



# THE ROLE OF EMPLOYEE SHARE SCHEMES IN ACHIEVING THE UN SUSTAINABLE DEVELOPMENT GOALS

David Craddock, Founder & Director, David Craddock Consultancy Services

Webinar

Tuesday 27 April 2021 15:00 BST

# A Word From Today's Chairman



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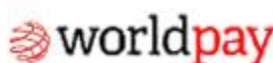
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# Today's Agenda



- 15:00 – 15:05 Chairman's Introduction
- 15:05 – 15:25 Keynote Presentation – David Craddock
- 15:25 – 15:45 Questions & Answers

# Today's Speaker



**David Craddock**

Founder and Director

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# DAVID CRADDOCK CONSULTANCY SERVICES

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& Investment Education

Founder, Principal and Director:  
David Craddock, MA(Oxon)  
Consultant and Lecturer

Author of **“Tolley’s Guide to Employee Share Schemes”**

★ *Expertise and Experience* ★

# UN Sustainable Development Goals

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## The 2030 Agenda for Sustainable Development

- This agenda was adopted by all United Nations Member States in 2015 and is intended to provide a shared blueprint for peace and prosperity for people and the planet now and into the future.
- At the core of the sustainable development agenda are the 17 Sustainable Development Goals which are an urgent call to action for all countries, whether developed or developing, in a truly global partnership. Unlike their predecessors, the Millennium Development Goals and subsequently the Sustainable Development Goals of 2015 are intended to apply universally to all nations.
- The 17 Sustainable Development Goals recognise that to bring to an end deprivations in the world, whether poverty or otherwise, the approach must include strategies that improve health and education, reduce inequality, encourage economic growth and, at the same time, tackle climate change and work to protect the environment, particularly working to preserve the oceans and the forests.
- Although the particular Sustainable Development Goal that this employee share schemes talk is addressing is “Reducing inequality within and among nations” the goals interact with each other and the solutions that employee share schemes offer are integrated in their impact on a range of Sustainable Development Goals.



# UN Sustainable Development Goals

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## The Focus of the Talk for the Application of Employee Share Ownership

### **Sustainable Development Goal 10**

Reducing inequality within and among countries

The Interaction with Other Sustainable Development Goals

### **Sustainable Development Goal 1**

Ending poverty in all its forms everywhere

### **Sustainable Development Goal 4**

Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all

### **Sustainable Development Goal 8**

Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

### **Sustainable Development Goal 9**

Building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation



# UN Sustainable Development Goals

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## **The Interaction with Other Sustainable Development Goals (Cont.)**

### **Sustainable Development Goal 11**

Making cities and human settlements inclusive, safe, resilient and sustainable

### **Sustainable Development Goal 12**

Ensuring sustainable consumption and production patterns

### **Sustainable Development Goal 16**

Promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels

### **Sustainable Development Goal 17**

Strengthening the means of implementation and revitalising the global partnership for sustainable development

### **The question is: How can employee share ownership help?**

Remember that the UN intention is for the Sustainable Development Goals to apply to all countries, whether developed or developing, i.e. any country at any stage of its growth as a nation.



# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## **The Role of Employee Share Ownership in Macro-Economics**

### **The Great Economic Variables**

- The subject of employee share ownership has the capacity to sit in the great economic debating halls of the world alongside the great economic variables of employment, price levels, exchange rates and interest rate strategy.

### **The Transition of its Application from Individual Companies to National Economies**

- The requirement is to raise the spectre from the micro-economic debate of applying the tools of employee share ownership to individual companies to the macro-economic debate of applying those same tools to the economies of whole nations in their economic planning, generating the effect through the impact on the national economy of multiple companies embracing employee share schemes.

### **The Goals of Sustainable National Economies and Stable Social Environments**

- Like the other great economic variables, employee share ownership offers itself as a support mechanism for the wider economic and social goals of productive national economics and stable social environments.

### **The Sister Policies of Supportive Infrastructures**

- The tools of employee share ownership that are so adept at providing solutions for companies can be equally adept at providing solutions for countries, linked to the sustainable sister policy structures of trusts, cooperatives, works councils and stable representative democratic institutions.

# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## The Application of Employee Share Ownership to Any National Economy

### The Main Causal Hypothesis

- Professor Martin Weitzman introduced in the mid-1980s the main causal hypothesis that the use of wider employee share ownership implies that all involved in business will have fluctuating income levels over a given trade cycle. This hypothesis is predicated on appreciating the advantages of having flexible labour costs. If there is a flexibility in the wage cost bill then there is less pressure on the part of management to authorise redundancies. By smoothing out the business cycle or trade cycle, there is less need for governments to introduce heavy demand stimulation into the economy.

### The Two-Fold Beneficial Macro-Economic Consequences of the Weitzman Hypothesis

- The macro-economic consequences of this smoothing process are two-fold:
  - The avoidance of short-term unemployment.
  - The keeping in check of inflationary pressures by the absence of an imperative to use fiscal and monetary measures to stimulate the economy.
- If the large successful quoted companies can structure employee reward without setting significant pay rises then this will set a standard for all companies, a principle that can apply in any economy.

### The Third Beneficial Macro-Economic Consequence is Productivity

- The theoretical position upon which this approach is based is that in time more cooperative working patterns and the breakdown of barriers between management and the workforce would raise income levels for all. With income levels rising on the basis of more cooperative working and, indeed, more intelligent working, there is less need to introduce legislation that constrains productivity.

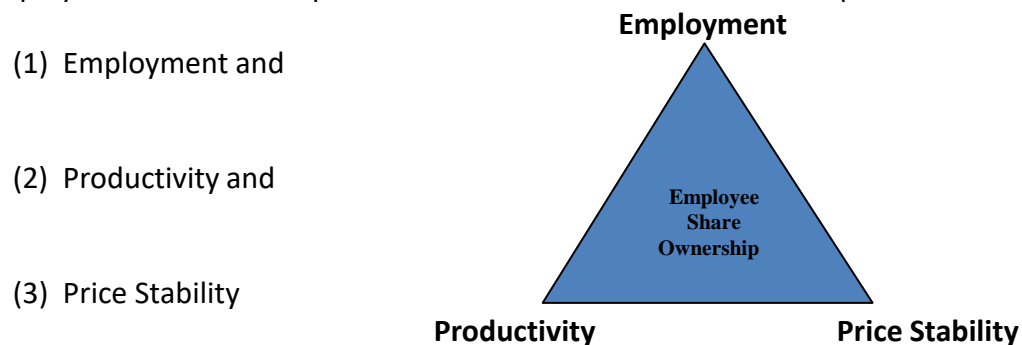
# The Response of Employee Share Ownership to the UN Sustainable Development Goals

## The Economics Credentials of Employee Share Ownership

- This line of argument is absolutely crucial to the credibility of employee share ownership for the reason that it is important to show that employee share ownership can at the same time achieve the following:
  - (1) **Employment:** at least maintain and, preferably, increase employment levels.
  - (2) **Productivity:** encourage an increase in productivity.
  - (2) **Price Stability:** increase incomes in a way that is non-inflationary.

## The Potential Triumph of Employee Share Ownership in Macro-Economics

- If employee share ownership can be demonstrated to achieve the tripod of economic objectives relating to:-



then employee share ownership offers the key to business prosperity and, indeed, to national economic prosperity for any national economy, whether developed or developing.

# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## The Macro-Economic Consequences in Summary Form

### Employee share ownership to establish:

- Fluctuating income levels over a business cycle/trade cycle
- Flexible labour costs

### The macro-economic consequences are as follows:

- Avoid short-term unemployment
- Control over inflation

### Employee share ownership to establish:

- Cooperative working patterns and breakdown of industrial barriers
- Rising income levels

### The macro-economic consequences are as follows:

- Non-inflationary wage rises
- Enhanced productivity with no need for constraining legislation

# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## The Analogy Between the Company Economy and the National Economy

### The Empirical Studies in Employee Share Ownership Companies

- Numerous studies indicate that employee share ownership works best when combined with other policies that encourage employee participation:
- In 1988 the United States General Accounting Office performed a study that concluded that productivity gains from a policy of employee share ownership work best when accompanied by a policy of employee involvement in corporate decision-making through work groups and work committees and opportunities for employees to make recommendations to management.
- In 1991 the studies undertaken by the Keele University School of Human Development established correlation between positive attitudes to an employee share ownership programme and the existence of progressive human resource development policies such as works committees, fair pay policies and a participative approach to performance management through quality circles and open review procedures.
- In 2001 the studies undertaken by Manchester Metropolitan University established a correlation between positive employee attitudes to employee share ownership and the existence of a progressive approach to employee training initiatives.

# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## The Analogy between the Company Economy and the National Economy (Cont.)

### The Replications in the National Economy through “Identity of Interest”

- The express recommendation is to replicate the benefits of employee share ownership in establishing an “Identity of Interest” together with its supportive infrastructure in the national economy. The concepts that establish a supportive infrastructure in the company require policies and structures of an equivalent dynamic in the national political economy:
- The example of the central bank in the Mondragon Experience in Spain is the closest to a national example that is available for analysis where the bank historically has been prepared to offer a form of partnership arrangement with businesses by offering patience over a long-term perspective with proactive involvement in recognising the hurdles and potential pitfalls required in establishing a sustainable business.
- The tools of employee share ownership using cooperation and participation through trust structures, cooperatives and partnerships can be extended to the operation of schools and colleges, health care surgeries and hospitals, local and national insurance schemes, local community facilities in both developing and developed countries, all supported by responsible democratically-elected governing bodies for representative government, using electoral colleges and Swiss-style canton systems where appropriate, for sustainable representative government in otherwise volatile political regimes.
- The same policies that create mental affinity, mental ownership as well as material ownership, can be extended to the UN Sustainable Development Goals that require people involvement in projects that tackle climate change, environmental preservation and conservation and stability in all forms of human settlement.



# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## Employee Share Ownership Supports UN Sustainable Development Goals

### The characteristics of employee share ownership:

#### **Redistributive: Employee share ownership is openly redistributive and fosters fairness in business**

- The market approach of employee share schemes facilitates redistribution as a reward for hard work, effort and endeavour and introduces the ethic of fairness into the business. As a redistributive mechanism, it is self-funding and more effective than the traditional redistribution methods based on social security and government hand-outs that over-burden government, stifle enterprise and undermine incentive.

#### **Productive: Employee share ownership enhances the productivity of businesses**

- The employees will be more inclined to produce value for the company if they know that they have the potential to share in the developing value of the business, whether through income return in the form of dividends or, more especially, through capital return at any exit event or through an employee share trust acting as a market for the shares.

#### **Incentive: Employee share ownership motivates through a meaningful and tangible incentive**

- On the basis of strong and credible evidence researched by multiple institutes and universities over the last 40 years in the UK and in the US, the employee involvement in a share interest either through direct ownership of the shares or an option that gives the potential for real ownership of shares establishes a motivational intent in the minds of the employees to incentivise and solidify employee interest to the company.

# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## Employee Share Ownership Supports the UN Sustainable Development Goals (Cont.)

### The characteristics of employee share ownership:

#### **Individualist: Employee share ownership generates an individual reward for the employee**

- The capacity to deliver actual financial reward to each individual employee scheme participant appeals to the enlightened self-interest of the employee and encourages an entrepreneurial mindset within employees while still operating as employees. All the research demonstrates that the potential for individual reward identifies the employees with the business, with the ownership of shares giving the sense of ownership of the company.

#### **Collectivist: Employee share ownership welds together the team under the common incentive**

- The subtle beauty of employee share ownership is that at the same time it is both individualist and collectivist for the reason that it delivers the individual reward through the team working together as a united team, working with a common sense of purpose towards a defined aim and developing value under the common totem of the developing share value that they can celebrate together.

#### **Educative: Employee share ownership encourages and supports a training and learning culture**

- The ability of employee share ownership to encourage the spirit of discovery and growth within the workforce and assisting in personal development through on-site training and learning is a powerful element in innovation and also in being able to handle the change that is inevitable in a developing and evolving business that is seeking to achieve ambitious growth targets.

# The Response of Employee Share Ownership to the UN Sustainable Development Goals

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## Employee Share Ownership Supports the UN Sustainable Development Goals (Cont.)

### The characteristics of employee share ownership:

#### **International: Employee share ownership can operate effectively across national borders**

- The employee share ownership programme can act as a unifying force across a global multinational corporate group that operates in countries with diverse cultures, establishing the common purpose around the developing share value as the totem that unites everyone who has a share interest in the company.

#### **Voluntary: Employee share ownership works best when involvement is voluntary rather than compulsory**

- The desire to introduce the employee share ownership programme should stem from a genuine belief in the expected benefits to flow to the company although often it will be the bait of the tax relief that first alerts the company to the opportunity. South Africa is a case in which courtesy of the black empowerment legislation employee share schemes are in a sense compulsory and companies resent the requirement to introduce and the associated costs.

#### **Final Summary: The Current Challenge for Employee Share Ownership**

- The challenge is to raise the profile of the subject as a macro-economic subject that has political consensus support and, together with the accompanying cooperative infrastructures, has the capacity to deliver economic backbone to the UN Sustainable Development Goals. The initial impact, through its redistributive qualities, is in reducing inequalities but, as the basis for sound economic policy, it has the capacity to support consensus working in relation to many of the goals that the UN has set and, with the goals linked to ambitious targets, serious consideration should be given to the promotion of employee share ownership as a subject that can impact significantly on world economics.

## Employee Share Schemes

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from David Craddock  
Consultant, Lecturer, Author  
and Specialist in Employee Share Schemes and  
Reward Management,  
Share Valuation, Management Buyouts,  
Employee Ownership Trusts (EOT)  
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# Questions And Answers



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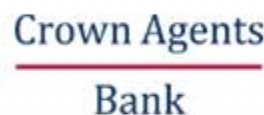


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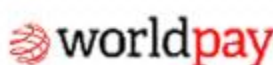
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### newspad

The Esop Centre's *newspad*, edited by Fred Hackworth, is a monthly publication providing in-depth coverage of the main international news in the employee share ownership field.

NB Reminder: The email address of Fred Hackworth, editor of *newspad*, has now changed to: fred\_hackworth@zyen.com (please note the under-score). Please send all press releases, company bulletins and news items for *newspad* to the above address. Thank you.

#### April 2021

In this month's edition:

- Global giants scoop newspad awards
- Esop Centre share plans symposium, March 23-25: Report
- Centre webinars: Esop sofa: hot topics- newspad review: The role of employee share schemes in achieving the UN Sustainable Development Goals.
- Centre's CGT campaign triumphs
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## FS Club Bulletins



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**(LF.10) Reduced Inequalities**

In September 2015, 193 world leaders agreed to 17 Global Goals for Sustainable Development. If these Goals are completed, it would mean an end to extreme poverty, inequality and climate change by 2030. Goal 10: Reduce inequality within and among countries.

- If the distribution of income, assets owned, wealth, and talent does follow CBO's projections, **income inequality** will be greater in 2030 than it was in 2010.
- **High growth over the past decade** has been based on unsustainable resource exploitation, allowing the **existing growth in inequality** and environmental cost will be critical to ensure social stability and to ensure **strong sustainable growth** in the coming decade.
- The increase in **inequality** observed in the last 20 years is a warning to future's social contract.
- America's **globe-spread production** is providing a net plus that will further increase **economic inequality** at a faster rate **income** and **wealth** gaps are already widening.
- A failure to give the **world's poorest women control** over their bodies **would widen inequality** in **developing countries** and **slow progress** towards global goals aimed at ending poverty by 2030.
- Under French leadership the G7 group of 7 target advanced economies plus the European Union will have to stop on **fighting inequality**, including poverty, induced by **climate change**.
- Leadership might require companies to take proactive and Schwartz for change on **global inequality** including **low work pay rates**.
- Achieving the 17 Sustainable Development Goals, which include clean water, clean energy, sustainable cities, climate action, responsible consumption, **reduced inequality** and more - could open a market opportunity of \$1 trillion by 2030.
- The next decade offers an opportunity to address **African urban poverty** and **inequality** and shape development priorities to ensure that urbanization helps lower and **improving, livable and sustainable cities**.
- In Africa and in the LDCs, **reducing poverty** by 2030 will require both **double-digit GDP growth** and **decade declines in inequality**, **overcoming** the scale of the current challenges faced.
- The **economic catch-up of Asia** will be the **most** will continue in the coming decades - **benefit** reducing **global inequality** among countries and among world citizens.

**(FS.3.05) Employee Share Ownership**

Considering 75 percent of the 2021 global workforce will be Millennials and Generation Z, it's critical that organizations keep a pulse on **employee engagement** and in a way that's consistent with how the emerging generation communicates.

- They will see a **continued emphasis** on designers' understanding of **workplace optimization** with designs that boost office morale and **employee wellness** while facilitating a **remote work environment**.
- By 2026, **Customer Profile** (Value as Leader, Employee-Centred Service, Good for Work) that **Engagement-Centred Service**, **W3** proposed evidence to the UK Corporate Governance Code, these items, companies will be required to report on **employee engagement**, as announced earlier this year by **Financial Reporting Council**.
- For HR leaders looking to better demonstrate the attitudes that drive employee happiness and success retention, using AI to provide insights into **employee engagement** will be critical.
- By 2025, **Artificial Intelligence (AI)** will allow the rate of innovation in New Zealand to double. **Employee productivity gains** are expected to increase 1.5 times.
- **Artificial Intelligence** will double the rate of innovative improvements and **improve employee productivity gains** by 1.5 times in New Zealand by 2025.
- US health benefits costs per employee will increase 4.7% next year - slightly higher than inflation and less than the double-digit increases seen in prior years.
- With a tight labor pool, small businesses will feel 2021 in the year to face an **employee engagement** and **happiness**.
- Nearly 20 percent of respondents also expect that automation will lead to some reductions in their **full-time workforce** by 2025, based on the job profiles of their employee base today.
- **Employee wellness** has been on trend for years, but expect to see some high-tech changes in 2021.
- By 2025, **automation and artificial intelligence** will reduce **employee requirements in business shared-service centers** by 15 percent, which says the B2B market will top \$1 trillion by 2025.
- This year, **many organizations** will look to **employee scheduling software** to **reduce problems around creating, publishing and managing employee schedules** that include returns to cover shifts to select process and improve data on sales to help identify customer traffic patterns to combine worker ratios.

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- Friday 30 April (15:00) Navigating The New Physical And Digital Workplace In The Age Of Pandemics
- Wednesday 5 May (15:00) How Capitalism Could Save The Planet
- Thursday 6 May (10:00) Fighting Climate Change: The Important Role Of Global Green Finance Centres
- Friday 7 May (14:00) Finance In The Climate Decade– Emerging Stewards Of The Net Zero, Resilient Transition

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