ESOP centre

A Plan for Trades Unions

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The Employee Share Ownership Centre

Spreading the Wages of Capital

A Plan for Trades Unions

- Malcolm Hurlston -

The trades union movement can trace back its origins to the first half of the 19thcentury; employee share ownership plans emerged in the second half of the 20thcentury. Trades unions defined themselves as collaborative organisations for people who were employed; employee share plans were a creation of management and company owners.

Both have created material wellbeing for millions and for both reward is a secondary consideration. For trades unions the first need is for solidarity; for employee share plans, it is the wellbeing of the company, the creation of the wealth which can be shared with those who work for it.

There are many common features, but to date the points of difference have prevailed. Historically trades unions have approached employee share plans with reserve, incomprehension and often hostility with some notable exceptions in the United States and in the EU in Ireland.

It is good to see Italian trade unions play such a large role in the new initiative Pro-EFP 27, supported by the EU Economic and Social Council which aims to put employee financial participation back on the EU agenda. Among UK unions – only the pilots have been continuously alive to the value of shares, following a pilots' tradition in the United States.

It was an initiative of the pilots of an American airline which first brought Employee Share Ownership Plans (ESOPS) to my attention. Led by the pilots, four unions were using their ESOPS to buy an airline in trouble and for me, having recently helped to found a trades union bank, this was a clear model of opportunity.

Soon, however, the picture was confused by Thatcherism. Employee ownership became an aspect of privatisation and as such vehemently opposed by trade unions. Their appetite for the political battle sometimes overcame their common sense – workers at British Telecom were advised to turn down the offer of free shares. Unsurprisingly over 90% said 'yes' to the shares and the union had made itself look silly.

Despite the passage of time, the association between shares for employees and privatisation remained strong in UK unions' thinking. In the EU, employee financial participation became lost within social Europe, separated from industry and enterprise.

But the world has moved on and unions now have the opportunity of being helpful to their members in a new way.

The reality of employee shareholding in Europe today is scarcely mentioned on our agenda. The work of the Commission and the Foundation as well as ECOSOC had tended to be based on questionnaires sent to member states with differing attitudes and understanding. But the reality today lies with the millions of EU workers who are employed by multinational companies. Multinational companies compete with each other for talent and behave more like each other than national or regional stereotypes.

In the world of multinational companies which is shared by a high proportion of the EU workforce. Shares for employees are now the norm. Despite the credit crunch companies have continued to offer shares and for one very good reason. However diverse and geographically widespread a company may be, its share price is one unifying factor for every workforce in every corner of the globe, a common financial language.

As a result millions of multinational employees, many of them union members, have a significant new aspect of working life with no independent force to turn to for advice.

New financial regulations make it harder for companies to give advice to their own employees about how to run their finances – even their company shares. As a result many are now directing employees to third parties. It would be nice to think they would automatically turn to their unions but it is not yet the case.

Now is the time for unions to get involved – to help their members and to give themselves an enhanced role.

I offer them a **five point plan**:

The first is **education**. Unions need to understand employee ownership as it exists today in large and multinational companies. The ESOP Centre is already working with one union in the UK and preparing a blue print for more. Once unions can bring understanding and knowledge to the table they can play a part.

In these times of crisis unions have largely missed a trick but it is not too late. I come to point two: **Negotiate**.
Whenever there is a recession or contraction and unions are asked for understanding or support they can ask for options for their members. Options cost little, but they give employees a share in any upside their sacrifice helps to produce.
Already this year in the UK we have seen a retailer give €40,000 each to its staff for their help in turning the company round. But this was the move of a maverick owner not of a union negotiator. Unions should understand, get in there and enjoy their members' gratitude.
So that is the second point: make use of the knowledge at key corporate points in a way which leads to a win for all.

Thirdly, **empower**. Most shareholders whether employees or not feel disempowered compared with the giant pension funds and other investors. Why should the unions not encourage their members to pool not the dividends but the voting rights attached to the shares, directly with the union or through a trust. This has already been put into practice in several member states by voerstalpine, the Austrian multinational.

Fourthly, **trusts** and their equivalents should be the subject of study. The share scheme operations of most multinational companies are based to an extent outside the EU. This is because with people in many countries involved a neutral jurisdiction with strong laws is the safest home.

Finally **engage**: armed with knowledge and a new role in helping members unions can play a stronger role in the national and EU wide development of employee ownership too.

Union officials should be natural spotters of when small companies are facing a succession crisis and among the first to suggest an employee ownership solution. Local officials should be on the look-out; head official officials can provide a pool of expertise and access to finance to help save the businesses in time.
Similarly, unions will be able to bring practical knowledge as well as theoretical contribution to the development of new EU laws and understandings.

A new theme today is how employee financial participation can be used for services of general interest which are typically state run or owned utilities. In such sectors unions are more strongly represented and their accord will be essential.

In the UK the coalition government is making determined strides towards the mutualisation of what we are calling here SGIS. The post office is to be mutualised, Royal Mail employees are to receive a minimum ten percent stake in the business and civil service pensions are to be administered by a joint venture mutual in which 500 current civil servants with be co-owners together with the state and a private sector partner.

The government is looking to groups of civil servants to come forward with ideas for turning their work into mutual or employee owned activity.

These innovative plans run into some EU barriers. First there are state aid provisions which hinder restructure and second there are EU tendering requirements which tip the balance in favour of the private sector. One of the government's flagship mutuals – central surrey health – has recently lost out and a non-profit I chair faces a similar challenge.

I hold out great hope for the work which the treasury has asked the new UK body, the office of tax simplification, to undertake. Government-supported share schemes came in at different times for different prime purposes. The elimination of anomalies will make them easier to understand and more effective to use.

Finally it will make them, and with them the whole concept of employee financial participation easier for you and for us, for governments and the EU to promote.

Speech delivered by Malcolm Hurlston, chairman of the ESOP Centre, at the ProEFP Conference of the European Economic and Social Committee, Brussels, 17-19 October 2011.