

Financial Crisis Opportunities: Ownership sharing without shares

“Government bail-out money should be used *twice* so as to also introduce employee ownership” according to Dr Shann Turnbull, a co-founder of the AEOA.

This proposal was put to Trade Union officials attending the Tri-annual conference of the Australian Council of Trade Unions in June 2009 in Brisbane and also to the July 2009, [Senate Inquiry](#) into employee share schemes. The idea attracted the interest of overseas experts when Dr Turnbull presented it to the [Annual conference](#) of the ESOP World Centre in Cannes on July 9th 2009. Refer to the power point presentation “Australian Employee Ownership – Practices, Politics, Policies and Proposals” in July 2009 News on the AEOA web-site www.aeo.org.au .

The government has committed hundreds of millions of dollars to support such industries as automobiles, textiles, green energy projects and many others *without* making the money work twice by being channelled through employee ownership trusts.

There are two complementary ways this can be achieved:

1. Industry assistance grants are first advanced by the government to an employee ownership trust that then forwards the funds to buy assets or shares of the company and/or
2. A condition of government assistance is that as the firm writes off its investments for accounting purposes it also writes off its ownership to vest it with an employee trust. This does not make any change to the reported profits of a business as assets must be written off for accounting purposes and in any event the cost of the write off is paid by the tax payer from the depreciation tax deduction obtained by the firm.

By workers becoming co-owners of the assets of their employer they obtain:

- (a) An incentive to operate, care and maintain the assets for the long run to increase productivity in which they directly share;
- (b) Negotiating ability as joint venture partners of the firm to improve operations;
- (c) The ability to negotiate with the firm’s bankers to protect unpaid entitlements;
- (d) The ability to earn income from renting the assets if:
 - (i) They are made redundant;
 - (ii) The assets are transferred overseas where workers are paid less
- (e) The ability if the firm fails to:
 - (i) Establish their own firm with the assets they own;
 - (ii) Receive the liquidation value of the assets.

(d) The ability to reduce investors being overpaid with profits in excess of the incentive to make an investment that are not reported by accountants or recognised by economists;

Dr Turnbull pointed out that overseas incentives for employee ownership were not as cost effective as the adoption of Ownership Transfer Corporations (OTCs) described in this book [*Democratising the Wealth of Nations*](#) and a number of academic [articles](#).

Firms and jobs could also be rescued and/or created by the use of an old fashion type of money introduced by the private sector in numerous communities in Europe and the US during the Great Depression. The use of this Depression developed form of money described as “Stamp Scrip” could also be introduced by the government to finance employees into ownership of their firms to sustain their existence. As Stamp Scrip is self-financing and self-liquidating there is no cost to the tax payer, the firm or the employees. Additional details of Stamp Scrip are described in “[Remaking the Economy](#)”.

Research reveals that excessive pay to executives is abated with widespread employee participation in ownership. To encourage both widespread employee ownership and to cap excessive awards of shares and/or options granted to executives the AEOA has made a [submission](#) to the inquiry into executive pay by the Australian Productivity Commission. The submission recommended the number of shares and/or options awarded to any executive in relation to the smallest allocation of shares and/or options *taken up* by any other employee not to exceed a ratio determined by shareholders when at least 75% of all employees participated in the allocation.