Ms Sarah McCarthy-Fry MP
Chair of All Party Parliamentary Group
on Employee Ownership

c/o Matthew Ball – m.ball@mutuo.co.uk

October 12, 2007

Dear Colleagues,

Subject: Inquiry of the All Party Parliamentary Group on Employee Ownership

Let us first express our congratulations for the creation of your new All Party Parliamentary Group on Employee Ownership. Employee ownership is clearly a growing model in the whole world, it brings better performances and better quality of life for all, not just employee owners or companies (see EFES mission statement in appendix). When such social development takes place it is good, at a certain point, that political representatives recognize it and give it attention and support.

The European Federation of Employee Share Ownership (EFES) was set up in 1998. In that time, 250 people from 28 countries met in Brussels, most of them promoting and developing employee ownership in their own country, but discovering for the first time that they all belonged to a global phenomenon.

The first task of the new federation was to develop an information tool about employee ownership practices in all European countries, including:

- A European website giving now thousands of information pages in most European languages.
- A monthly electronic newsletter. This newsletter includes a press review with now every month 1.000 to 2.000 articles, giving hundreds evidences about employee-owned companies, showing that it is now a usual model.
- A database of employee ownership in all widest European groups. This database was first set up in 2006, covering the 2.000 widest European groups (29 millions employees, corresponding to some 100-120 millions people, a quarter of the whole European population if you consider that each employee's family has 3-4 members). It is being updated for year 2007, covering now the 2.500 widest European groups in the 27 countries of the European Union.

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> The database registers the detailed description and history of employee share and option schemes in all companies and the capitalisations held by employees and by executives. It is an excellent tool to analyse employee ownership developments and differences across European countries. Update for year 2007 will be soon completed. It is remarkable that nearly 40% of those 2.500 widest European groups are British or French.

When EFES founders were first meeting and discussing in the late nineties, they discovered that employee ownership practices exist well everywhere, but through numerous and various models, making each country different, in function of own legislations, taxes and cultures.

The common point being that employee owners are neither just owners nor just employees, but well co-entrepreneurs (see mission statement).

On the other hand, we discovered that employee ownership is a continuum. It begins when one employee owns one share and it can go to 100% of the company. From a "non significant" stake to a "substantial minority" or a "controlling stake", all stages exist and it can also be different from one company to another.

Analysing our database for year 2006 and observing firms, we set up a classification of employee ownership from "insignificant or embryonic" (up to 1% of the company held by employees), "significant" (1% and more), "strategic" (6% and more), "determining" (20% and more), "controlling" (50% and more).

With 1 to 6% nowadays, you are already the biggest or one of the biggest shareholders in many wide European companies. With more than 6% you are in a "strategic" position – meaning that any strategic decision could not be taken in ignoring your position.

Through our press review, you can see that European companies and cases are multiplying along times where employee owners are in a "strategic" or "determining" position – see recently Eircom or Aer Lingus in Ireland, Vinci, Safran or Eiffage in France.

EFES gathers some 150 members from most European countries, including organisations, companies, experts or trade unions as well. Some EFES members in UK are for instance: Co-operative Development Scotland, the Employee Ownership Association, British Telecom, Pinsent Masons, Abacus Corporate Services, Baxi Partnership, etc.

Contribution of the co-owned business sector

Question 1: Do co-owned companies succeed in generating exceptionally high levels of productive employee engagement?

It is a fact that this assertion is commonly affirmed by most widest European companies. Most companies affirm that it is good for them to "align" employees' and shareholders' interests through employee share ownership. They commonly begin with senior employees and they are quickly extending their assumption to all employees. On the other hand, you had hundreds economic researches which concluded in this sense within the last 20 years, in many countries (see dedicated page http://www.efesonline.org/fasuk161.htm on our website). You have an Employee Ownership Index managed by Euronext, which outperforms common stock indexes in France (*Indice de l'Actionnariat Salarié*). However, you practically don't have researches at European level. Furthermore, we can observe that firms and experts seem well convinced, while governments and political representatives seem rarely aware.

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Question 2: Are innovation and change managed with relatively high levels of employee co-operation in co-owned companies?

In brief, evidences show that higher employee ownership tends to go hand in hand with higher co-operation and innovation. A brilliant example was given by Spanish Mondragon since 1953 (84.000 employees, 100% employee-owned). It is a remarkable fact that you have a high number of co-owned companies in the European engineering industry (Arup or Mott MacDonald in UK; Vinci, Spie Batignolles or Eiffage in France; Veidekke in Norway, Arcadis in The Netherlands, etc).

Question 3: Do co-owned companies demonstrate exceptionally high standards of corporate social responsibility?

It also seems that attention for CSR goes hand in hand with higher employee ownership. You can find such assumption in many companies reports.

Question 4: Do employee buy-outs offer a potentially strong business transfer option?

Yes, clearly. Spain developed its original model of *sociedades laborales* (employee-owned companies) on this basis from the sixties.
We recently encouraged a British research about this, see "Insolvency, Employee Rights & Employee Buyouts, A Strategy for Restructuring", by Anthony Jensen, Ithaca Consultancy and The Common Cause Foundation, London 2006 on page:
http://www.efesonline.org/LIBRARY/2006/Insolvency,%20Employee%20Rights%20&%20Employee%20Buyouts.pdf
See also our dedicated page on http://www.efesonline.org/fasuk211.htm
A remarkable evolution appeared recently in the US (see May 2007 – "ESOP fever in USA") with employee buyouts being discussed or organised for giants deals like Chicago Tribune ($8 billions deal) or Chrysler ($6 billions).

Question 5: Is the co-owned business model well suited to the provision of outsourced public services?

See for instance:
In UK, the recent paper of the Employee Ownership Association "Caring and sharing: the co-owned route to better care", by David Wheatcroft, London 2007, about Sunderland Home Care Associates.
In Poland, answer from the Employee Ownership Union Chamber of Commerce in appendix: "*Co-owned business model is very well suited to the provision of outsourced public services. Presently I am contracted by Polish Ministry of Health to construct the system in which county hospitals will can be run by employee own medical companies. Some assets such as buildings will remain to be owned by county government and leased to the employee owned company. Similarly, equipment this project is very well received by most hospital employees, their unions as well as by county governments*."

Question 6: Is co-ownership especially compatible with changing customer attitudes to products and purchasing?

Yes, this is usually cited.
See for instance Belgian evidence in appendix: "*Yes. E.g. our ethical saving products, proposed by our employees, proved to be popular among our clients (p. 327).*"
It is a fact that you have a remarkable set of co-owned businesses in the European retail sector, like John Lewis in UK, Eroski (part of Mondragon Group) in Spain, Auchan in France, Colruyt in Belgium, Coop in Switzerland, etc.

…/…

Possible barriers to development of the sector

One of the first co-owned companies which joined EFES was Tullis Russell (Scotland, 900 employees). Ten years ago, even such company – not the widest - had subsidiaries in Italy and Denmark, and they looked for applying their employee ownership schemes also in those countries.

Nowadays, most medium sized and most wide companies have employee share schemes and they also have subsidiaries in multiple European countries. So it is now a main point for all those companies to use similar employee share schemes in all subsidiaries. If not, people from different countries would be discriminated.

Of course, they firstly use those legal schemes which are available on their main site – the country where they have most employees. So they can avoid too much discrimination. British companies firstly use British schemes and they secondly try to translate them in other countries. French companies firstly use their French schemes and they secondly try to translate it in countries outside France.

On this way, companies face two main problems:

1. A number of European countries have no legislation for employee share schemes.
2. 2. British and French companies face a particular problem, because both countries have particularly sophisticated and effective legislations. It is practcally impossible for British companies to use their British schemes in France, because French schemes are so different. The same for French companies willing to apply their schemes in UK - quite impossible, because British uses are so different.

In this context, the rise of employee ownership drives to higher discriminations among employees from various European countries, in a same group. This is a serious barrier.

We make the following proposal to remove this barrier:

- At least one simple employee share scheme should be available in every European country.
- Even UK and France should made such simple model available, beside their own highly sophisticated and effective schemes. So British companies in France wouldn't be obliged to use French sophisticated schemes – too different from their own culture, and French companies in UK wouldn't be obliged to use British sophisticated schemes – too different from French culture.

We think that UK and France are the best places to take an initiative on this point – what the European Union decision-making process calls "enhanced co-operations", with some other most interested countries like Ireland, Norway or Finland). Remind that nearly 40% of all 2.500 European widest groups (thus all developing multinational employee share plans) are British or French (see above).

What could be this "simple" employee share scheme? In three words:

- Employee Stock Purchase Scheme, possibly annual
- Discount rate 20%, free of tax and social security, up to 10% of annual gross salary (or 5.000 Euro annually)
- Blockage period: 3 years (through deferred stocks, blocked stocks or options with vesting period).

Maybe the next French Presidency of the European Union (July-December 2008) would be the right moment for a British initiative in that way.

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Question 7: A shortage of data on the extent of the sector and its performance

Yes, there is a clear shortage of data at European level. We draw your attention on the database we set up about employee ownership in all widest European groups. We think this is an essential information tool about employee ownership across Europe. However we got well some European funding to set up the database in 2006, but we don't have any adequate funding for maintaining it in the future and it is now updated with volunteers, which is not the most appropriate way.

Question 8: Lack of awareness and information about the sector among business owners, advisers, financial institutions, and public sector policy makers

In a set of countries (mainly UK, France, Ireland, Norway, Finland, Denmark, Sweden, Switzerland or even Austria, Netherlands, Belgium and Germany), most managers, owners or advisers involved with medium-sized and wide groups are now well aware about employee ownership. In such groups in the mentioned countries, it is now usually agreed that employee ownership brings better performance and quality for all.

Things are different in most other European countries.

Generally speaking, policy makers seem not really aware and informed. This is why a dedicated Parliamentary Group seems going in the right direction. Other countries should be encouraged in the same way.

We repeat that the rise of employee ownership drives presently to higher discriminations among employees from various European countries, in a same group. This is a serious question, calling for political decisions.

Question 9: Unnecessarily restrictive tax rules affecting the sector

UK, France, Ireland and some other European countries support employee ownership through dedicated legislations and tax advantages. However, most countries of the European Union are not doing so. On the other hand, nowadays practically all widest groups and most medium-sized companies have subsidiaries in multiple European countries. This imbalance is a significant barrier to employee ownership and it brings discriminations between employees, even in a same group.

Question 10: A relative lack of appropriate finance

Maybe a lack of specialized finance for employee buyouts, the main point being that you need professionals knowing employee buyouts schemes. The good example seems Baxi Partnership in UK.

Question 11: Inadequate Government appreciation of and support for the sector

See answer 9: UK, France, Ireland and some other European countries support employee ownership through dedicated legislations and tax advantages. On the other hand, most countries of the European Union are not doing so, being not aware or not well informed.

Within the 15 countries of the former European Union, some 7-8 supported employee ownership. This was significant enough to convince the European Commission to pay some attention to the point.

However, things changed considerably when 12 new countries joined the Union, most Central and Eastern European countries being not interested or even hostile. With now some 7-8 supportive countries out of 27, things changed in Brussels and employee ownership got lower attention.

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So while employee ownership is progressing in most widest European groups and while those groups are more and more willing to extend their employee share schemes multinationally, political attention felt at EU level.

This is why we think a new political initiative should be taken in this matter.

On the other hand, we recently addressed a call to the governments of all new Member States (see appendix 2) and most of them answered quite positively.

Question 12: Inadequate recognition in public purchasing procedures of potential value for money advantages offered by co-owned sector providers

We don't feel this is a real problem.

In addition to EFES answer, we add some answers from our members across Europe – see appendix.

Of course we'll be glad to attend hearings for direct contact, if you desire.

With best regards

Marc Mathieu
Secretary General

Appendix 1: Mission statement
Appendix 2: Call to the new Member States
Appendix 3: Answer from Poland
Appendix 4: Answer from Belgium
Appendix 5: Answer from British workers coop Suma

Appendix 1

EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP

MISSION STATEMENT

Employee ownership and participation make a significant contribution to economic and social progress. They combine excellence in labour productivity and business performance with a broad, constructive social contribution. They are growing all over the world.

Employee owners, as neither just employees nor just shareholders but co- entrepreneurs, are taking on a new voice and seeking to make it heard at its rightful level: they are new social partners.

They have a new and important contribution to make to the debate and policy on the objectives of growth, competitiveness and employment in Europe.
Employee ownership is not a matter for employee owners alone. It is also a way of achieving better results for everybody: employee owners and others, employees and self-employed staff, managers, businesses and the population generally.

All major studies show that employee ownership provides competitive advantage to companies in terms of growth, profitability, productivity, efficiency, if employee ownership is combined with participative methods of management (to inform and involve employees in decision-making on job, group and company level ; empowering them in cooperating and in taking responsibility ; coaching and training for enabling them in group-work, feedback, communication, etc). EFES will promote wide-spread wealth, business excellence and humanity – in the workplace and in its environment – to go hand in hand.

That is why EFES wants to be an open federation. Open not only to employee owners, but to all those individuals, organisations, institutions and businesses which are looking to promote employee ownership and participation, in order to form as representative a federation as possible in all the countries of Europe.

One of EFES's foremost aims is to make employee owners' voices heard in the social and political dialogue at the European level.

EFES aims to be an open, democratic and participatory European organisation, founded on shared values of openness to other points of view, dialogue and mutual respect.

EFES seeks to make it easier for employees and their employer companies to establish sustainable employee ownership and participation, by promoting throughout Europe developments in legislation and in financial and organisational structures.

EFES aims especially to promote the sharing of information and dialogue among countries, companies, workers' organisations and other social partners about good practice in the fields of employee ownership and participation.

Appendix 2

Letter to the governments of
the new Member States of the EU

May 28, 2007

Dear Prime Minister,

Our organisation is representing a set of major European Groups such as British Telecom, Société Générale, Schneider Electric, Vivendi, France Telecom, EADS, Essilor, Steria, Alstom and others.

Our Groups consider employee share ownership as one of the best ways for aligning employees and shareholders interests, motivating people, improving corporate performances and giving people the chance to share better corporate results.
In several new Member States of the European Union, we noticed until recently that the idea of employee share ownership was mostly understood in the context of their previous, political systems. We have another vision.

A recent study funded by the European Commission enlightened the fact that 89% of all 2.000 widest European Groups (29 millions employees) have employee share ownership and 83% have plans to develop it more.

Our Groups are used to offer annual share plans to our employees in all possible countries.

Unfortunately, the main obstacle in development of our common human resources policy is the lack of proper legislation in new Member States. This situation causes discrimination between our employees - people from various countries, and put a brake on our development and investments abroad.

This is why we would like to trigger discussion about the most effective legislation. Our aim is to encourage your Government to introduce a dedicated legislation, allowing the following employee share plans, as the most used across the world, in the European Union and the United States as well:

- Employee Stock Purchase Plan, possibly annual
- Discount rate 20%, free of tax and social security, up to 10% of annual gross salary (or 5.000 Euro annually)
- Blockage period: 3 years (through deferred stocks, blocked stocks or options with vesting period).

Of course, if it is required, we will be delighted to provide you any further information concerning this issue.

Yours faithfully

Marc Mathieu
Secretary General

Warsaw ’06 October 2007

Dear Ms McCarthy – Fry

I recently received from Marc Mathieu information abort your action in British Parliament.
In response to your invitation to submit evidence on employee ownership I am glad to answer the questions listed in the enquiry.

Answers to questions:

Q1: Yes there is plenty of empirical evidence in the US as well as in Europe on that subject.
In my native Poland substantial number of companies that have been privatized by employee leasing method survived because of that mechanism and are now performing very well.

Q2: That depends on managerial attitudes and real position of employees voice in the company’s decision making structure.

Q3: Potentially they certainly can but I am not familiar with any studies that measure that factor in relation to co-owned companies.

Q4: They do if tax system reinforces buy-outs decisions.

Q5: Co-owned business model is very well suited to the provision of outsourced public services. Presently I am contracted by Polish Ministry of Health to construct the system in which county hospitals will can be run by employee own medical companies.
Some assets such as buildings will remain to be owned by county government and leased to the employee owned company.
Similarly, equipment this project s very well received by most hospital employees, their unions as well as by county governments.

Q6: Probably, since some of the companies are employing this fact as a sales enhancement.

Q7 to Q9: All these factors that are mentioned in those questions are significant barriers to the further growth of the co-owned business sector.

Q10: Appropriate finance in my opinion is secondary in importance and will show up if other barriers are removed.

Q11: Governments are traditionally trustees of status quo.
It takes either exceptional leader with vision and determination that is willing to change it or crisis that becomes catalyst of change.
Speech of Senator Russel Long given while introducing 1983 Employee Ownership Legislation in the US Senate can serve as the best example of visionary and pragmatic approach to policy making.

Sincerely yours

Krzysztof S. Ludwiniak

Vice President of Employee Ownership Union Chamber of Commerce – Poland.
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Belgium

Inquiry into the contribution of the co-owned business sector

N.B. My answers are based on my experiences, as reported in my book about the history of the HBK Savings Bank *(founded in 1918), a 24 % employee-owned enterprise, sold in 2000 on request of the cooperative of the employee owners to the Bassler Group.*

The page references in the following answers refer to my book, Van Put, A., *Ondernemen in de 20ste eeuw* (Management in the 20th Century), Leuven, LannooCampus, 2004, 446 p.

<u>Contributions</u>

Q. 1. *High levels of productive employee engagement*

R/ I believe so, but I don't have conclusive statistical evidence to prove this. See also Q. 2. and 3.

Q.2. *Innovation and change management*

R/ Undoubtedly. The HBK-Savings Bank introduced over a period of time a lot of technical innovations several years before these became the normal practice in the savings bank sector thanks to the creativity of our employees, such as:
- a minimum guaranteed income for independent bank-agencies (p. 206);
- an 'agency-account' (p. 207);
- a young people's savings account (p. 209);
- a 'housekeeping book' for savers (p. 210);
- portable Data Transmission Machines, connected to the normal phone system (p. 295);
- a good banking code (p. 315);
- a day-to-day calculation of the value date (p. 319);
- substituting savings-books and -stamps with a loose-leaf savings system (p. 326);
- actual (effective) calculation of interest for loans on mortgages (p. 339).

Q. 3. *Social responsibility*

Yes, without a doubt. Among other things are to mention
- special savings instruments enabling support of organizations active in the sectors of disabled and financially disadvantaged people as well as developing countries (p. 327);
- creation of ethical investment funds (p. 327);
- creation of a working group for the NGO 'Vredeseilanden - Îles de la Paix' through the independent initiative of the employees (p. 358).

For that reason the savings bank received among other things the *Securex Reward* for Ethics in Enterprise (p. 363).

Q. 4. *Employee buy-outs*

R/ I don't know.

Q. 5. *Outsourced public services*

R/ I think it is possible.

Q. 6. *Changing customer attitudes*

R/ Yes. E.g. our ethical saving products, proposed by our employees, proved to be popular among our clients (p. 327).

<u>Barriers</u>

Q. 7. *Shortage of data*
Q. 8. *Lack of awareness and information*

R/ They certainly form a barrier.

Q. 9. *Tax rules*

R/ Because employee ownership generates significant costs, a fiscal compensation system is a necessity (p. 270-271).

Q. 10. *Lack of appropriate finance*

R/ From my experience, I would say, it isn't a barrier.

Q. 11. *Government appreciation and support*

R/ Adequate government appreciation and support are essential. Cfr. Q. 9 (p. 270 et seq.).

Q. 12. *Public purchasing procedures*

R/ This is certainly an important barrier.

N.B. Just now my book on Participative Management. The missing keystone for the Top of Lisbon (Van Put, A., *Participatief Ondernemen. De ontbrekende hoeksteen voor de Top van Lissabon*, Antwerpen-Oxford, Intersentia, 276 p.)*, written on the special request of the Association of Christian Employers* (VKW - Verbond van Christelijke Werkgevers en Kaderleden)*, is published.*

A. Van Put
Belgium

UK – Bob Cannell, Workers Coops

Response to All Party Parliamentary Group on Employee Ownership

Thank you for requesting input to the All Party group. The letter refers solely to employee ownerhsips but I believe you should also be considering the role of worker cooperatives. Worker cooperatives are 100% employee ownerships with direct democratic employee engagement. They are therefore at one end of the spectrum of employee ownership from co-owned businesses with minority % employee share ownership.

I have passed your letter inviting submission of evidence to Cooperatives UK, the apex organsation for cooperatives of all types in which I am an elected representative for UK worker cooperatives and to CECOP the European federation for worker cooperatives. I am the UK representative to CECOP. CECOP works with EFES to whom the original letter was addressed and of which I am a board member representing worker cooperatives. EFES is the association of employee ownerships of all types.

The UK is unusual in that we have relatively few and small worker cooperatives. Other EU states have large and thriving worker cooperative sectors (Spain, Italy, France) which operate alongside thriving employee ownership and co-ownership sectors.

In Spain fro example the concept of worker ownership is widespread. The giant Mondragon industrial worker cooperatives of the Basque region (40,000 members, 8 billion Euro turnover) the thousands of worker cooperatives in Valencia work alongside and support a national sector of many thousands of SALs – worker owned or co-owned SMEs.

Your survey cannot fully comprehend the employee ownership sector in the UK unless you take worker cooperatives into account..

Unfortunately we often get lumped in with other cooperatives (consumer owned, agricultural, housing, credit unions) with which we share our principles but our operational culture is private sector, entrepreneurial enterprises and more akin to the EO sector. Most worker cooperatives in the UK are small fully commercial SMEs.

Q1 Do co-owned companies succeed in generating exceptionally high levels of productive employee engagement?

Yes in certain cases. Some co-ownerships or employee ownerships (EOs) prioritise ownership over employee control or employee input to the governance process.. There are many examples of such businesses struggling to capture the benefits of co-ownership. A particular problem in the USA where employee share ownership plans grant tax advantages to businesses and are implemented without regard to employee engagement. United Airlines was one such.

In the UK there has been a division between EOs and businesses with full employee engagement such as worker cooperatives. The former prioritising ownership at the cost of engagement and the latter prioritising engagement at the cost of effective business management.

However research by such as Prof.Jonathan Michie of the Birmingham University Business School has shown that when both ownership and engagement are stressed, worker owned businesses do indeed out perform privately owned businesses in terms of productivity.

John Lewis Partnership consistently outperforms the undustry average in its department store and supermarket operations. JLP is almost a worker cooperative but retains some features of the

Employee benefit trust EOs. The partners are not in full control of the business as in a worker cooperative.

Those Co-ownerships which trade shares also have an employee share ownership share index which has performed well against the FTSE.

There is little or no research to measure the relative productivity of worker cooperatives in the UK. UK worker cooperatives are a relatively ignored group. Research from the 1990s indicated that new start up worker cooperatives had a significantly higher survival rate than equivalent size privately owned start ups.

Personal experience by the author with 25 years experience of worker coops in the UK indicates that worker coops do generate high levels of productive employee engagement. They are low capital businesses in most part and provide sustainable employment in difficult sectors such as retail, distribution, transport. Better employment than the non- cooperative competition.

There are some exemplary examples, my coop, Suma provides 150 well paid (50% above market average) jobs, multi skilling, access to jobs for minority groups. It is a fully democratic management structure with no MD, chief Executive. All teams are democratically managed. And it is a very successful business in a fiercely competitive market with a £24 million turnover. See www.suma.coop for more details. We would be happy to host a visit by the All Party Group to show you that this apparently impossible utopia is a practical reallity.

Q2 Are innovation and change managed with relatively high levels of employee co-operation in co-owned companies?
There are mechanisms by which this can be enabled. In Suma the employee member does a variety of roles so there is less of a problem as business requirements dictate different work be done. Employee owner intersts do not restrict flexible working. The European commission favours a term "flexecurity" for its ideal employment in a rapidly changing world (flexible jobs in a secure framework of employment).
The Suma way fits this ideal. Suma co-owners move throughout the business learning new skills and roles in an internal career progression.
This flexibility enables innovation in services and products to meet changing consumer requirements. We have a very active new product development team addidng to the range of Suma brand products. Our niche is at the leading edge of the grocery market, serving pioneer consumers who are early adopters. Many products we have pioneered in the UK market have gone into mainstream grocery – white recycled toilet roll, non-hydrogenated bread spreads (like flora is these days), organic beans in cans, fairtrade products, GM free products, environment friendly cleaning products were all first pioneered by Suma and other worker cooperatives in our pioneer grocery niche market.
Customer service has similarly developed in response to customer wishes. We pioneered direct nationwide deliveries to consumers 30 years ago and we are adapting this service to the internet age in a greener, more ethical and convenient format than major supermarket internet shopping.

Q3 Do co-owned companies demonstrate exceptionally high standards of corporate social responsibility?
Cooperatives are bound to the International Cooperative Alliance principles of cooperation which require the highest levels of CSR. It is no coincidence that the Coop Bank and Coop Shops lead the mainstream in ethical business. Worker coops are similarly bound by the wishes of their usually highly principled member owners.
Independent audits (for example in Ethical Consumer magazine) consistently score Suma and other worker cooperatives at the top of the CSR scale. Again see www.suma.coop for somedetails.

The reason for this is our open governance structure where any member can raise issues of concern. Maybe as a result of a customer comment. We are too socially concerned in truth sometimes at the cost of business performance.
Worker coops also support local communities. ILO recommendation R193 of 2002 and the subsequent ICA world declaration of worker cooperative definitions of 2005 acknowledge the rooted nature of employemtn in worker owned businesses and the greater return of wealth to local communities compared to absent investor owned enterprises.

Q4 Do employee buy outs offer a potentially strong business option?
Cooperatives UK has hosted the Delivering Employee Ownership network of employee buyout specialists for several years. The priority is conservation of employment where there are succession problems in small businesses. Many thousands of small UK businesses, single owners or family businesses particularly fail find buyers, are bought and closed down by competitors or are simply wound up when with adequate support an EBO is possible.
There are several high profile examples of successful worker cooperative EBOs. Tpower Colliery in wales and the other Wales Coop centre EBOs, Solar Fires in Holywell, Alpha Beds, Belgrano motor services.
The Baxi fund engineer EBOs using the Employee Benefit Trust model - Loch Fyne Oysters, UBH Tanks amongst many others.
Many worker cooperatives started as an EBO including my own Suma which began as a 7 person EBO in 1977 and has grown to a 150 employee business.
Other European states engineer EBOs to conserve the succession of family businesses – in France,employees must be offered the option of an EBO. In Italy and Spain,unemployment benefits can be rolled up to provide finance for EBOs.
There is currently no organised national support for EBOs in the UK hence the loss of many viable small businesses.

Q5 Is the co-owned business model well suited to the provision of outsourced public services?
There are many examples of successful cooperatives operating outsourced services. The most successful has been Greenwich Leisure Limited which operates leisure and sports centres across London and has spawned an entire industry represented by SPORTA , the sports and recreational trusts association. GLL is a multi stake holder cooperative where although employee members have majority infleunce there is built in representation by customers, trades Unions, local authority. This mutlistakeholder model is used by some 30 other sports and leisure trusts, mostly very successfully in terms of customer service, value for money and local employment creation.
The great advantage of this model is that staff are employed directly and have a long term interest in providing good service wheras normal commercial contractors frequently use agency staff with no security or commitment.