

As I see it ...

by Michael Mainelli,
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The smartest investment: selling your firm to the right people

Imagine if every employee acted like an owner. Not due to a motivational poster but because they are an owner. Employee share ownership (ESO) schemes – such as share option plans, direct share purchases, or employee ownership trusts – enable staff to hold a genuine stake in their company.

When people have a real stake, some remarkable things happen – productivity rises, loyalty deepens, and innovation flourishes. ESO aligns employees' interests with the long-term success of the business. The Esop Centre spells it out. Overall, employee-owned businesses outperform their peers, weather economic storms better, and build stronger workplace cultures.

Succession

For London's SMEs, ESO can also solve a pressing challenge: succession. Instead of selling out, why not sell in – to the team that already knows and believes in the business? It's succession planning with soul. Yes, it takes a bit of work – valuations, legalities, tax, and good governance – but it's worth it.

The national social dividend of widespread employee ownership is powerful. Employee ownership spreads wealth more evenly, narrows the gap between the boardroom and the watercooler, and strengthens communities. In an age of widening inequality, ESO should be a quiet levelling up – ownership with purpose.

Liquidity

One could argue that trendy unicorns demonstrate the motivational power of ESO. In the UK we seem to ignore that ESO could ignite SME growth too, particularly if we make it broader and less complicated. PISCES (Private Intermittent Securities and

Capital Exchange System) is a new government-backed trading platform that allows employees and shareholders in private companies to buy and sell shares on an intermittent basis. It aims to create liquidity in private company shares. The Esop Centre points out that recent HMRC guidance accepts PISCES transaction prices as fair market value, and not in conflict with Enterprise Management Incentives, Company Share Option Plans, Save As You Earn, or Share Incentive Plans.

Support

To unlock ESO's potential, co-ordinated support in four areas is essential:

- **Education** – raising awareness among employees, management, and advisors
- **Tax incentives** – structuring simple, favourable reliefs and regimes
- **Legislation** – simplifying regulatory environments and removing barriers
- **Research** – gathering longitudinal evidence and benchmarking best practice.

Roadmap

LCCI does its bit, but I'd call on others, particularly government, to lean in more strongly. The policy roadmap is clear: educate, incentivise, simplify, and support.

So, here's the takeaway for London's business leaders: employee ownership isn't a fringe idea, it's a competitive advantage. When employees own a share of the business, they don't just turn up for work – they show up for mutual success. **99**

Professor Michael Mainelli served as Lord Mayor of London 2023-24 and remains an international ambassador for the City. He is chair of Z/ Yen, the City of London's leading commercial think-tank, known for its work in economics and finance, and science & technology.

Long-term sickness blighting UK economy

Businesses want to see a major shake-up of the UK's approach to ill-health which is excluding people from work and hobbling the economy. Around 7 per cent of the UK workforce, almost 2.8 million people, is currently out of work due to long-term sickness, whereas the equivalent figure in Japan is just 3.5 per cent

The government's own calculations put the lost economic output from this inactivity at a minimum of £130 billion, a figure which does not include welfare payments.

Recommendations

Among the recommendations in a new report, published by the British Chambers of Commerce (BCC), are calls to:

- Provide tax breaks for health services that businesses provide for their workforce
- Reform the fit-note system so it supports both employers and employees to manage sickness and a return to work
- Offer support and incentives for managers in SMEs to access mental health and neurodiversity training
- Introduce a wage subsidy scheme to help young people with long-term health conditions to get into work.

Shortages

The report has been produced by the BCC's *Future of Work* challenge group, drawing on expertise from businesses of all sizes, academics and think tanks. It highlights a workplace health crisis that is undermining productivity, constraining growth and compounding labour market shortages.



The government has set a target of becoming the fastest growing economy in the G7. As part of this aim, it wants to achieve an 80 per cent employment rate. This means getting a minimum of 1.5 million more people into work. However, research suggests more than 300,000 people are leaving the workforce each year due to ill-health.

Formidable

Data from the ONS also shows that over 1.35 million (53 per cent) of those inactive because of long-term sickness reported that they had depression, bad nerves or anxiety.

Against this background, it will require a formidable effort by both government and businesses to turn these figures around and help more people into work.

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