IPPR Commission on Economic Justice

Capital Gains

Broadening company ownership in the UK economy

Policy paper

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The IPPR Commission on Economic Justice

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The IPPR Commission on Economic Justice

The IPPR Commission on Economic Justice is a landmark initiative to rethink economic policy for post-Brexit Britain.

Launched in November 2016, the Commission brings together leading figures from across society – from business and trade unions, civil society organisations and academia – to examine the challenges facing the UK economy and make practical recommendations for reform.

The Commission is undertaking a wide-ranging programme of research and policy consultation on issues including industrial strategy, macroeconomic policy, taxation, work and labour markets, wealth and ownership, sub-national economic policy and technological change. Through a major programme of communications, events and stakeholder engagement it aims to contribute to both public debate and public policy on the economy. Non-partisan, it has been welcomed by both government and opposition parties.

The Commission's Interim Report, *Time for Change: A New Vision for the British Economy*, was published in September 2017. Its Final Report will be published in autumn 2018.

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NOTE

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Summary

60-SECOND SUMMARY

The unequal ownership of capital in the economy is a powerful driver of inequality. With the share of national income going to capital having increased in recent decades, and likely to rise further, new models of company ownership are needed to reduce inequality and ensure the benefits of growing national wealth are widely shared. The aim of ownership reform should be two-fold: to give more people a share of capital, both as useable wealth and for its income returns; and to spread economic power and control in the economy, by expanding the decision rights of employees and the public in the management of companies. This report sets out three different ways in which ownership can be spread more widely: the establishment of a national Citizens' Wealth Fund, giving the public a share of corporate and other assets; the expansion of employee ownership trusts, which give employees majority ownership of companies; and the growth of co-operative and mutual firms. It recommends a series of reforms to achieve these goals.

EXECUTIVE SUMMARY

The structure of capital ownership powerfully shapes how economic rewards and power are distributed in society. Ownership of capital grants rights both to income and to control over how businesses are run.

Over the last 40 years the share of national income going to the owners of capital in the form of profits has risen, while the share going to labour, in wages and salaries, has declined. Current economic and technological trends, including automation and rising land values, are likely to exacerbate this. If capital were widely owned, the growing share of national income going to capital would not matter for inequality and living standards, since the benefits would be broadly distributed. In fact, the ownership of capital is highly unequal. The wealthiest 10 per cent of households own 45 per cent of the nation's wealth, while the least wealthy half of all households own just 9 per cent. Financial wealth is particularly unequally held: the wealthiest 10 per cent own almost 70 per cent of the UK's financial wealth. As a result, the rising share of national income going to capital has become a major driver of inequality.

One crucial method to reverse the rise in inequality and ensure the benefits of growing national wealth are widely shared is to broaden the ownership of capital, particularly that of businesses. A core objective of public policy needs to be to ensure that a significantly larger proportion of the population have a share of capital, both as useable wealth and for its income returns. A secondary objective should be to spread economic power and control in the economy, expanding the decision rights of both employees and the public in the management of companies.

This paper sets out three mechanisms to broaden the ownership of companies and spread economic rewards and power more widely. (We do not consider in this report the very specific sectoral questions arising from proposals to bring back into public ownership firms in fields such as railways, water and energy.)

1. **The establishment of a Citizens' Wealth Fund.** Like other sovereign wealth funds around the world, this would own shares in companies, land and other assets on behalf of the public as a whole. It would thereby manage existing public assets and transform a part of national private and corporate wealth

into shared public wealth. The Fund could be capitalised by a combination of capital receipts from the sale of public assets, revenues from a 'scrip tax' on corporate stocks, and the hypothecation of wealth taxes. The Fund's investment mandate would be set by Parliament but it would be managed by an independent board on behalf of the public. The Fund would act to spread wealth by paying out a universal citizen's dividend to all or particular groups of the population, and by investing in the provision of universal basic services.

2. **The expansion of employee ownership trusts.** Employee ownership trusts (EOTs) are a form of business model in which a majority of a company's ownership is vested in its workforce. Such trusts enable a considerable share of the returns to capital (company profits) to be distributed to labour, and for workers to exercise a much more significant role in the governance of the firm. The growth of EOTs can be incentivised by a number of reforms, including stronger tax incentives for the transfer of business ownership and for external investment and measures to build individual capital stakes for employees. At the same time reform of pension auto-enrolment to increase minimum pension contributions would allow employers to credit company shares to their employees' pension accounts. This would boost pension savings rates, allow companies to use the working capital, and help transform the level of employee ownership in the UK. Doubling the current rate of growth of EOTs could see over 21,000 companies majority owned by their employees by 2030, with almost 3 million employee owners.
3. **The expansion of co-operative and mutuals.** There are currently around 7,000 firms owned by their workers or consumers, with around 223,000 employees and a combined turnover of £35.7 billion. Co-operatives and mutuals have democratic ownership and governance. The number of such firms would be significantly increased if the financial, legal and infrastructure barriers currently facing them were overcome. Drawing on experience in other European countries with larger co-operative sectors, reforms should include establishing a Co-operative Capital Development Fund, financed by a levy on the profits of co-operative firms; a specialist Co-operative and Mutual Development Bank to finance co-operative enterprises; and the introduction of the same capital gains and inheritance tax incentives for companies at the point of sale to co-operatives as recommended for sales to employee ownership trusts.

Introduction: Why is ownership important?

Unequal patterns of capital ownership act as a fundamental driver of inequality. Ownership of capital confers the right both to the receipt of income and to a say in the use of the economic asset. How companies are owned consequently has a powerful bearing on the distribution of power and reward within the economy and society.

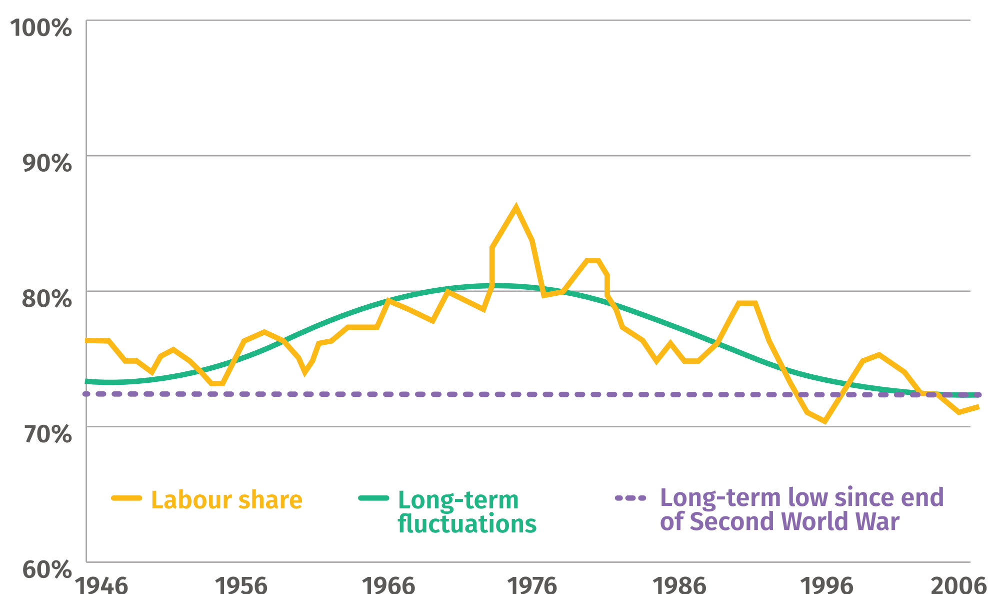
The IPPR Commission on Economic Justice seeks an economy where prosperity is underpinned by fairness (IPPR 2017). Reducing inequalities of wealth and power is an important part of this goal. A key means of doing so is to widen the ownership of capital.

The declining share of national income going to labour (that is, to wages and salaries rather than as returns to capital) makes the question of capital ownership urgent. While labour's share of income rose from the post-war period up until the 1970s, it subsequently declined until the financial crisis (see figure 1). A declining labour share occurs when wages grow more slowly than productivity and the returns to capital exceed the rate of economic growth. This trend has been observed in most advanced economies, driven by a combination of global economic integration and technological change, and their impact on both capital and labour markets, and political choices relating to the regulation and taxation of labour and capital (Dao et al 2017). A declining labour share reflects a major shift in how economies generate growth and distribute their rewards, with a growing proportion of the gains from growth flowing to capital rather than labour.

FIGURE 1

GDP growth was driven by rising wages for a quarter of a century, but since the mid-1970s the share of wage in national income has been falling

Total wages in the economy as a proportion of GDP, actual and long-term fluctuations, 1946–2008

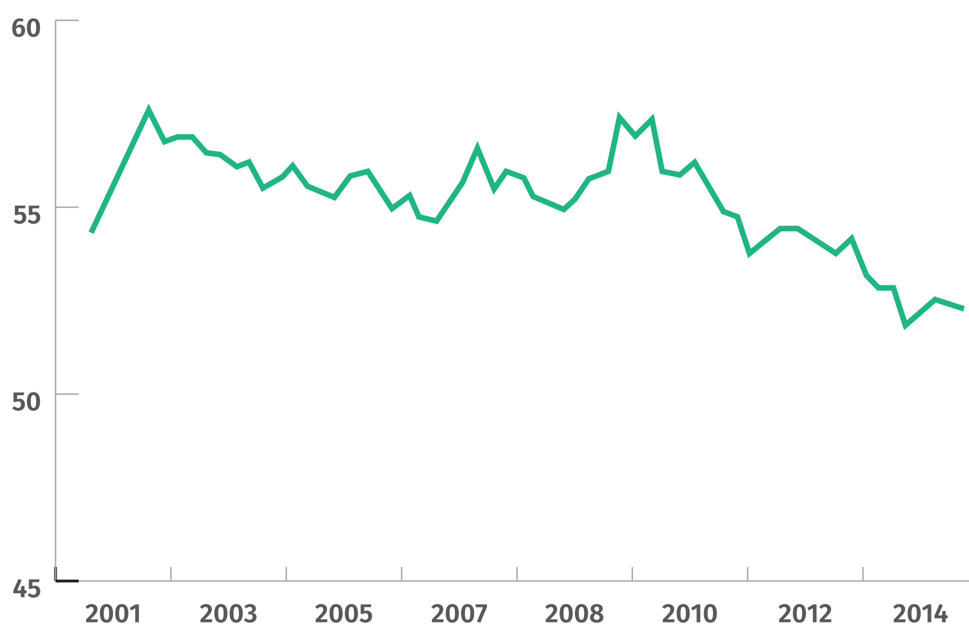


Source: OECD 2015

This downward trend has continued in the UK since the financial crisis (Haldane 2015; see figure 2), and looks likely to continue into the foreseeable future. Over the last decade average weekly earnings have become decoupled from GDP growth, with the result that the period from 2008 to 2021 is expected to be the longest period of earnings stagnation for around 150 years (IPPR 2017). Even if the economy grows in size it is no longer guaranteed to translate into higher earnings for a majority of the working population, nor a growing share of national income going to labour.

FIGURE 2

The share of national income going to labour continues to decline
Labour's share of national income, 2000–2015



Source: Haldane 2015

Three powerful trends make it likely that capital's share of national income will continue to increase. First, the value of land continues to rise faster than economic growth. Fixed in supply and owned by a declining proportion of the population, the value of land has increased more than fivefold since 1995 – and at £5 trillion now represents more than half of UK total net worth (ONS 2017a). Rising house prices have led to home ownership now being at its lowest rate for almost three decades, with landowners increasing their income from property (Roberts and Lawrence 2017).

Second, growing automation in the economy represents a substitution of capital for labour. If it becomes easier and cheaper to replace human work by increasingly capable robots and artificial intelligence, automation could accentuate existing trends in the capital and labour shares (Lawrence et al 2017).

Third, the rise of highly profitable digital platform monopolies, with workforces that are small relative to value added, is also likely to put downward pressure on labour's share of income. The growth of 'superstar firms' – which are able to use their aggregation and analysis of data to make supernormal profits, and to dominate not just current digital markets but future ones in artificial

intelligence and machine learning – is likely to lead to a growing capital income share (Autor et al 2017).

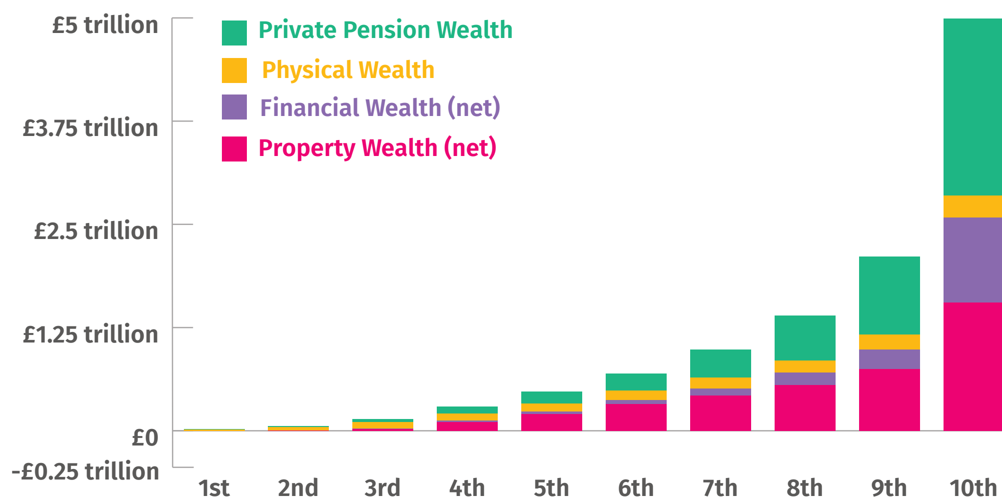
Technological and economic trends therefore risk creating a 'paradox of plenty': society would be far richer in aggregate, but for many individuals and communities, technological change could reinforce inequalities of power and reward as the benefits flow disproportionately to the owners of capital.

If capital were shared equally, the rising value of capital and the growing share of capital income would not matter for inequality, since the benefits would be broadly distributed. However, this is not the case. The wealthiest 10 per cent of households own 45 per cent of the nation's wealth, while the least wealthy half of all households own just 9 per cent (see figure 3; ONS 2015). Property, the most widely spread form of wealth, gives people little control over the productive forces of the economy (Atkinson 2015). Financial assets, by contrast, are particularly unequally owned. The wealthiest 10 per cent own almost 70 per cent of the UK's financial wealth, including almost four-fifths of shares. The median financial wealth of the richest 10 per cent is £153,900, while for the least wealthy half of households, it is just £400 (ONS 2015).

FIGURE 3

Financial wealth makes up a disproportionate amount of the wealth of the richest

Aggregate total wealth (£), by deciles and components of wealth, Great Britain, July 2012 to June 2014 (unit, trillion)



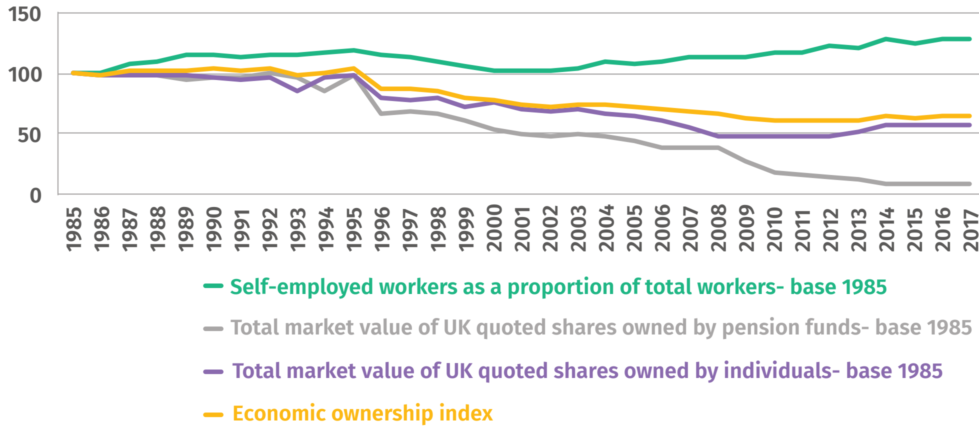
Source: ONS 2015

Economic ownership of quoted shares has also declined since the mid-1980s (Mayo and Millstone 2015; see figure 4 and figure 5). Indeed, efforts to create a British shareholder democracy appear to have had the opposite effect, with UK quoted shares increasingly owned by institutions from the rest of the world and individual and British pension fund ownership at record lows, though this partly reflects deepening financial globalisation with UK funds owning more global equity (see figure 5; ONS 2017b).

FIGURE 4

Economic ownership is two-thirds its total compared to 1985

Sources of economic ownership (self-employment, individual share ownership and British pension fund ownership of UK quotes shares, index=1985)



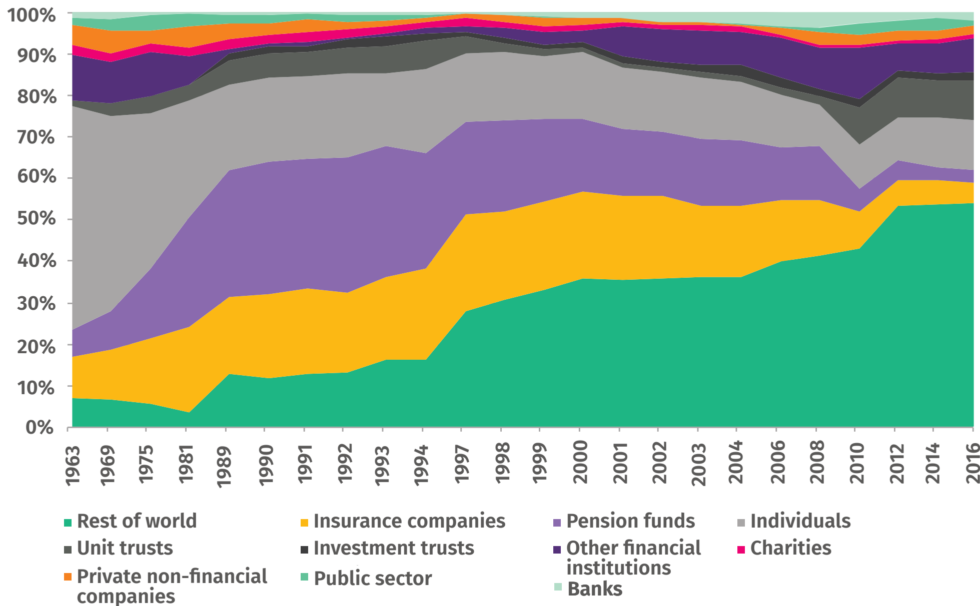
Source: Mayo and Wright 2017

Note: Economic ownership is based on the proportion of UK shares owned by individuals, the proportion of UK shares owned by (British) pension funds, and the proportion of overall working population who are self-employed, indexed to 1985.

FIGURE 5

Ownership of UK quoted shares has dramatically shifted over time, with the rest of the world owning more than half of UK shares

Percentage of total market value of UK quoted shares by sector of beneficial owner, 1963–2016



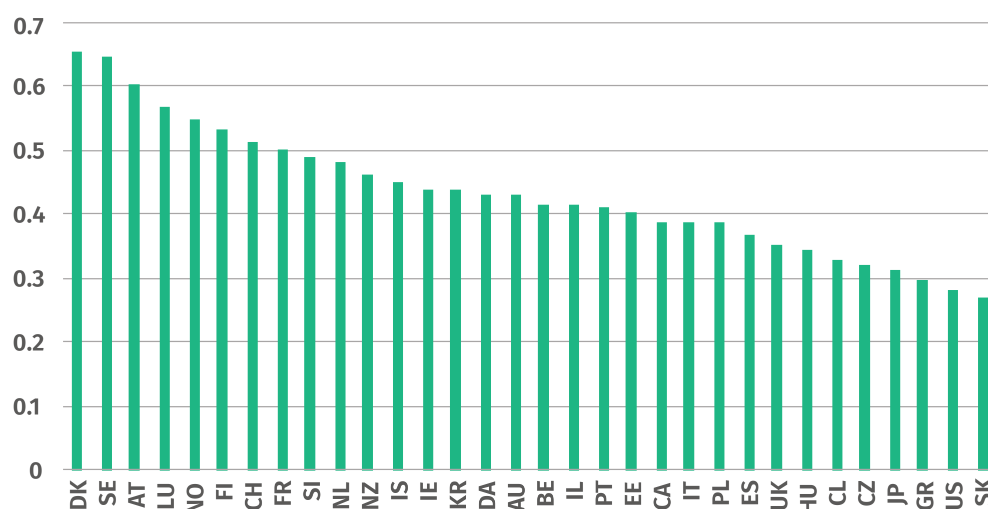
Source: ONS 2017b

The concentrated nature of economic ownership in the UK is an important factor in its poor rating in the Economic and Social Research Council 'Economic Democracy Index' of OECD economies (see figure 6; Cumbers 2016). The analysis is a composite of four different measures of economic democracy, of which the level of collective, co-operative and employee ownership and employee share ownership, and the distribution of economic decision-making powers within an economy are critical factors for a country's overall score. It is worth noting that countries with greater levels of economic democracy are also typically more productive and equal than more hierarchical economies (Lawrence 2017).

FIGURE 6

Economies with more employee ownership, co-operatives, and collective ownership score higher in terms of economic democracy

Economic Democracy Index of OECD countries (2013) based on degree of associational economic democracy; workplace rights; distribution of economic decision-making powers; and transparency and democratic engagement in macro-economic decision making.



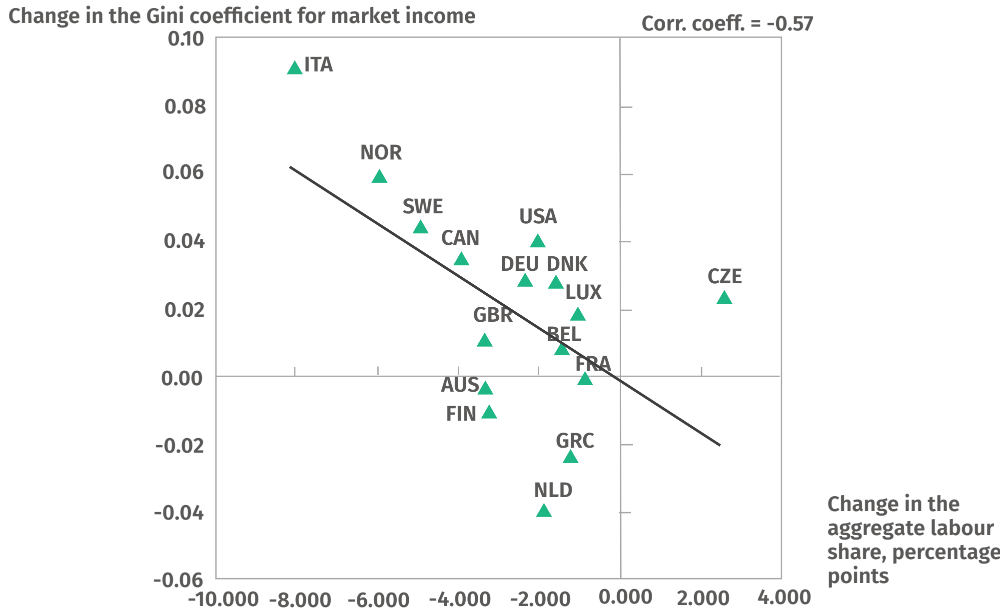
Source:Economic Democracy Index Project 2017.

Note: The index is a composite measure across the period 2000 to the latest data available (2013 in most cases).The highly unequal ownership of capital means that a rising share of capital in national income increases both wealth and income inequality (see figure 7). For example, those with an income of over £1 million a year receive a fifth of their incomes in dividends, interest and property income, compared to less than 5 per cent for those earning between £20,000 and £30,000, and virtually nothing for the poorest households (ONS 2017c). As Thomas Piketty has demonstrated, without policy intervention this dynamic of divergence will continue to deepen if returns to capital exceed returns to labour (Piketty 2014).

FIGURE 7

A declining labour share of national income is associated with rising inequality

Changes in the labour share and in income inequality in OECD countries, 1990s–mid-2000s



Source: OECD 2015

How can rising inequality be halted and living standards raised in the context of a declining labour share of national income? There are four principal methods. One is to increase the bargaining power of labour, thereby changing the distribution of rewards at the level of individual firms and sectors. A second is to tax capital more effectively and use the receipts to help distribute wealth and income more widely. A third is to enable more people to acquire land and housing wealth. A fourth is to spread the ownership of corporate capital (i.e. businesses) more broadly. The Commission on Economic Justice is exploring all four avenues.

This report is concerned with the last of these. We set out three mechanisms to broaden the ownership of companies and spread economic power. The core objective is to ensure that a significantly larger proportion of the population have a share of capital, both as useable wealth and for its income returns. A secondary objective is, through this means, to spread economic power and control in the economy, expanding the decision rights of both the public and employees in the management of companies. If adopted, our proposals would see a wider diversity of company ownership models in the economy as a whole.

Different models of ownership produce differing distributions of power and control within a firm, creating different purposes and outcomes. While extraordinarily successful in some respects, the conventional company model has clear limitations, with a narrow focus on private, investor ownership, and it can be argued that it contributes to wider economic and social injustices in the contemporary UK political economy (McDanieland Berry 2017). Businesses owned in ways that broadly distribute ownership and participation rights in the workplace can often be more productive, resilient and equitable (Lawrence 2017; Davies 2009). Expanding alternative models of ownership in the economy – and broadening ownership of capital – is therefore vital to building an economy where everyone has a stake and say.

We propose three sets of reforms to achieve wider ownership of companies. In this report we do not discuss the potential for taking firms back into public ownership in sectors such as railways, water and energy, which requires very specific analysis of the purpose and performance of firms in those sectors. Here we are concerned with more general ownership reform.

1. **The establishment of a Citizens' Wealth Fund.** This would own shares in companies, land and other assets on behalf of the public as a whole, thereby managing existing public wealth and transforming a part of private and corporate wealth into shared net public wealth, ensuring everyone benefits from returns to capital.
2. **The expansion of employee ownership trusts.** Employee ownership trusts are a form of business model in which a major proportion of a company's ownership is vested in its workforce. Such trusts enable a considerable share of the returns to capital (company profits) to be distributed to labour, and for workers to exercise a more significant role in the governance of the firm.
3. **The expansion of co-operative and mutuals.** These are firms owned by their workers or consumers. The number of such firms can be increased through a number of supporting mechanisms and incentives.

1. Building a Citizens' Wealth Fund

We propose that the UK establishes a sovereign wealth fund. A sovereign wealth fund is a publicly-owned investment fund that invests in real and financial assets. Funds have existed around the world since the 1950s, but have risen sharply in number since 2000, and there are now more than 70 government funds, in countries including Singapore, New Zealand, Ireland, France and the UAE, as well as in a nine US states.

By owning economic assets in common, the fund would act as 'a force for economic convergence' (Lansley 2017) by socialising returns to capital, managing existing public wealth and transforming a part of national private and corporate wealth into shared net public wealth (Atkinson 2015). Establishing a fund does not guarantee that public wealth will grow. However, with effective capitalisation and stewardship, it should expand substantially over time, providing a vehicle for the accumulation of assets on behalf of the public to ensure everyone has a claim on the returns of the economy and a collective say in its direction.

We propose the establishment of a Citizens' Wealth Fund to invest in a broad range of assets on behalf of the public. The Fund would be capitalised through capital receipts or new taxes. Capital receipts could include.

- **Asset sales.** Transfer all or part of the £55 billion worth of planned financial asset sales between 2017–18 and 2022–23 (OBR 2017) into the Fund. Transferring all or part of the receipt from the sales into the Fund rather than the Treasury would have fiscal implications. However, we believe that it would be a fairer and more effective approach to building up the UK's public wealth and strengthening fiscal resilience in the long run. Some policies that have been funded by commitments to sell assets could also be reversed. £20 billion of Royal Bank of Scotland (RBS) shares and UK Asset Resolution Limited (UKAR) assets will be sold by 2022–23 in order to fund the government's Help to Buy extension, which has been predicted to benefit the already wealthy and increase house prices. This money could instead be used to capitalise a publicly-owned wealth fund.
- **Public borrowing**. Given the low cost of long-term borrowing and the higher real rate of return for the majority of sovereign wealth funds – and broader returns on global equity – one source of capitalisation could be to issue a special Treasury bond to raise funds to purchase a broad portfolio of assets (Lansley 2017).
- **A review of the public estate.** Strategically reviewing the public estate, worth an estimated £3 trillion, to assess whether certain assets could achieve a greater return if transferred into the Fund, such as the Crown Estate (McCann et al 2017).
- **Future sources of revenue**. The Fund could be boosted by new future streams of revenue such as planned spectrum sales or new models of ownership of common data that would generate revenue. For example, the Commission is examining the possibility of a public/private data bank that would enable the public to reclaim greater value from the data commons. The potential value of these sources is uncertain.

New taxes or revenues streams could also supplement the Fund. This could include.

- **Introduce a 'scrip tax'.** The Fund could also be capitalised by a 'scrip tax'. A scrip tax is a tax on corporate profits paid by firms issuing equity to government instead of cash. This transforms a stream of payments in the form of corporation tax into an asset that produces returns. A scrip tax would be paid by issuing new equity, which would moderately dilute shareholder value but would not reduce a corporation's working capital. Given the cumulative, compounding nature of the scrip tax, it could be set at a low rate and still create a substantial stake for the Fund over time.[1] For example, corporation tax is expected to raise £276 billion between 2018/19 and 2022/3 (OBR 2017). A share of this could be in the form of equity if a scrip tax was applied as a proportion of the overall corporation tax rate. This would mean the government would have to make up the shortfall in its current revenues through other means. Preferably – given the UK's relatively low corporation tax rate among advanced economies, the failure of reductions to significantly increase corporate investment, and its planned reduction to 17 per cent by 2020 – a 3 per cent scrip tax for example could be applied in addition to the corporation tax rate. This would make the rate of corporation tax plus a scrip tax 20 per cent of corporate profits, the same rate as corporation tax in 2015. HMRC estimates that a 1 percentage point increase in the rate of corporation tax in 2017/18 would raise £2.7 billion a year in 2021–22 (IFS 2017), suggesting a 3 per cent scrip tax could raise an estimated £6–7 billion worth of equity a year in the 2020s. Applying a scrip tax would consequently generate significant amounts of equity, enabling the Fund to steadily accumulate assets over time. Businesses unable to issue equity would pay the equivalent value of a scrip tax in cash.
- **Wealth taxes:** Hypothecating part of the revenue from existing or wealth taxes into the Fund would turn forms of private wealth into public wealth.
- **Expansion through returns.** The Fund would also expand by reinvesting its returns. The majority of sovereign wealth funds have delivered a real rate of return of 4.5 per cent or more in the past decade (Cummine 2016).

The Fund's investment mandate should be set by Parliament. This should include defining its benchmark return rate to be pursued with acceptable but not excessive levels of risk,[2] the Fund's ethical obligations in consultation with the public, and the areas of economic activity in which its investments might be focused. On a day-to-day level, it should operate at an arm's length from government, managed by an independent Board and Fund Management Agency in pursuit of its investment mandate (Cummine 2016). The Fund should operate with as much transparency and public accountability about its activity as possible. To ensure that it is maintained over time, payouts from the Fund should be capped at, say, a maximum of 4 per cent per year.

The key feature we propose is that a proportion of the Fund's annual income should be returned to its owners, the public, through a Citizens' Dividend. This could be a small annual transfer to all citizens or to defined groups, such as poorer households; or a larger one-off payment to a particular cohort of the population, such as babies at birth or young people. Other methods of distributing the annual returns might also be considered, such as by funding provision of universal basic services (Portes et al 2017). Whether the dividend from ownership should be in the form of an individual transfer or collective provision of goods or payments is a matter for democratic debate. The crucial

1 A form of scrip tax was the mechanism that capitalised Sweden's 'wage-earner funds' which were at the core of the innovative and economically successful 'Meidner Plan' (Furåker 2015).

2 We believe a long-term benchmark return target of CPI + 4 per cent to 5 per cent per annum, pursued with acceptable but not excessive levels of risk, is a reasonable mandate. This would be an average return of rate compared to other leading wealth funds, and is a rate consistently achieved or exceeded in the last decade by the majority of sovereign wealth funds (Roberts and Lawrence 2017).

point is that by expanding the collective, public ownership of corporate and other assets the Fund would allow the returns to capital to be much more widely distributed than at present.

The Commission will be publishing a separate report in 2018 setting out in detail how a Citizens' Wealth Fund could operate in the UK, including its objectives, capitalisation and distribution of returns (Roberts and Lawrence 2018 forthcoming).

2. Scaling the Employee Ownership Trust model

A Citizens' Wealth Fund would act as a macroeconomic vehicle for public ownership of economic assets. To complement this, steps can be taken at the microeconomic level to expand employee ownership and alternative models of the firm.

There are three types of employee ownership: individual share ownership; collective share ownership; and co-operative ownership. We deal with the third of these in the next chapter.

INDIVIDUAL EMPLOYEE SHARE SCHEMES

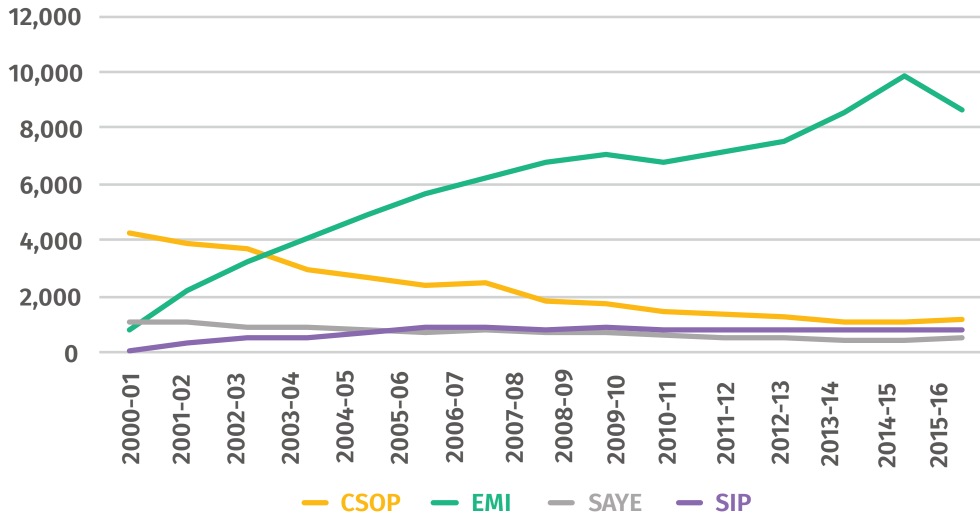
Employee share schemes are used by companies to award shares directly to their employees or grant options to buy shares. In the UK there are four share schemes that have tax-advantages to both employers and their employees. Company Share Option Plans (CSOPs) and Enterprise Management Incentives (EMIs) provide shares to certain employees chosen at the discretion of the employer and typically targeted at high-income employees. Save As You Earn (SAYE) schemes and Share Incentive Plans (SIPs) are for all employees. Both are found mainly in listed companies where there is already a market for shares and a readily ascertainable value for them, neither of which is available to private companies. SIP and SAYE plans typically lead to levels of employee ownership of a fraction of 1 per cent of a large listed company. Of the two, the SIP is more prevalent in private companies. It allows companies to award up to £3,600 of free shares, £1,800 of purchased shares and £3,600 of matching shares to employees – a potentially generous £9,000 tax-free allowance each year. These shares are held in a 'SIP Trust' for employees for so long as they remain employed. But they must be removed from the trust and usually sold when an employee leaves the company, thereby denying employees the opportunity to build a long term capital stake.

An estimated 10,720 companies had tax-advantaged share schemes in the UK in 2015–16, the vast majority of which were EMIs. The total value of shares and options awarded in 2015–16 was £4.3 billion, while the total cost of Income Tax and National Insurance relief for schemes for that year was £880 million (HMG 2017).

FIGURE 2.1

Broad-based employee share ownership schemes have not grown significantly in the last ten years

Number of Companies with Tax Advantaged Share Schemes, 2001–02 to 2015–16



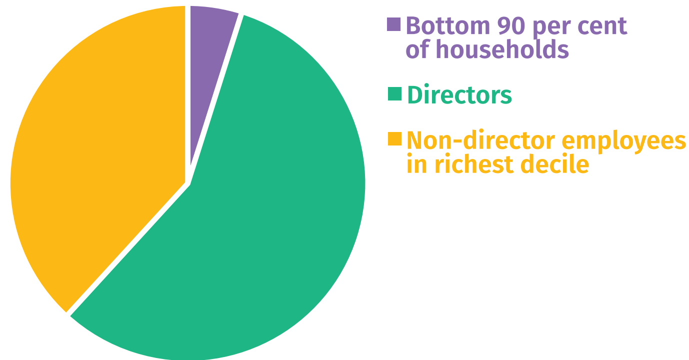
Source: HMG 2017

In total, only 5.2 per cent of private companies offered an employee share ownership scheme, whether tax-advantaged or not, with larger businesses and those operating in financial intermediation, real estate and business services sector most likely to offer them (Inter-University Centre 2014). The distribution of employee share ownership is also sharply regressive. Of the estimated £62.4 billion of employee share ownership of public companies in 2014, the bottom 90 per cent of households held only £3 billion, with company directors receiving the majority of employee share issuances (see figure 2.2). Indeed, we estimate that that only 2 per cent of the typical FTSE-350 company is held by employees outside the boardroom (Capital Strategies 2014). If equity awards were allocated pro rata to pay, which is already extremely skewed in large public companies, main board directors would get 1 per cent of total share-based awards. In fact, they get 31 times that (see figure 2.3). Separately, the ONS Wealth Survey reports that only 7 per cent of UK households have one or more people owning employee shares or employee options, with an average value of £4,800 (ONS 2015). Employee share ownership schemes therefore do not currently support a wide distribution of corporate capital; on the contrary, they tend to concentrate it.

FIGURE 2.2

Employee share ownership in public companies is overwhelmingly the preserve of company directors and high paid employees

Value of employee share ownership in UK public companies (£62.4 billion in 2014)

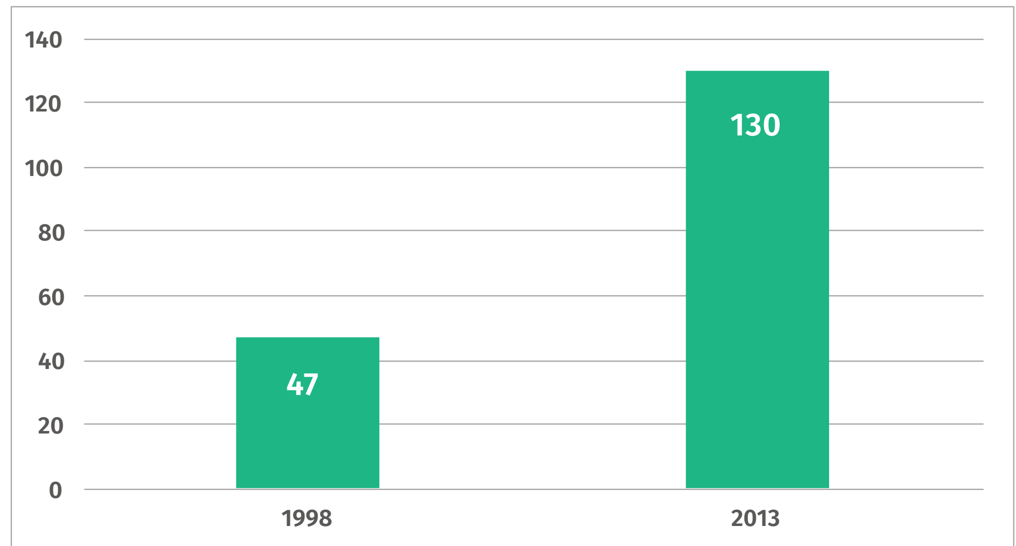


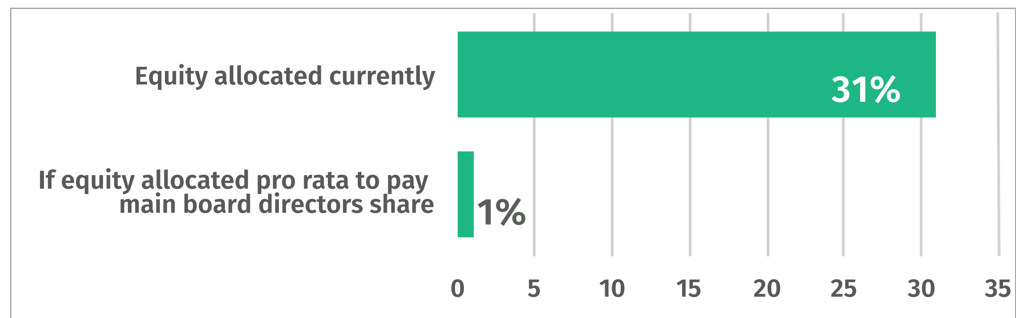
Source: Capital Strategies 2014

FIGURE 2.3

If equity awards were allocated pro rata to pay, main board directors would get 1 per cent of total share-based awards; they actually receive 31 times that

FTSE-100 CEO pay against average employee pay (top), compared to FTSE-100 directors' share of total share-based awards (bottom)





Source: Capital Strategies 2014, based on High Pay Centre data

A number of steps could be taken to expand employee share ownership schemes in public companies. For example, at present listed companies are subject to investor 'guidelines' (which are effectively mandatory) which limit the amount of new capital that can be created for employee share schemes to 10 per cent over rolling ten-year periods (Investment Association 2016). In practice, this capacity is overwhelming taken by company directors and senior executives. If instead this capacity were primarily reserved for all-employee share schemes on an equitable basis, over time it could lead to 10 per cent of the equity of all listed companies being held by the employees of those companies.

At the same time, it would be possible to introduce mandatory profit sharing for firms above a certain size. In France all firms with more than 50 employees are required to operate a profit-sharing scheme, where profits shared are exempt from employers' national insurance contributions and employees' income tax if the profit share is democratically agreed within the firm (Inter-University Centre 2014). If introduced in the UK, this would help improve the rate of profit sharing in the UK, which is below the EU average (Ibid.). Profit sharing enables employees to benefit from the profitability of their company directly, reflecting the fact that a company is a partnership between capital and labour, in which capital's right to profit is not absolute. While profit-sharing schemes do not deliver any control rights to the workforce, they do help to redistribute to labour the returns otherwise accruing to capital.

However, even if employee share ownership schemes in public companies were made more equitable and ambitious and profit sharing were introduced, the largest group of employees by number are found in unlisted private companies, and most of these are employed by small- and medium-sized enterprises (SMEs) (UK Parliament 2016). The constraints on expanding employee ownership in these businesses is primarily related to the desire of founders to retain control, along with the costs and complexity of operating employee share ownership in small private companies where there is no readily ascertainable value for the shares and no obvious market in which to sell them.

However, the picture has changed in recent years with the introduction of the Employee Ownership Trust (EOT). If the goal is to expand ownership and pluralise business models, we believe a series of reforms can make EOTs a vehicle for significantly transforming business ownership.

EMPLOYEE OWNERSHIP TRUSTS

An Employee Ownership Trust (EOT) is a trust that holds shares in a company for the benefit of all its employees. The trust creates a form of employee common ownership that provides the basis for employee participation in both profits and corporate governance, giving employees both distributional and control rights. The effect is to turn the traditional company ownership hierarchy on its head: whereas capital normally hires labour, in an EOT-owned company the employees hire capital.

Most EOTs are formed when the owner of a business wishes to transfer a significant proportion of the company's shares to its employees. In the UK EOTs gain tax advantages when they own at least 51 per cent of the company's shares, so that the company becomes majority-owned and controlled by the EOT. The Trust then holds the shares for the long-term benefit of the employees as a whole. The company remains independent but the employees become the ultimate beneficiaries of the business in a sustainable ownership structure. Since the EOT does not have independent means, it has to fund the acquisition of the shares through one of three methods: external bank finance, a loan from the company, or by agreeing to pay the vendor (the original business owner) on deferred terms

over a period. In all three, the EOT uses the future dividend earnings arising from its ownership of the company's shares as the basis for its initial acquisition. These future earnings are used to pay back an initial loan, or to provide deferred payments to the vendor.

Since ownership of existing businesses will only be transferred to their workforces when their current owners wish to do this, the legislation establishing EOTs in the UK provides current owners with a significant incentive. It does this by completely exempting from capital gains tax the sale of a controlling stake in a company to an EOT. In this way the business owner escapes what is currently a 20 per cent rate of capital gains tax on the sale (though for some business owners the saving is only 10 per cent if they already qualify for 'entrepreneurs' relief').

While EOTs were designed principally as an 'exit route' for business owners wishing to sell their businesses, particularly at retirement, they can also work for start-ups and firms at other stages in their life cycle. In fact EOTs are available to companies of any size.

Once a controlling stake in a firm is vested in an employee ownership trust, the trust effectively acts as the majority shareholder. The board – including the executive directors and often the original owner – will continue to govern the company. The trust itself is governed by its own board of trustees. The trustees are typically a mix of employees and independent directors; the original business owner can be represented on the trust but cannot have a controlling position. A key legal requirement of an EOT is that it meets the requirements of 'participation and equality': that is, all eligible employees should benefit from it, and they must do so on equal terms. To ensure that it properly represents the company's employees, EOTs often create a deliberative employee council to help appoint and advise the employee trustee directors.

One of the key features of EOTs in the UK is that they are forms of collective ownership: they do not distribute their shareholdings to individual employees. Rather, the financial benefits for employees are achieved in a different way, by allowing the EOT to pay out cash bonuses to employees and by making them tax free up to £3,600 per annum. To qualify for tax relief, under the participation and equality criteria, such bonuses must be paid to all employees on similar terms and must not substitute for regular salaries or wages.

How a transfer of ownership to an Employee Ownership Trust works

1. Company ABC Ltd establishes an EOT. The EOT is formed as a limited company (e.g. ABC EOT Trustees Ltd) whose directors together control the shareholding. Typically, there is an odd number of trustee directors (e.g. 3 or 5) and they typically include a vendor, a continuing director, an employee and/or an independent external member.
2. A fair value and payment terms are agreed between the shareholders, the EOT trustee directors and the company.
3. The company's existing shareholders sell a controlling interest (at least 51 per cent) to the EOT. To the extent that the company has surplus cash or is prepared to borrow externally, shareholders can receive an initial payment of cash for their shares, otherwise they are paid on deferred terms. Effectively, the existing shareholders become lenders to the EOT and can be given all the rights and protections that commercial lenders would expect. The deferred payment owed to the selling shareholders can be secured on company assets.
4. The EOT receives contributions from the company out of future profits with which to pay for the acquired shares.

5. When circumstances allow, employees may receive income tax-free cash bonuses. In an EOT-controlled company, these are free of income tax up to £3,600 per annum if they are paid to all employees on similar terms.
6. If it is desired to create individual employee share ownership alongside the EOT collective ownership, employees may also be invited to subscribe for shares or may receive share options up to a maximum of 49% of the company's equity. This does not affect the operation of the EOT.

THE SUCCESSES AND LIMITATIONS OF EOTS

Introduced in 2014 to encourage business owners to sell to employees, there are now around 150 EOTs in the UK, covering around 12,000 employees. The number is growing at a rate of 50 per cent per annum (RM2 2017) They are found in most sectors of the economy and in firms ranging from five to 2,500 employees. Because they rely on change-of-control transactions, EOTs come about only with careful planning and thought by a business owner. Nonetheless, as an alternative model of ownership they have experienced relatively rapid growth and have so far proved to be a viable business form. If the experience of the long-standing American Employee Stock Ownership Plan is a guide – a model which inspired the EOT – we should expect continued expansion.

Since 1974, ESOPs in the US have been providing an exit route for business owners of small and medium sized enterprises and a means for employees to accumulate a capital stake for retirement. In the US, only 30 per cent of the company has to be sold to the ESOP for the vendor to claim capital gains tax relief, and the company itself enjoys corporation tax relief on payments to the ESOP. Unlike the UK, the equity has to be allocated to employees and held in the ESOP trust until retirement, in what is effectively a form of self-invested pension plan.

The US Department of Labor estimates there are 6,700 ESOP companies with 15.1 million plan participants owning company stock worth $1.4 trillion (NCEO 2016). 92 per cent are in private companies and, of these, 60 per cent are in companies with fewer than 100 employees, proving that the model can operate cost-effectively in SMEs (Ibid.). This is a much higher penetration than in the UK, but the ESOP has been available in the US for over 40 years and is now a staple of the mid-corporate landscape. The success of the ESOP model suggests that if the barriers inhibiting the growth of EOTs in the UK are addressed, they can act as a powerful vehicle for transforming ownership at the firm level.

In the UK the growth of EOTs has been encouraging, but there are two problems that need addressing if take-up is to accelerate.

First, **EOT-owned companies are not yet an attractive enough investment proposition for external investors**, which limits their adoption.

- **Vendors usually have to act as patient lenders to the EOT.** While the tax reliefs are attractive to existing company owners, EOTs cannot match the cash purchasing power of trade or private equity buyers. So a business owner who is not prepared to wait up to ten years to be paid for their stake out of future company profits is unlikely to be motivated by the CGT relief alone. The EOT model has therefore appealed so far primarily to philanthropic business owners or to owners of businesses that might struggle to find a buyer elsewhere. This is particularly the case since vendors would typically receive a higher proportion of cash proceeds by selling to a trade buyer or a private equity buyer. Incentives for external investors in EOT-owned companies would close the cash proceeds gap between an EOT sale and a third-party sale, because the investors' money could be used, at least in part, to pay the vendors more in cash.

- **EOTs don’t co-exist comfortably with external investors.** Most of a company’s profits are distributed to an EOT for many years to pay off the vendor. For an external investor, those same profits could have been distributed to all shareholders as dividends. The difficulty of appealing to external investors makes EOTs particularly unattractive for companies with high capital investment requirements. Therefore, investors often need additional incentives to want to back EOTs.

Second, as currently structured, **EOTs do not enable employees to build a meaningful capital stake of their own.** Any individualised ownership for employees has to be set up alongside the majority EOT stake. This collective ownership in EOTs is both a strength and a weakness. Its strength is that it creates the conditions for a long-term, stable governance structure, with trustees ensuring the business is run for the benefit of employees. The weakness is that the EOT does not represent individual capital against which an individual employee can borrow. It can pay only limited cash bonuses, and any direct employee shareholding must usually be sold when an employee leaves the company. Therefore, employee owners don’t receive the full benefits of ownership. Indeed, the structure can create pressure on successful businesses to be sold so that the equity value ‘trapped’ in the EOT can then be distributed to employees. This is not necessarily a bad thing in itself, but it does mean the benefiting of one generation of employees at the expense of others.

Reforms to expand the EOT sector

These limitations of EOTs could be overcome. The objectives of our reform proposals are two-fold: to significantly increase the number of EOT-owned companies, and to give employees (and ex-employees) an individual capital stake. By addressing the existing barriers to expansion, and further incentivising the transition of business ownership to EOTs, we believe that these proposals could prove transformative of firm ownership in the UK.

- **Encouraging transfer of ownership to EOTs at the point of retirement**. We propose that vendor loans to EOTs should be exempted from inheritance tax, so that elderly owners aren’t deterred from relinquishing their valued ‘business property relief’. Business property relief is the name given to the exemption from inheritance tax for certain assets, including shares in unlisted trading companies. Presently, by exchanging shares for EOT loan notes, vendors are moving what is often their biggest asset back into their taxable estate. This reform would have minimal fiscal cost (Corlett 2015).
- **Incentivising external investment into EOTs.** Inward investment into EOT companies would be more strongly encouraged (so that vendors can exit much more quickly) if they were exempted from corporation tax so long as the EOT’s shares are allocated to individual employees on a broad basis . The exemption from tax would increase the after-tax returns for all shareholders, including the EOT and any external investors. If this were done, the EOT model would also become much more attractive for company founders. Many more new companies would be likely to incorporate with a majority EOT-owned structure. This reform would have minimal fiscal cost because the corporation tax relief is equivalent to the tax deduction that employers already receive on pension contributions (see below).
- **Building employee capital stakes.** We propose that EOTs should be able to allocate their shares to individual employees on an equitable basis, in exactly the same way as a SIP, without the cost and complexity of needing a separate trust. This reform would have no significant fiscal cost.
- **Allowing companies to lend to their EOTs without adverse tax consequences.** Currently, when a company lends to its EOT (for example to enable it to buy a controlling interest for employees from the founders), it must pay 32.5% tax

on the value of the loan. This is because the loan is treated like a dividend. Investors would be more willing to back EOT companies if they knew their money could be lent by the company to the EOT rather than gifted, with the loan repaid out of future share sales. This reform would have no significant fiscal cost.

Combining share and pension reform

These are all incentives for the voluntary adoption of EOTs on a greater scale. A larger reform is needed to broaden the appeal of EOTs to private companies more generally and to achieve a much greater transfer of ownership. The solution is to combine employee ownership with pension saving.

Under the pension auto-enrolment system, by 2018, all employers (including SMEs) must have enrolled their workers into a qualifying pension scheme, contributing in total (including tax relief) 8 per cent of employees' gross pay to a low-cost pension scheme. Three-quarters of all workers are estimated to be eligible for auto-enrolment, which is estimated will lead to £17 billion of extra pension saving per year by 2019/20 (DWP 2016).

While auto-enrolment is an important reform, it is not sufficient to solve the UK's pension problem. Most pension experts argue that the UK needs to adopt a national retirement target of 15 per cent of lifetime earnings to ensure adequate future pension provision and avoid a sharp rise in pensioner poverty (IRRI 2016). This rate of savings would also bring us into line with the best pension systems internationally, such as the Netherlands and Australia (ibid.)

To ensure adequate rates of savings and simultaneously to boost worker ownership, we propose that the level of pension contribution under auto-enrolment should be gradually increased from 8 per cent to 15 per cent of pay by 2025. At the same time, employers should be able to make their additional contributions by crediting company shares to the employee's pension account (as in the US ESOP), rather than increasing payments into conventional pension portfolios.

Conventional pensions in their present form are wasteful, in at least three respects. From the employer's perspective, they are wasteful of cash. In the name of diversification and prudence, payroll deductions are paid over to intermediaries and institutions. What could have been productive capital for the business is lost to remote third parties. They are also wasteful in the fees and commissions paid to those same intermediaries and institutions. In the world of personal pensions, fees can erode up to 40 per cent of the retirement pot over a working life (Miller 2013). Perhaps most seriously, they are wasteful of the insider investor's information advantage. What could have been invested in productive and profitable growth inside the business is spread thinly on a broad portfolio of big public companies.

If the required increase in pension contributions was met by saving into a reformed EOT, this would both boost savings rates and help transform the level of employee ownership in the UK. This is precisely the US experience of ESOPs. To further incentivise the development of employee capital stakes, the new pension contribution could be fully tax exempt if contributed to the EOT.

To address issues such as risk and operating cost to support such a scheme, various accompanying reforms would be needed. We would propose the following:

- **Allowing SIPs to hold shares for former employees, like deferred members of a pension scheme.** Currently, SIPs must 'expel' the shares of employees who leave the company. They can only hold shares for current employees. This means that at present SIP shares are at best a medium-term savings vehicle; they are not a vehicle for long-term capital accumulation.

- **Creating a utility to administer multi-employer SIPs at scale.** Like NEST in the world of auto-enrolment pension providers, a national SIP 'utility' could be established to administer SIPs for smaller employers and to set a benchmark for their operating costs and efficiency. A multi-employer SIP would be able to deliver a variety of services much more cost-effectively than a stand-alone SIP in a small company. Such services might include record-keeping for mobile workers, share valuation in small private companies, credit ratings of the kind afforded to SMEs by the peer-to-peer lending platforms, credit insurance and pre-retirement diversification products. As well as having these functional roles, a national SIP utility, through its ownership of thousands of equity stakes in private companies, could become a progressive investment bank for the private company sector, offering support and advice and leveraging matching inward investment for companies from other sources.
- **Mitigating risk by providing a degree of insurance protection and requiring pre-retirement diversification.** A number of measures could be introduced to reduce risk. These might include insurance (the cost of which would be significantly reduced if employees bore the first tranche of losses, like an 'excess' in a traditional insurance policy); independent share valuations; mandatory pre-retirement diversification; and professional trusteeship to maintain high standards of governance. Most of these safeguards are present in American ESOPs.

We believe these reforms would incentivise a major increase in the formation of employee ownerships trusts. Even just doubling the current growth rate of EOTs would lead to over 21,000 EOT companies by 2030, with almost 3 million employee-owners (see table 2.1 in Annex). This would mark a significant diversification of capital ownership and expand a model of business ownership that roots control and benefits with employees.

3. Expanding the co-operative and mutual sector

Co-operatives are democratically controlled enterprises, jointly owned and governed by their members. Common ownership ensures that every member shares in the profits of the company, and has a stake and a say in how it is managed. The evidence suggests that the co-operative model is associated with substantial economic and social benefits, including greater job satisfaction and wellbeing, stronger resilience, lower levels of pay inequality within the firm and higher rates of engagement and productivity (Mayo ed. 2015; Freeman 2010).

Co-operatives come in two principal forms. A worker co-operative is owned and self-managed by its workers. Consumer co-operatives are owned by their consumers and users. In the UK both worker and consumer co-operatives are expected to endorse a commitment to the seven 'co-operative principles': voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education and training, co-operation among co-operatives, and concern for community (International Co-operative Alliance 2017). Mutuals are a similar form of enterprise, owned by their members, who are generally also their customers or suppliers. Like most co-operatives, mutuals are a form of common ownership in which there are no individual shares, and the equity of the company cannot be realised unless the mutual bond is broken through demutualisation (Ownership Commission 2012). Unlike co-operatives, however, members of mutuals do not usually contribute to the capital of the business directly.

Co-operatives and mutuals share a commitment to embedding democratic structures in the governance of the enterprise, distributing ownership rights across the firm. Control is in the hands of workers or consumers, not the providers of capital, and there is formal equality among members in terms of economic decision making. They consequently embody a different vision of how power should be organised and used in economic activity, forms of enterprise that institutionalise 'justice in production' (Hsieh 2007).

The UK's co-operative sector is substantial. In 2016 there were around 7,000 co-operatives, with 17.5 million members and around 223,000 employees, with a combined turnover of £35.7 billion (Co-operatives UK 2016). Strikingly, the five largest co-operatives paid 50 per cent more corporate tax than Amazon, Facebook, Apple, eBay and Starbucks (ibid). In a world of increasingly digital, networked post-Fordist economic conditions, new technological and organisational forms of production are well suited to facilitating greater forms of democratic self-management and collaborative creativity (Muray 2015). Digital platforms enable the opportunity for people to co-produce, co-ordinate and collaborate at scale, but the extent to which this is co-operative depends on how the platform is owned and governed. Meanwhile digital information that underpins the business model of many digital platforms is not bounded by scarcity in the same way as material goods (Haskel and Westlake 2017) and is consequently well suited to co-operative models of ownership that focus on access and participation (Mayo 2015).

Despite this, however, the UK has disproportionately fewer co-operatives and mutuals than most other OECD countries (Ownership Commission 2012). Germany has a co-operative sector four times size of the UK's as a proportion of GDP, while in France it is six times larger (ibid.).

Expanding the co-operative and mutual sector is an important step in spreading capital ownership, increasing the diversity of enterprise forms, and ensuring more enterprises are structured democratically. To do this will require addressing a number of barriers to the expansion of the sector (Mayo and Wright 2017). These include.

- **Access to finance.** Due to their particular structure, co-operatives and mutuals cannot raise capital by giving equity to external investors, and often face difficulty in raising bank finance. Instead, they rely primarily on the reinvestment of earnings to fund growth. This inhibits both the formation and expansion of co-operative businesses.
- **Legal disincentives.** Co-operatives and mutual enterprises continue to face legal and regulatory disadvantages relative to other corporate forms. For example, they are not included in government impact assessments on the effects of new legislation and regulation, which potentially creates negative unintended consequences. In specific sectors such as energy, regulation is poorly suited to co-operative business models, placing them at a competitive disadvantage to other corporate forms (Co-Operative Party 2017). As a result, the sector faces significant regulatory and legal obstacles to growth.
- **Business infrastructure.** Relatedly, the wider business ecosystem is poorly equipped to support the co-operative sector. There is inadequate support for business planning, for financial management during different parts of the business life cycle, or for building democratic governance and succession planning.

A number of reforms could address these barriers and in turn encourage an expansion of the co-operative and mutual sector.

Improving access to finance

- **Introducing a co-operative capital development fund.** To ensure an effective pool of funding is available for co-operatives and mutuals to finance investment, we propose the creation of a common capital development fund for co-operatives and mutuals. Co-operative capital development funds are an important feature of legal and financial frameworks in countries with the strongest co-operative economies, including France, Italy and Spain (Wright 2017). The funds are based on a requirement for co-operatives to deposit an average of 3 per cent of their profits. The monies are then used to help build the co-operative sector as a whole. In the UK a co-operative capital development fund would allow companies to access long-term finance without having to issue external equity. The fund would be locked, with the assets only available to be reinvested in co-operative production and barred from being distributed privately. As in other countries, it should be funded by requiring all co-operatives to deposit a small share of their annual profits into the fund. This would be subject to corporate income tax relief. Establishing a co-operative capital development fund would do much to create a strong financial ecosystem for the sector.
- **Establishing a Co-operative and Mutual Development Bank.** Previous discussion papers from the IPPR Commission on Economic Justice have argued for a network of specialist public banks to help finance investment in the UK economy (Stirling and King 2017, Jacobs et al 2017). As part of that network, we would propose the establishment of a specialist co-operative development bank aimed at providing investment to the co-operative and mutual sector beyond the capability of a co-operative development fund. This could help finance co-operative expansion and buy-outs or mutualisations of existing businesses. It could also offer 'co-operative ISAs' to the public. A public investment bank of this kind would follow the successful banking institutions focused on the mutual and co-operative sector in Europe, such as the Italian

Co-operatives ('Banca di Credito Co-operativi') and Popular Banks ('Banche Popolari') network, which together have around a 20 per cent share of the Italian banking market (Banco Popolare 2016). Comparable banks exist in the Netherlands (the Rabobank), and in France, where there is a mutual banking network composed of local level banks ('Caisses locales'), and collectively-owned regional banks ('Caisses regionales') (Mulgan 2013).

Ensuring legal parity and upgrading the business infrastructure

- **Legislating a Co-operative Act.** Modernising co-operative business law to make it more user-friendly, matching the most effective co-operative legislation around the world, would support the growth of the sector (Co-operative Party 2017). Action should include:
  - Providing the option for co-operative societies to adopt a statutory asset lock that would prevent the underlying assets of a co-operative or mutual being disposed of for private gain. An asset lock helps such enterprises pool resources more sustainably, better attract external investment, and protect the long-term wealth of the enterprise.
  - Creating a legal underpinning for common ownership and common capital funds.
  - Providing a better tailored insolvency framework that emphasises the conservation of co-operative capital for the common good wherever possible.
  - Making it easier to convert between the company and co-operative corporate forms; removing anachronistic audit requirements; extending the government's Impact Assessment on new legislation and regulation, to ensure that all business forms are properly considered and not disadvantaged by government policy; and officially recognising co-operatives and mutuals as inclusive business models, with the goal of fostering greater corporate diversity.
- **Introduce tax incentives to encourage companies to be sold to employees.** In the same way as we have proposed for employee ownership trusts, when a company is being sold, vendors should be exempt from capital gains tax if they sell to their employees as a co-operative, and any loan to the co-operative to enable the purchase should be exempt from inheritance tax. This would make the EOT and co-operative options equally attractive on sale of a business.
- **Pilot a 'Right to Own' for employees.** A statutory 'Right to Own' for employees is sometimes proposed (Lawrence and McNeil 2014). This would offer employees the right of first refusal to buy out a company or plant that is being dissolved, sold, or floated on the stock exchange. Where there are already significant tax incentives as we have recommended (for establishment of both co-operatives and EOTs), it is not clear how such a right would interact with these. We would therefore propose that this option might be piloted in specific sectors where co-operatives have proved particularly successful.

Taken together, we believe these reforms could underpin an ambitious goal of doubling the size of the co-operative and mutual sector by turnover and employment size by 2030.

Conclusion

The ownership of economic assets and companies powerfully shapes the distribution of reward and power in the economy and society. The sharply unequal levels of capital ownership in the UK have become a powerful driver of inequality. To reverse this, we need to build models of common ownership – from the national to the firm level – which can ensure that many more people have a stake and a say in our national wealth. Establishing a Citizens' Wealth Fund, scaling up employee ownership trusts, and expanding the co-operative and mutual sector would help build an economy where prosperity is underpinned by justice.

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Annex

TABLE A.1

The UK could significantly expand the number of EOTs with the right mix of legal reforms and incentives

Forecast growth of EOTs under reform proposal

Status quo	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
EOT companies	170	255	370	518	699	909	1,136	1,363	1,567	1,724	1,896	2,086	2,295	2,525
EOT employees	12,000	18,900	28,795	42,329	59,976	81,894	107,462	135,382	163,427	188,791	218,008	251,848	290,935	336,096
Growth rate in companies		50%	45%	40%	35%	30%	25%	20%	15%	10%	10%	10%	10%	10%
Growth rate in employees	5%													
Average employees per company	71													133
With new incentives														
EOT companies	170	340	646	1,163	1,977	3,163	4,745	6,643	8,636	10,363	12,436	14,923	17,908	21,490
EOT employees	12,000	25,200	50,274	95,034	169,627	284,955	448,851	659,811	900,652	1,134,800	1,429,894	1,801,642	2,270,120	2,860,404
Growth rate in companies		100%	90%	80%	70%	60%	50%	40%	30%	20%	20%	20%	20%	20%
Growth rate in employees	5%													
Average employees per company	71													133

Source: Data accessed Employee Ownership Trust Survey (2017) www.eotsurvey.co.uk, a project of the John Lewis Partnership, the Employee Ownership Association and The RM2 Partnership

About IPPR

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The progressive policy think tank

Capital Gains
Broadening company ownership in the UK economy
Policy paper

The IPPR Commission on Economic Justice is a landmark initiative to rethink economic policy for post-Brexit Britain. The Commission brings together leading figures from across society to examine the challenges facing the UK economy and make practical recommendations for reform.

This policy paper sets out how best to expand ownership of the economy. With the share of national income going to capital having increased in recent decades, and likely to rise further, the paper argues that the unequal distribution of capital is a crucial driver of economic inequality. It sets out an ownership reform agenda whose goals are two-fold: to give more people a share of capital, both as useable wealth and for its income returns; and to spread economic power and control in the economy, by expanding the decision rights of employees and the public in the management of companies. It proposes three different ways in which ownership can be spread more widely: the establishment of a national Citizens' Wealth Fund, giving the public a share of corporate and other assets; the expansion of employee ownership trusts, which give employees majority ownership of companies; and the scaling of co-operative and mutual firms. It recommends a series of reforms to achieve these goals.

The IPPR Commission on Economic Justice

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