that shareholding employees appreciate more directly the impact of management and work practice on efficiency, productivity and profitability; to provide a net contribution to national savings; to facilitate the development of sunrise industries, where equity in the company is as critical to key personnel as salary; and to facilitate succession planning and, in some cases, employee buyouts.

A lack of succession planning can adversely affect an organisation in a variety of ways that include: no strategic direction, decreased productivity and poorer financial performance. In a tight financial market, there may be no ability to sell that business when the current owners wish to retire. That is where an employee share ownership model or buyout is a tremendous option for those business owners. If those options are not taken, the risk is that there will be a lower business value for the owners on exit of the business at retirement.

But, in order to achieve a better outcome for business owners, we need to expand the current scope and flexibility of employee share ownership plans by revisiting the previous recommendations outlined in the *Shared endeavours* report, whilst keeping in mind the current state of the economy. One of the recommendations was to identify the breadth and scope of employee share ownership plans, and Ingrid Landau, Ann O'Connell and Ian Ramsay's 2013 report, *Incentivising employees: the theory, policy and practice of employee share ownership plans in Australia*, seeks to achieve just this. Of the companies that responded to the survey, nearly 57 per cent had a broad based employee share ownership plan, 43 per cent of companies that did not have an employee share plan open to non-managerial employees and 32 per cent had never had one. There are many benefits for employees, employers and business owners which I would like to point out briefly in the remaining time. A long-term economic interest in the business of employment allows employees to generate wealth outside superannuation, property and investments. It allows employees to develop a wider set of skills and a broader and deeper knowledge of business principles and processes. Not only will employees continue to receive a salary — *(Time expired)*