



## **Australia seriously lags in Employee Share Ownership (ESO)**

### **Findings of Policy Initiatives Seminar held in Sydney at Macquarie Bank, July 30<sup>th</sup> 2008**

A policy initiatives seminar concluded that Australia lags other leading industrialised economies in the promotion and use of Employee Share Ownership (ESO) to promote economic efficiency and equity.

The Seminar was convened jointly by [Australian Employee Ownership Association](#), [Australian Fabian Society](#) (NSW Branch) and the [Australian Private Equity & Venture Capital \(AVCAL\)](#). Represented at the seminar were listed and unlisted firms and their employee owners, unions, ESO consultants, academics and political activists.

Federal government Ministers and shadow Ministers invited to the seminar gave their apologies and stated that while they supported employee share ownership they had no policy initiatives or even policy positions to contribute. This compares starkly with the situation in the UK where there is an “All party Parliamentary Group on Employee Ownership” to promote and facilitate ESO.

Presentations were made on how both the UK and the US have special legislation to promote and facilitate ESO. As a result the percentage of employee owners in the work force in both countries is over twice that of Australia which is only around 5.5%. This low participation rate reveals the failure of Australian government initiatives. The former Federal government adopted a policy in 2004 to double participation in ESO to 11% by 2009.

The only current Australian government involvement with employee share ownership is indirectly through a \$340,000 three year research grant to the Melbourne University Law School. The University was represented at the seminar by Professor O’Connell who reported on the difficulty of identifying and obtaining information from unlisted companies who have share plans. It is in the unlisted sector that Australia lags most from other advanced industrialised economies.

In the US, around 90% of employee owners are employed in unlisted companies while in Australia with its much lower base, 90% of employee owners are employed by publicly traded companies.

However, ESO participation in unlisted companies in Australia is largely created through local units of globally competitive firms who promote ESO on a worldwide basis and have the expertise and resources to overcome the many barriers introduced by Australian regulators. The accountants of unlisted local firms in Australia typically advise their clients that it is too complicated and expensive to work around barriers created by Australian regulators.

It is in the smaller and medium sized firms that ESO can make a unique economic contribution in attracting talent for start up firms as explained by Dr Kathrine Woodthorpe, Chief Executive of the Australian Private Equity & Venture Capital Association Limited (AVCAL). Australia has world leading researchers and innovators in bio-technology and sustainable energy that are being lured to other countries that can offer a “piece of the action” through their share plans. AVCAL were looking for serious reforms to reduce the complexity and cost of ESO.

More generally ESO provides a way to minimise the cash that needs to be raised from private “business angels” and professional venture capitalists funding new and growing firms. Overseas, ESO is used as a way for small and medium sized firms to expand their equity at low cost to avoid the need for firms to become publicly traded. Another important role of ESO in small and medium sized businesses is to provide ownership succession without the need to sell out to a lifelong competitor.

The President of the Australian and International Pilots Association (AIPA), Captain Ian Wood and the AIPA General Manager, Peter Summerville informed the seminar that ESO had become part their latest Enterprise Bargaining Agreement. This was the first time in the history of Australian industrial work place agreements that ESO had been included.

Without widespread ESO the wealth of Australia becomes controlled by foreigners who do not vote or plutocrats and asset managers of pension plans who represent a trivial minority of citizens who elect Federal, State and Local Governments. The co-chair of the seminar, The Hon Geoff Gallop, the former Premier of Western Australia and Chair of the NSW Fabians, expressed his interest in ESO as a way of enriching democracy and citizen participation through all levels of society.

The seminar concluded that the need to engage our political leaders in ESO should continue and that they be put on notice to participate and/or present their policies at a follow up seminar.