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Ownership and Good Work
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The relationship between ownership and good work

Examining two common arguments:

1. **Employee ownership** > aligns interests > motivation and engagement > increased productivity.
2. **Corporate governance** > severance of ownership from control, but shareholder models can give good work outcomes

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Employee ownership in the UK

UK's large companies compare favourably with other European countries re total capitalisation owned by all employees.

- ranks second (behind France) in 'broad-based' schemes (i.e. those available to non-executive employees).
- one third of employees in large UK firms are employee owners in some form.

But...

relative distribution of this capital favours executive over non-executive employees. Other European countries have greater proportion held by non-executives.

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What is employee ownership good for?

- Devolved ownership can fail to secure good work outcomes.
- Employee ownership *alone* does not give higher motivation and productivity,
- Employee ownership is not enough to align their interests with company.

What is crucial to such outcomes is the translation of ownership into high involvement management practices and engagement in decision-making.

Good work outcomes maximised when ownership and participatory management introduced together

Employee ownership > participation > good work outcomes

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Corporate governance in the UK

- UK corporate ownership is uniquely decentralized
- Lack of shareholders with sufficiently large stakes to control management and direct corporate policy
- More acute in the UK than countries where family ownerships and dual class shares are of more significance
- Control left to professional management and bureaucracies
- Severance of ownership from control

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Shareholder and stakeholder models

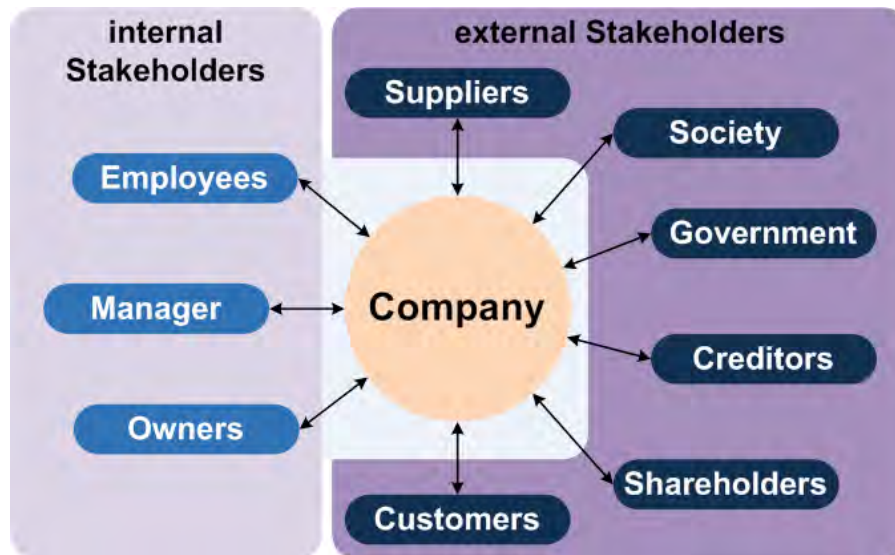
Two competing perspectives of corporate governance:

1. Corporation as vehicle through which shareholders maximise their investments. Priority on shareholder rights, success = managers deliver 'shareholder value'.
2. Corporation must attend not only to shareholder rights and returns, but also to 'stakeholders' (creditors, employees, suppliers, customers, communities, etc.)

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Stakeholder models of corporate governance

The stakeholder approach attempts to account for all of the forces that should influence decision-making, not simply 'shareholder value'.



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Shareholder model *and* good work?

- Dispersed share ownership + liquid markets + hostile takeovers = management *must* orient to short-term shareholder demands
- Possible that this precludes commitment to quality of work outcomes
- Stakeholder model encourages long-term view of value, enabling managers to orient to participatory practices and good work outcomes
- Increasing share value is an *indication* of success; it does not *cause* success.

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Conclusion

Returning to the original propositions:

1. **Employee ownership** > aligns interests > motivation and engagement > increased productivity.

Simply including employees in ownership is not enough to link their interests to those of the company. What matters more to good work is the supplementing of ownership with real engagement and decision-making power.

2. **Corporate governance** > severance of ownership from control, but shareholder models can give good work outcomes

A singular orientation to shareholder value has no particularly positive effect on good work. There is strong case to be made for more firmly embedding stakeholder interests in corporate governance regimes.