

# Employee Share Ownership: Current Studies and European Trends

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WHITE ROSE EMPLOYEE OWNERSHIP CENTRE  
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Aksjesparing for ansatte-seminar  
Torsdag 21. mai 2015



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# What I will cover today

- European Trends
- Key Issues / Debates

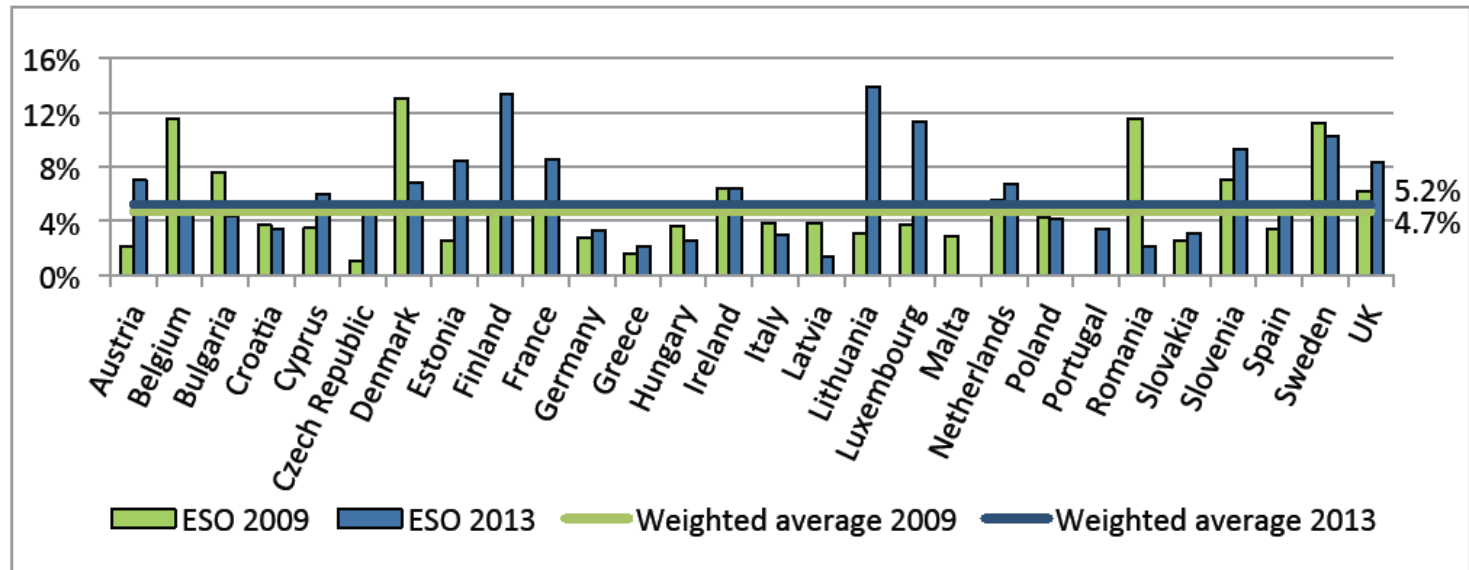
## CURRENT RESEARCH

- Which employees join / don't join?
- Reasons for joining
- Decision at maturity: walk away, cashless exercise, or exercise and hold?



# ESO in EU-28

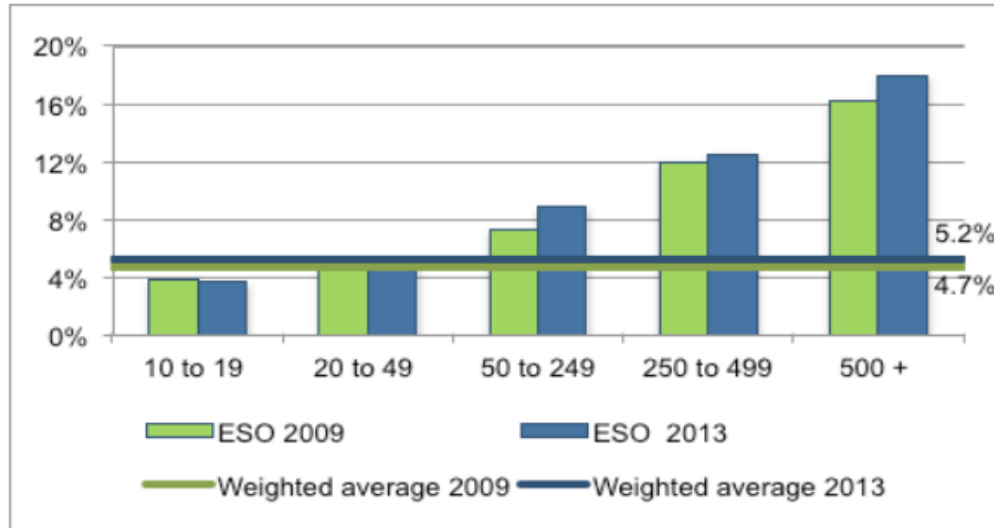
Figure 2: Proportion of private companies offering employee share ownership schemes in EU-28 in 2009 and 2013 (%)



Source ECS 2009, 2013. Taken from Lowitzsch & Hashi 2014

# ESO by Firm Size

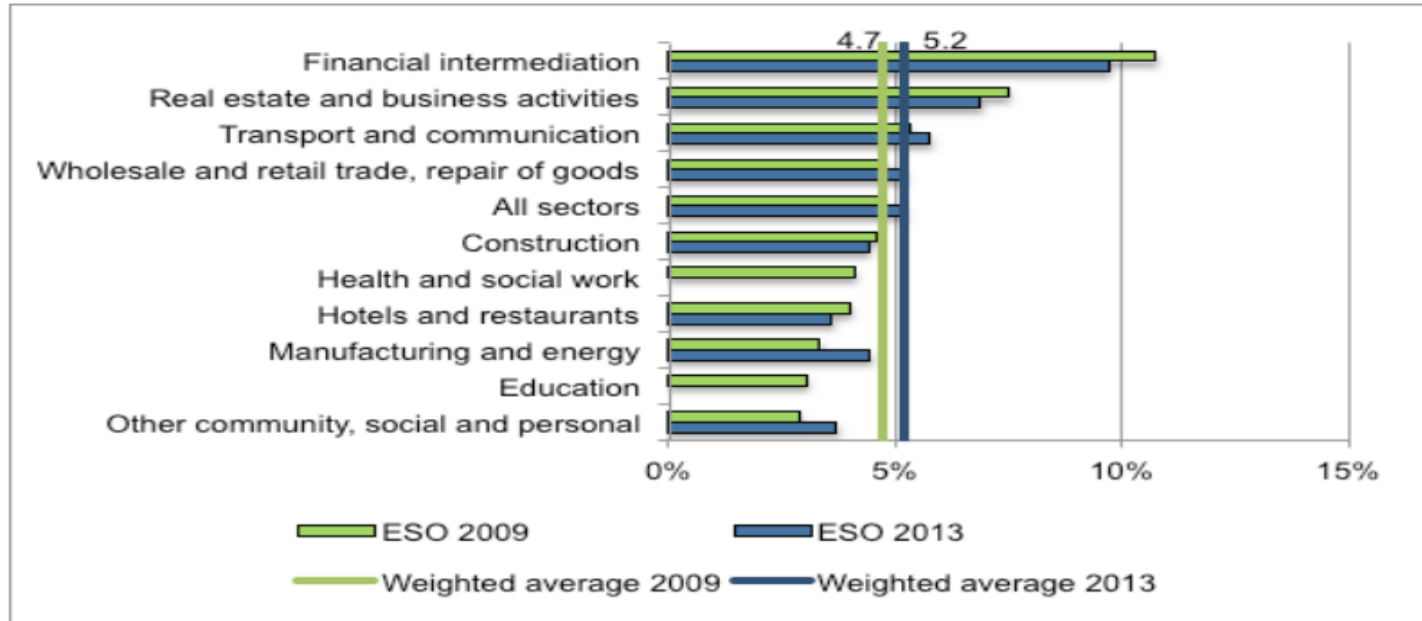
Figure 3. Proportion of private companies offering employee share ownership schemes by size class in EU-28 in 2009 and 2013 (%)



Source ECS 2009, 2013. Taken from Lowitzsch & Hashi 2014

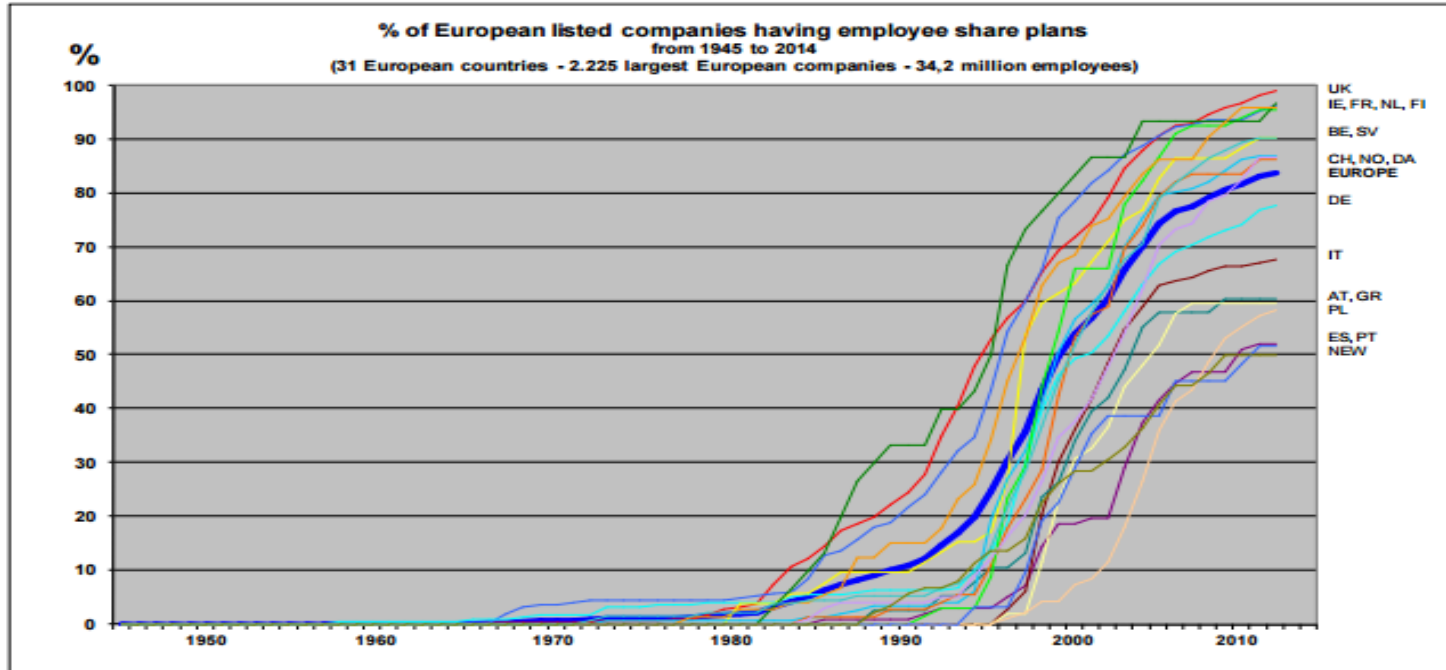
# ESO by sector

Figure 4. Proportion of private companies offering employee share ownership schemes by sector of activity in EU-28 in 2009 and 2013 (%)



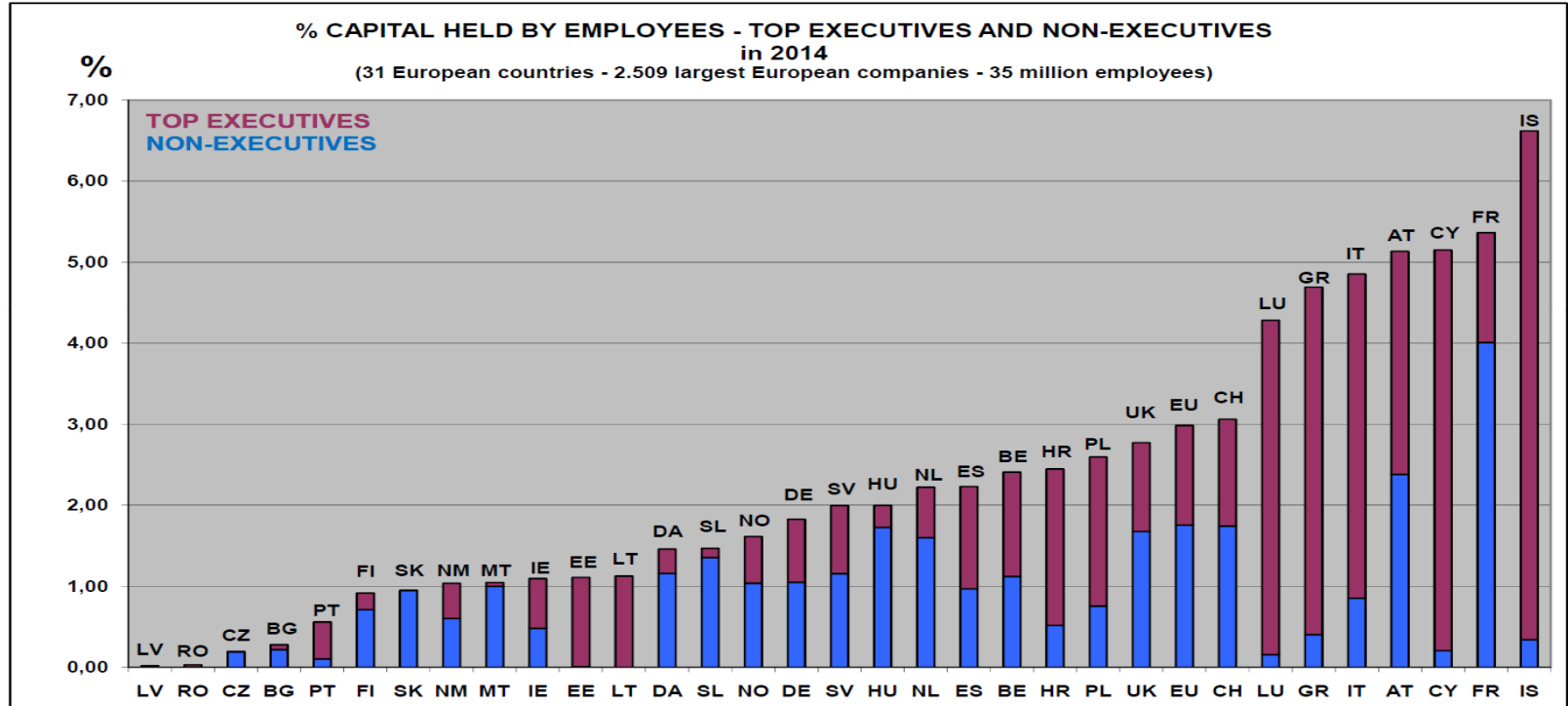
Source ECS 2009, 2013. Taken from Lowitzsch & Hashi 2014

# ESO in Listed Companies



Source: EFES Annual Economic Survey 2014 . Marc Mathieu

# Capital Held by Employees



Source: EFES Annual Economic Survey 2014 . Marc Mathieu

# Debates / Issues

Despite acknowledged benefits of ESO still 'limited' coverage amongst nations.

## Challenges in promoting ESO:

- Divergent national legal frameworks
- Different fiscal treatment of schemes
  - Cross-border schemes

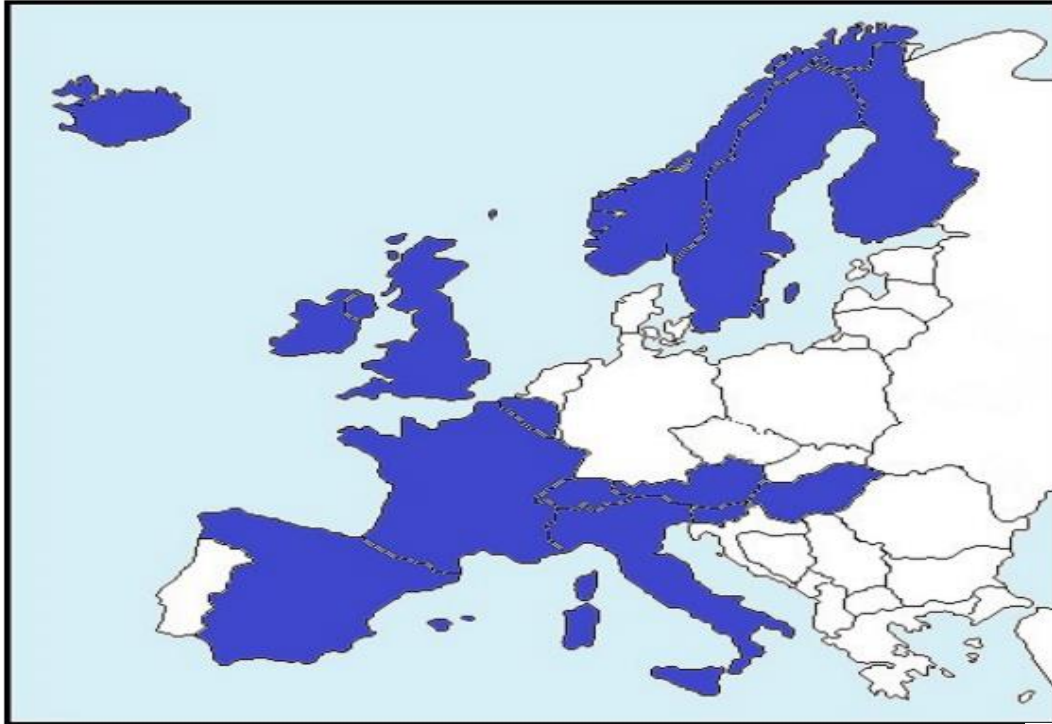
## Themes

- SME's
- Succession Planning
  - Pension
  - Education





# Fiscal Incentives



Source: EFES Annual Economic Survey 2014 . Marc Mathieu

# Current Research

- ❑ Often only a minority of employees participate in ESO. Which employees join / don't join?
- ❑ Reasons for joining
- ❑ Decision at maturity: walk away, cashless exercise, or exercise and hold? What are the factors associated with each decision choice?

Research with Professor Andrew Pendleton (University of Durham, UK) and Yorkshire Building Society, and earlier research with Proshare (now *ifsProshare*) and Halifax Employee Share Services



# Strongest influences on ESO participation

## INCOME

Higher earners more likely to join, and to contribute more

## AGE

Participation rate rises with age up until 55

Diversified  
Savings  
/Investments

Patterns of ESO participation very similar to other savings behaviour

# Strongest influences on ESO participation

ESO

Communication

Those believing it to be clear and easy to understand more likely to join, and to contribute more

FINANCE

RISK

EASE OF  
USE

LOYALTY



# Interesting 'Aside'

Sharesave is a **'savings lifeline'** for some

39% of participants  
save only in  
Sharesave

32% are  
aged 16-35

65% of  
16-24 age  
group save  
only in  
Sharesave

42% of Sharesave  
only savers are  
female compared to  
30% for Multi-savers



# Reasons for restricting saving to Sharesave

	<b>% Agree and Strongly Agree</b>
Sharesave is the easiest way to save	72
I can't afford to save any more	59
Sharesave provides better returns	74
My savings levels are about right	46
I haven't got round to making other savings	42
Sharesave is less risky than other forms of saving	70
Thinking about personal finances is boring	22
I trust the Sharesave operator more than other financial institutions	53
I don't think saving is that important	5



# Motives for joining Sharesave



## **Involvement.**

Want to put something back, be a shareholder, express support for the company, to feel part of the company etc.

## **Financial return.**

Emphasis on tax benefits, rising share prices, make a good return etc.



## **Financial reasons predominate.**

In principle, **three main groups**:

1. those for whom involvement reasons predominate,
2. those for whom financial reasons predominate,
3. those for whom both are important.

# Decision at Maturity

- Role of share price
- Orientation to share plans – involvement or instrumental
- Risk – risk aversion and perceptions of risk
- Share plan knowledge and experience
- Portfolio Diversification / Financial know-how
- Liquidity and short-termism
- Perception of SS relative to other savings
- Demographics – pay, age, gender and education





# Decision at Maturity

	Observations	Percentage	Percentage exercising SS
Cash from savings account	834	33.97	-
Exercised SS – sold all	797	32.46	49.2
Exercised SS – sold some	222	9.04	13.7
Exercised SS – sold none	602	24.52	37.1

# Proportion of shares sold and timing of sale

PROPORTION OF SHARES SOLD	WHEN SHARE SOLD				
	Immediately	Within few weeks	Within a year	Within 2-5 years	
All	377	183	156	77	793
Most	16	17	19	24	76
Half	8	18	25	13	64
Some	5	22	21	33	81
	406	240	221	147	1014

# Why kept shares?

REASON	% AGREE OR STRONGLY AGREE
Intended to sell but not got round to it	15
Expect share price to go up	89
I want to be a long-term shareholder	52
Haven't thought about it	6
Keeping them for a special event or purchase	38
I don't know how to sell them	7

# Factors Influencing Decision at Maturity

Share price movements important

Where desire for involvement is high employees maximize contact by becoming 'owners'.

Risk aversion important but also ability to assess diversification of risk.

# Factors Influencing Decision at Maturity

Those who save more in SS are more likely to keep all/some of their shares.

Share plan knowledge more likely to be linked with 'sellers'.

Portfolio diversification more linked with 'keepers' of shares.

- Gender  
- Senior Managers

Interesting income effects!

# Conclusions

A lot of the current research agenda is now being informed by practitioners and focusing on providing a better understanding of individual behaviour and decision making with regard to employee share schemes.

Hopefully you've found these initial insights useful.

Thank you for listening.

Any questions

