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# newsbrief

May 2019



## JUST IN TIME FOR JERSEY

### **Jersey share schemes and trustees seminar 2019**

There is just time to book your place at this year's Esop Institute/STEP Jersey seminar at the Pomme d'Or hotel, St Helier, on Friday (May 17).

Former Jersey Finance chief executive, Geoff Cook, who was influential in developing the islands' direct relations with the EU, will give the keynote speech, which will focus on Brexit and the Channel Islands' future prospects, a topic he has written about recently. You can get a flavour of Geoff's thinking from his blog at <https://geoffcookadvisory.com>.

Other topic presentations will cover: Is HMRC watching your client?; Share scheme and EBT issues on transactions; Entrepreneurs' Relief – a review following the introduction of the economic ownership test; Communications in troubled times; and an update on developments in UK employment taxes. The seminar will conclude with a lunch for delegates and speakers.

Given recent developments, as outlined in [newspad](#), Brexit matters, the international reach of trustees and the growth in the establishment of employee ownership trusts, it has never been more important for those interested in employee share schemes and trusteeship to stay informed with expert views and enjoy the continuing education which our seminars offer.



Experts include: Graham Muir, CMS - Paul Malin, Haines Watts - David Pett, Temple Tax Chambers - David Craddock, David Craddock Consultancy Services - Stephen Woodhouse, Pett Franklin. The seminar will be chaired by Malcolm Hurlston CBE, who founded the Esop Centre.

Don't miss this great opportunity to update your knowledge on the key issues.

Tickets are £375 for Esop Centre/STEP members and £480 for non-members.

To register for the seminar email [events@esopcentre.com](mailto:events@esopcentre.com) or call us on 020 7239 4971

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## CENTRE AND MEMBER NEWS

### Who killed Airey Neave

War hero Airey Neave MP is the subject of a new and timely biography by Patrick Bishop "The Man Who Was Saturday", Saturday having been his code name at MI6. Close to Margaret Thatcher as a man who admired women's fighting qualities, he had been appointed shadow minister for Northern Ireland and eschewed police protection. "If they come for me, the one thing we may be sure of is that they will not face me."

The FT's reviewer author Anthony Quinn concludes: "I clapped the book shut with a renewed sense of loss, and respect. His insistence on walking the streets a free man was surely a reverberation from his time in captivity." (in Colditz Castle from where he was the first Briton to make a 'home run', via Switzerland, France and Spain). "And he was right about his killers"

Airey's son Hon. Patrick Neave was [profiled in newsbrief](#). His brother chaired the Reinsurance Offices Association whose annual Rendez-vous in Monte Carlo inspired the Centre's series of Cannes conferences.

### Pete Stavros does it again

Pete Stavros, [profiled in newsbrief](#) has done it again, now emerging as chairman designate of a new Ingersoll company emerging from an arrangement between Gardner Denver and Ingersoll.

On behalf of KKR Pete gave Gardner Denver employees stock units worth 40 percent of

annual salary at its IPO. These units have already increased in total value from \$100m to \$170m.

So successful has KKR's support for all-employee shareholding proved that, when the new transaction completes, employees in the new company will receive some \$150 million in total of new awards.

Hot on the heels of newsbrief Forbes magazine wrote up the KKR approach this month: the former Barbarians at the Gate had become the Gentlemen at the Gate. Pete said "We believe in fostering an ownership mentality, and that this drives motivation and engagement, something that has been clear in Gardner Denver's strong performance."

### High pay debate book launch

*Top Dogs and Fat Cats* - the book resulting from the Centre event with Prof Len Shackleton, Damian Carnell and Damien Knight was launched in London last week. Copies are available from [Amazon](#) and can be [downloaded as a PDF](#) from the IEA website.

Len followed up with an [article in City AM](#) and you can listen to a [podcast](#) from the Institute of Economic Affairs. As well as high pay the coverage looks at related hot button issues such as pay for women and the public sector.

Len Shackleton is a professor of economics at Buckingham University, research fellow at IEA and editor of *Economic Affairs* which is jointly published by the IEA and Buckingham.

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## WORLD NEWS

### US trade war impacts employees

The ceo of manufacturing company Polaris Industries is calling the White House's impending tariff increase a catastrophe for his business.

Scott Wine said that the increased tariffs could erase a third of the company's net income. Employees own five percent of the company via an [employee stock ownership plan](#). "When we are hit with tariffs, that's what I mean by impact to employees," he said. "Through no fault of our own, one-third of our net income could go away."

### India: Flipkart delivers \$100m Esops to a chosen few

Flipkart has disbursed a fresh set of Esops to its senior and middle-level staff as part efforts to [retain key talent](#) a year into Walmart buying a majority stake in the Bengaluru-based company.

This is the second such issuance of stock after Walmart came on board in May 2018, with the previous grants having been disbursed last November. The number of employees who received Esops in November were far fewer as it was largely among the top management.

### Is Huawei employee-owned?

Huawei's claim to be employee-owned is challenged in a new paper by American academics Donald Clarke of George Washington University and Christopher Balding of Fulbright University Vietnam. [Who](#)

[Owns Huawei?](#), concludes that while employees own 99 percent of the company's equity value through a kind of synthetic equity plan broadly available to company's employees and operated by the company's union, the employees have no control rights over the company. The remaining one percent is owned by the founder.

The paper takes the view that "given the public nature of trade unions in China, if the ownership stake of the trade union committee is genuine, and if the trade union and its committee function as trade unions generally function in China, then Huawei may be deemed effectively state-owned."

By contrast the expert view from the Esop community is rather different. [Loren Rodgers, director of the National Center for Employee Ownership points out](#) that ownership without control is common in employee ownership plans. "Assessing this issue depends on what people mean by ownership." In the typical American Esop, as with John Lewis style structures and EOTs, there is no more ownership than there is in Huawei.

### Race against time in Texas

A Texan esop bill has [passed a committee vote](#) in the Texas House of Representatives by 12-0. The bill would, among other things, create contracting preferences for Esops for the state, cities, counties, and special districts. The bill now needs to be put to a vote, and quickly, as the session ends in a month.

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## Esops narrow America's wealth gap

A study by the [Rutgers Institute](#) for the Study of Employee Ownership and Profit Sharing found that employee stock ownership plans can help narrow gender and racial wealth gaps.

The national look at low- and moderate-income workers at employee-owned companies found that Esops can help these families significantly increase their assets, reducing wealth inequality.

Prof Douglas Kruse stated: "This study provides rich data from the perspective of workers about the many ways in which employee ownership transforms the workplace."

## Indian startups diversify

The [participation of women](#) in the Indian funded startup ecosystem stands at 22 percent, largely mirroring trends in the West, a report by leading venture debt firm Trifecta Capital has revealed.

Diversity in the startup workforce in Asia's third-largest economy tends to improve as an increasing number of companies go on to raise growth-stage financing, according to the report.

"We believe this study provides valuable insights on best practices in attracting, rewarding and retaining talent. Start-ups now have a tool for benchmarking their human capital practices with their peers in a meaningful and actionable manner," said Rahul Khanna, managing partner, Trifecta Capital.

According to the Trifecta report, India's B2B startups have taken the lead, with 70

percent of respondents allocating an Esop pool larger than 7.5 percent, compared to about 40 percent of all startups.

## South African mine shares

Menar managing director Vuslat Bayoglu has handed over five percent free carried shares to host communities and employees of Kangra Coal.

Kangra is the [first mine to allocate shares to workers and communities](#) since mineral resources minister Gwede Mantashe issued Mining Charter III, requiring mining companies to allocate shares to workers and communities.

## UK NEWS

### Lancashire legend

Philip Baxendale, the visionary Lancashire businessman whose foundry would grow into one of the foremost names in domestic and commercial heating, has died aged 92.

Baxendale joined as general manager in 1955, and under his leadership, expanded the workforce from just 55 to almost 1,000. He revolutionised the way the company ran and even inspired an Act of Parliament, after his decision to [sell the company to its employees](#). Unfortunately the company overreached itself and had to be rescued by a private sector rival, leaving a question mark over the model.

## Brexit accounting

Share scheme specialist Pett Franklin shared its views on [Brexit and accounting for share schemes](#): “It may be bold to assume that leaving the EU will in practice result in real freedom for the UK to diverge from international accounting standards and allow a more relaxed application of share based accounting for smaller companies.”

## Money worried workers

More than a third of employees claim they have had to [take time off work to deal with money issues](#).

A joint report from Yorkshire Building Society and Salary Finance shows employees are taking up to five days off sick every year because of financial stress.

Mike Regnier, Yorkshire Building Society's chief executive, said: “Nearly two-thirds of working Britons do not have enough savings to meet unexpected bills, so it's not a huge surprise to see financial pressures impacting people at work. As well as the personal cost, employers are affected too. Employees with money worries could cost UK employers up to an estimated £51bn a year.”

## Haworth Tompkins forms Employee Ownership Trust

Stirling architecture practice [Haworth Tompkins has established an Employee Ownership Trust](#) that now holds 55 percent of its shares, while five directors share the remaining 45 percent.

Director Toby Johnson told the Architecture Journal that the decision to change the ownership structure came from talks about succession planning.

## Engineering company goes EO

Fife-based precision engineers [GS Brown Limited has moved into employee ownership](#) with the help of EQ Chartered Accountants.

Seventy percent of the shareholding will be held in an Employee Ownership Trust, with the family retaining 30 percent. One of the conditions of the deal is that any future sale of the company requires the agreement of 80 percent of the workforce.

The move was part of the succession plans for the family owners, Des and Mike Brown. Des Brown plans to remain as managing director for the medium term and, with Mike semi-retired, both brothers wanted the business to remain local.

## WEBINARS

### An introduction to the Share Incentive Plan

Wednesday June 5 2019, 11:30am - 12:00pm

SIP is probably the most tax efficient share plan in the UK, enabling zero tax rates for employee shareholders.

Join Sarah Anderson, RM2 director to find out more about SIP, its key benefits, how to establish a SIP plan, and how it worked in real life for one of her clients. Register [here](#)

## ABOUT NEWSBRIEF

*newsbrief* is the Employee Share Ownership Centre's members-only mid-month publication.

To submit a story for the next issue of *newsbrief*, sponsor the publication, or to propose someone for a member profile, contact Juliet Wigzell:

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