

Institution: University of Leeds		
Unit of Assessment: 17 - Business and Management Studies		
Title of case study: Improving employees' financial well-being by increasing employee ownership		
Period when the underpinning research was undertaken: 2001 – present		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Professor Andrew Robinson	Professor of Accounting & Finance	01/01/2001 - present
Period when the claimed impact occurred: 2013 to 2020		
Is this case study continued from a case study submitted in 2014? No		
1. Summary of the impact (indicative maximum 100 words)		
<p>Employee ownership advocates and policymakers have used Robinson's research to promote and increase employee ownership in the UK and improve financial literacy. Yorkshire Building Society (YBS) developed new financial products for employees who would not otherwise save, helping employees move from debt to savings. The research helped with YBS's communications strategy for companies considering introducing a share plan. YBS developed financial education programmes, introduced so far by 40 client companies, and marketing in support of the 'Get Britain Saving' initiative to improve the financial literacy of employees in the UK. The research influenced policy on Employee Owned Businesses (EOBs) in Scotland and formed the cornerstone of the communications campaign of the Employee Ownership Association (EOA). These campaigns contributed to a doubling of the number of EOBs in the UK since 2017 to over 550 companies with a 28% growth rate in 2019.</p>		
2. Underpinning research (indicative maximum 500 words)		
<p>Professor Andrew Robinson's body of research, over more than two decades, has repeatedly shown that Employee Share Ownership (ESO) leads to a range of benefits for both organisations and their employees [1]. The most popular ESO scheme, Save-As-You-Earn (SAYE), is a tax-efficient savings scheme which allows employees to build up savings, directly from pay, that can be used to either purchase discounted shares in their company in the future or take out their savings in cash. Robinson's research has also examined the influences on the development of majority employee-owned businesses (EOBs) since the 1990s [2 and 3]. The two streams of research on ESO and EOBs have common underlying themes of (i) reducing inequality and building financial resilience, (ii) improving employee engagement and commitment, (iii) influencing employee motivation and productivity and (iv) increasing employee governance within companies.</p> <p>Historically, the prevalence of EOBs in the UK has been comparatively low but it is well-recognised that employee participation in the ownership of firms generates many fundamental benefits to the economy and society (source: Employee Ownership Association report 'The Ownership Dividend'). The Finance Act (2014) became a key policy triggering a resurgence of Employee Owned Businesses (EOBs) as part of an agenda of promoting alternative business ownership forms and the 'mutualisation' of public services.</p> <p>In contrast, employee share ownership has been an increasingly popular tax-advantaged savings option for many people since the 1980s. It now provides a long-term savings opportunity for 2,400,000 workers (Proshare 2019). A major benefit of ESO membership is that it provides an opportunity for non-savers. Approximately 7,500,000 people in work are non-savers, meaning that they have no reserves to fall back on and potentially risk being over-reliant on credit and</p>		

building up debt when unexpected life events occur (such as unemployment, illness, or other emergencies).

Employee Share Ownership

Robinson has long been recognised as an expert on ESOs with his 2003 report, alongside **Perotin**, on the effect of ESOs on productivity and employment influencing the European Parliament to frame their deliberations on promoting ESOs across Europe [1]. Subsequent research established the interaction between employee ownership and greater employee voice [4]. This research was used in the UK Treasury's Office of Tax Simplifications Review of Tax Advantaged Employee Share Schemes (2012). Motivated by industry requests to improve share plan design, services and communication and justify both public and private investments in ESOs, **Robinson** and Pendleton (formerly York, Durham and now UNSW) formed a collaboration with YBS Share Plans, part of Yorkshire Building Society (YBS) to study the behavioural impact of share ownership schemes, specifically on employees' decisions to participate in such schemes and their personal financial health.

The first survey of employees was undertaken in 2012 alongside YBS Share Plans. A baseline survey of around 5,000 respondents mapped employees' motivation for joining the scheme. This important survey was repeated in 2015 and 2017 with growing sophistication and exploration of topics. The findings revealed a dependency on SAYE plans, a lack of diversity within personal investment portfolios, especially for those on low incomes, and willingness to increase savings in SAYE plans. The surveys resulted in a range of industry reports and analyses [e.g. 5], and additional research commissioned by individual firms. An ESRC Case PhD Studentship was part of this programme of research. The research received considerable national media coverage.

Critically, **Robinson's** research [5] showed that SAYE plans are a 'savings lifeline' for people, with 28% of participants making no other regular short/medium-term savings, this figure growing significantly amongst the young and low-paid. 27% of participants agreed that they would not save at all if ESOs did not exist, the savings habit becoming established because ESOs provide an easy way to save as payments are made directly from their salary. They are perceived as less risky and providing better returns than other savings. The research identified a lack of financial capability and low levels of financial literacy as a major aspect of the underlying problems. It found 'irrational' decision-making when the share schemes reach maturity: (i) 15% of option-holders do not capitalise on profitable options, foregoing on average a personal financial gain of nearly GBP2,000; and (ii) up to a quarter of employee shareholders hold 'unhealthy' levels of shares in their undiversified wealth portfolios, exposing them to excessive uninsured risk [6].

Employee Owned Businesses

Robinson's research on EOBs, going back to the mid-1990s, led to a collaboration with the **Employee Ownership Association (EOA)**, starting in 2013 with the founding of the White Rose Employee Ownership Research Centre with Pendleton. The EOA is the main association and lobbying body representing over 500 employee-owned companies in the UK. The key motivation for the research was the lack of evidence base to inform and promote the expansion of the employee-owned sector and to drive policy initiatives. To address this, **Robinson** created (and continues to maintain) a database of all known and authenticated employee-owned firms in Britain (now over 550 companies). This constitutes the most comprehensive and authoritative data on such firms in Britain covering their date of conversion, type of EO, level of EO and broader ownership structure, sector, geographic region and key financial indicators (turnover, profits and employment), allowing for year-on-year comparisons of the sector. The database is updated continually by **Robinson**, and annual reports published to coincide with the EOA's celebration of EOBs on 'EO Day' each summer. This has been supplemented by a survey of employee-owned firms first carried out in 2014 and repeated in 2015-16 and 2020. This gathered more detailed information on the conversion process to employee ownership, governance structures, information-sharing and involvement practices, product markets and company performance. Collectively these resources have mapped the changing nature of the EOB sector [2, 3] and continue to provide the most up-to-date and detailed profile of the increasingly important EOB sector in the UK. The research showed that the role of political

support for EO is critical to its development, with the extent of conversion activity broadly correlated with levels of policy activity and innovation [2]. In [3], **Robinson** identifies and explores the main contexts in which EO is typically created in the UK: business succession, sharing ownership, privatisation and start-up.

3. References to the research (indicative maximum of six references)

- [1]. **Perotin**, V. and **Robinson**, A., (2003). *Employee Participation in Ownership and Profit. A Review of the Issues and Evidence*. [European Parliament Working Paper, No. SOCI109EN, Social Affairs Series](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2003/323718/DG-4-EMPL_ET(2003)323718_EN.pdf). Directorate-General for Research. ISBN: 92-823-1719-6. [http://www.europarl.europa.eu/RegData/etudes/etudes/join/2003/323718/DG-4-EMPL_ET\(2003\)323718_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2003/323718/DG-4-EMPL_ET(2003)323718_EN.pdf). [Examines the empirical evidence from 20+ countries of the effect of profit sharing and ESO plans on productivity and employment.]
- [2]. Pendleton, A. and **Robinson**, A., (2017). Employee Ownership in Britain Today. In: *Oxford Handbook of Mutual, Cooperative and Employee-owned Business*. (Edited by J. Michie, J. Blasi, and C. Borzaga). New York: Oxford University Press. <https://doi.org/10.1093/oxfordhb/9780199684977.013.30>. [Reviews the development of new forms of employee ownership in Britain since the 1980s and compares trust-based and direct forms of ownerships identifying perceived benefits of each.]
- [3]. Pendleton, A. and **Robinson**, A., (2017). Employee Ownership in Britain Today: Findings from the WREOC Employee Ownership Survey. Report by the White Rose Employee Ownership Centre. https://business.leeds.ac.uk/downloads/download/210/employee_ownership_in_britain_-_june_2017_report Examines the factors contributing to the rise in EO conversions and identifies 4 main groups of EOBs – ownership from privatisation, business succession, sharing ownership, and business start-ups.]
- [4]. Pendleton, A. and **Robinson**, A., (2010). Employee stock ownership, involvement and productivity: An interaction based approach. *Industrial and Labor Relations Review*. 64(1), 746-772. Oct. <https://doi.org/10.1177/001979391006400101>. [Assesses whether the combination of ESO plans and participation in decision-making positively affect productivity or whether ESOs alone affects employee productivity.]
- [5]. YBS Report in association with Universities of Leeds and Durham, (2018). *Financial Behaviour and Decision Making: Key findings from the 2018 Sharesave Participant Survey*. <https://www.ybsshareplans.co.uk/assets/pdf/misc/financial-behaviours.pdf> [downloaded 29.06.20]
- [6]. Pendleton, A. and **Robinson**, A., (2018). Lack of diversification amongst employee stock owners: an empirical evaluation of behavioural explanations. *Human Resource Management*. 57(7), 1175-1187. Sept-Oct. <https://doi.org/10.1002/hrm.21892>. [Examines the reasons for employees holding large proportions of their financial savings and investments in company stock, based on YBS survey data.]

4. Details of the impact (indicative maximum 750 words)

Helping YBS to develop ESO

YBS is one of the principal employee share plan administrators in the UK with a corporate client base of over 180 companies that collectively employ over 200,000 employees. **Robinson's** research helped YBS to understand what influences how much participants contribute to ESOs, and their significance relative to other savings and debt. YBS confirms, "This information is critically important to us because it provides the evidence base for us to understand the barriers and enablers that lead to investment in ESOs (and for us to adapt our strategy accordingly) and to provide better financial education tools for our corporate clients and their employees." [A]

The research findings influenced YBS strategy. The insight that the ease of having Sharesave deductions taken straight from salary provided a savings lifeline for tens of thousands of YBS share plan customers confirmed to YBS "the stark realisation that about a third of our share plan customers have no other active savings flows and that 40% of them wouldn't save at all if Sharesave wasn't available to them. These key findings have encouraged us to explore other

work place savings opportunities, to provide employees with greater choice and an even easier pathway to financial resilience and improved wellbeing.” [A]

Building on the above strategic decision, YBS confirms that the research *“helped us to develop and launch in February 2018, a new alternative work placed savings proposition with Salary Finance, which is primarily aimed at taking vulnerable employees out of debt and into savings.” [A].* The product’s innovative nature is in forming a savings habit and once debt is paid from salary deductions, the deductions are redirected to savings [A].

The research has helped YBS with the key messages that it needed to communicate to companies that are considering introducing an ESO share plan. The findings on financial resilience and wellbeing, which are currently very important to employers, *“provide an important evidence base that helps companies justify the cost of introducing and maintaining these plans.” [A].* The findings have also been used regularly at YBS regional roadshows and recent ‘virtual sofa’ events to promote ESOs, attended by remuneration and benefits specialists from client companies and their external consultants [A].

In collaboration with the Building Society Association and ProShare, YBS used **Robinson’s** research on the financial behaviour of vulnerable employees in support of the ‘Get Britain Saving’ initiative (working towards the target of having another 1,800,000 savers in the UK workforce by 2024) [A, B], the ‘Help to Save’ initiative, and to justify other work place savings vehicles that YBS is investing in such as Sidecar Savings. These allow employees to invest some of their pension contributions in a savings account they can access at any time, encouraging longer term financial planning while ensuring some funds remain accessible [A].

Increasing financial literacy with YBS’s client base

YBS has used findings from **Robinson’s** research about the problems employees experience in understanding the workings of share plans to simplify materials for employees, both on joining schemes and on their maturity. YBS marketing materials and corporate communications have drawn heavily on the research findings [Ci-iii]. The research was instrumental in developing their financial education strategy, targeted at employees of their 180 client companies [A, D]. YBS confirms, *“The lack of financial capability and low levels of literacy identified among some in the survey, fundamentally underpinned our decision to develop F2F and online financial education programmes with our partners Secondsight and Wealth at Work. These programmes have been introduced by about 40 client companies to date [01.12.20]. As a direct contribution of the research, we have developed online portals including simplified content, modelling tools and bitesize animations to better educate and cater for the needs of all generations.” [A]*

Influencing policy on EOBs

Following a request by Scottish Enterprise, **Robinson** and Pendleton submitted written evidence to the Economy, Energy and Tourism Committee of the Scottish Parliament in 2015 and were invited to present oral evidence to the Committee in 2016 [E]. The Chief Executive of Co-operative Development Scotland, who championed EO in Scotland, confirmed that the research on EOBs *“was very helpful in developing understanding within my department and the wider policy community in Scotland of the scale and scope of the employee-owned sector in Britain. We were able to make specific use of their research when the Scottish Parliament’s Economy, Energy, and Tourism Committee decided to investigate the potential for developing alternative forms of business organisation in late 2015.” [E].* She continues: *“Members of the Committee were impressed by the information provided and were pleased that the research showed a high take-up of employee ownership in Scotland relative to the rest of Britain”.* The Committee reported to the Deputy First Minister, drawing in part on the research and this led to the First Minister Nicola Sturgeon launching the campaign ‘Scotland for Employee Ownership’ [E]. The 2019 survey results by **Robinson** were used by the Wales Co-operative Centre to promote EO with the aim of doubling the number of EOBs in the country [F].

The Employee Ownership Association¹ (EOA) is influential with policy makers, government and the media on EO. Drawing on analyses of their unique database of EOBs, the research findings on EO have been instrumental in developing the EOA's campaigns to promote the expansion of EOB, connecting their members with each other and the sector, championing EO and supporting the annual national EO Day [G]. The success of the campaigns is reflected in the growth statistics for the industry published on the EOA webpage: 28% growth in 2019, 100 new employee owned business since June 2018, and 50% of EOBs have transitioned to EO in the period since 2017 [H]. The Chief Executive of EOA confirms: *"Their statistics on employee ownership are the backbone of our narrative in communications to influence people on EO and EOBs. This includes our members to help them communicate with their stakeholders and the industry sector they are part of and with other businesses to drive sales leads, persuade people to explore EO. From the statistical analysis of the data undertaken by Robinson and Pendleton we can identify particularly strengths and opportunities within the industry and this helps us with our communications with the media, policy makers and politicians. These statistics are used in fact sheets, briefings and presentations to allow us to reach our audiences and also in emails helping us to develop strategic partnerships. This campaigning helps us to promote many aspects of EO and ultimately helps the businesses that decide to go down this route."* [G]

The Chief Executive also confirms that EOA has used the research on the benefits of EO and EOBs to help raise awareness in policy circles: *".. in 20+ briefing notes to key business organisations, policy makers and government ministers to help open conversations on the impact of employee ownership as an opener to developing relationships. This would be difficult to do without the statistics. These relationships include the ICAEW (accountancy body), helping us to prepare the advisor market to advise on EO, The Institute for Family Businesses, The Federation of Small Businesses, Bank of England, the Institute of Directors, the Confederation of British Industry, Ministers including both recent Ministers for Small Business - Kelly Tolhurst and Paul Scully to name just a few and numerous Civil Servants. This has also been used to engage with opposition party leaders including Jo Swinson when she was the Leader of the Lib Dems and Ex Shadow Chancellor John McDonnell."* [G]. The finding that 95% of EOB transitions since 2014 were through a tax advantaged EO Trust was used to lobby government to retain the tax incentive as a policy, especially important in the context of the Covid-19 pandemic where many businesses are struggling to survive [G].

5. Sources to corroborate the impact (indicative maximum of 10 references)

- [A] Letter from Share Plans Manager, YBS (01.12.20).
- [B] ProShare Policy Paper 'Super-charging share ownership' – citing the WREOC research p.4.
- [C] Selection of YBS marketing and communication materials that refer to the research:
 - i) Blog article by YBS on Reward & Employee Benefits Association webpage;
 - ii) YBS Social Responsibility Report 2016, page 10;
 - iii) YBS brochure 'Using the Workplace to Get Britain Saving'.
- [D] YBS Advice and Financial Education: Understanding Your Audience reporting the research.
- [E] Letter from the former Chief Executive, Co-operative Development Scotland (part of Scotland's Enterprise Agencies) (24.09.20).
- [F] Wales Co-operative Centre, Employee Ownership Report 2020, uses WREOC research to promote the benefits of EO with policy recommendations to the Welsh Government.
- [G] Letter from the Chief Executive of the EOA (01.12.20).
- [H] WRCEO growth statistics published on the EOA website (PDF available):
<https://employeeownership.co.uk/resources/what-the-evidence-tells-us/>

¹ The EOA, a not-for-profit organisation, has over 500 company members in the UK.