

How Employee Share Schemes can respond to Covid-19 and Brexit

David Craddock is a recognised authority in the UK and worldwide on employee share schemes and the author of *The Tolley's Guide to Employee Share Schemes*. In this article, David identifies the unique response that employee share schemes can make to two of the most pressing and significant peacetime issues ever faced by a British Government.

Covid-19 and the Current National Predicament

Covid-19 has ushered in the spectre of an encroaching governmental influence and, as it would appear, interference in our daily lives which has the potential to undermine our long-cherished freedoms and capacity for wealth-creation, as witnessed by the government-enforced lockdowns across a range of major European countries. Although some form of early lockdown was needed in the UK to teach personal responsibility, especially given the existence of the substantial urban metropolitan areas in the UK, the evidence is that the length of the first lockdowns across Europe had a devastating effect. For the national economies, the result has been rising unemployment and business instability.

Additionally, the lockdowns have had a dramatic effect on the mental health of many vulnerable people with loneliness, domestic abuse, homelessness, and even suicide all reaching record proportions to an extent that raises, quite naturally, the fundamental question about whether there is a better and more responsible way to manage the pandemic.

While the recent announcement from Pfizer on the progression of the vaccine is welcome and has the

potential both to re-open the economy and to save lives, the requirement for a responsible use of this development assumes paramount importance at a time when various political and celebrity luminaries are projecting the advent of immunity certificates, impregnated into digital passports, as proof of vaccination. The contention is that such evidence should be a prerequisite for travel and attendance at entertainment events, whether indoors or outdoors, and, potentially, entry into shopping centres. The concept of enforced or mandatory vaccination, especially in its early stages of rollout, raises the question of "unknown unknowns" (to borrow a phrase from Donald Rumsfeld) which has often proved to be the case for drugs that are thought to be safe at inception, but later demonstrated to have significant side-effects. Witness the thalidomide scandal as but one example amongst many.

When you recognise the complexity of Covid-19, with its potential for lasting damage to the heart, the brain and the kidneys, as well as the lungs, could there be lurking somewhere in the composition of the vaccine, despite the assurances from the senior medical officers, something that is truly at this stage an "unknown unknown?" At its root, the freedom of individuals to manage their own body through what they choose to put into it or not to put into it, whether it be food or drugs, must be regarded as the most fundamental of all individual freedoms. ►

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The Response of Employee Share Schemes to Covid-19

The subject of employee share schemes is, of course, a business subject, and its triumphs in contributing to the economic success of businesses from all sectors is well-documented and supported by numerous empirical studies conducted through universities and institutes in the UK and the USA. However, businesses operate as micro-communities, composed of real people, which form part of a wider national community and a world population. It is self-evident that people operating in businesses at any level feel that their efforts and endeavours through their work activity can make more of a difference than their votes in a general election or, for that matter, in a local council election. So how they are encouraged to feel about control over their own work and their workplace environment, their micro-communities, really matters. The key point is that an employee share ownership programme has the capacity to operate as a self-regulatory check on employee behaviours, especially when employees are encouraged to be part of the decision-making process. This point is verified by the evidence, even for small marginal shareholdings, provided the programme is properly implemented and communicated by senior management. It is the self-regulation that encourages the personal responsibility to a level that is to the betterment of the business, and to the advantage of the wider community.

Extrapolate then the mentality of personal responsibility in the workplace to the wider domain of human social activity and there emerges the economic and social recipe for that same mentality to be instrumental in shaping the responsible self-regulatory approach that is required for society as a whole to function more normally in the wake of this pandemic.

Personal responsibility for the employee share scheme participants emanates from identification with the business, through the mutual share interest, recognising the need to be accountable for their actions, knowing



that accountability generates wealth, avoids waste and understands that discipline lies at the heart of any successful community or nation.

Furthermore, it is the same personal, responsible attitudinal response to circumstances, situations, events and other people that allows problem-solving to flourish in a business, and “blue sky” creative-thinking to generate the dynamic ideas for business development and the new products and services of the future. Indeed, it is the marriage of accountability with creativity, two facets of human activity that are sometimes perceived as incompatible, that emerges from positive personal responsibility, which, in turn, is fostered by the company’s employee share ownership programme, operating in combination with other sister company policies that encourage employee participation.

It is the propensity of an employee share ownership programme to encourage both individual wealth and corporate wealth that demonstrates the unique fusion that the introduction of an employee share scheme brings to a business.

Operating both as a personal subject and as a corporate subject, it encourages personal responsibility to oneself and, at the same time, personal

responsibility to others, i.e. the wider people environment in which the individual is living and working. As a subject, therefore, it assumes “the invisible hand” within the business, acting as a hidden ambassador for personal responsibility with the many benefits that it brings to enterprise, including the disciplines needed through social distancing and masking, sanitisation procedures and personal hygiene, to combat Covid-19.

The Challenge of Brexit

Covid-19 has dominated the news agenda in 2020 and, during March and April was touted by some respected commentators, quite astonishingly and without any studious or sustainable justification, as presenting an existential threat to the human race. The impact, though, has been massive and has brought back into focus the status which must be afforded to the experts, in this case the scientists and medical experts. This is a very welcome development, given the trashing of the expertise from economists which arose as part of the populist movement that promoted Brexit in advance of the 2016 referendum and subsequently. This observation again raises the requirement to encourage personal responsibility from every citizen of

the UK, to listen to experts, whether scientists or economists, weigh the evidence, and exercise personal judgement both at the ballot box and in the management of their everyday lives.

Brexit is the latest manifestation of The Irish Question that is predicated upon failing to recognise one of the key principles of political science, namely, that an island as a whole is a natural self-contained political entity. This is the conundrum that has challenged, and at times baffled, Prime Ministers from Gladstone to Lloyd George, through to Margaret Thatcher, with the work of John Major and Tony Blair ultimately producing The Good Friday Agreement. The impact of Brexit on employee share schemes has yet to be seen, as the transitional period has delayed its true effect on the British economy. However, employee share schemes can enable companies to draw upon the innate flexibility of the subject to maintain the motivation of its workforce and the equilibrium of the business.

The Impact of Brexit on Employee Share Ownership in the UK

For profit-sharing schemes, if profits of UK companies are reduced, whether by Covid-19 or by Brexit, then the employee profit share pot available for distribution will be reduced. This will, of course, vary by sector, and maybe the trend towards the longer hours that employees were working in the period prior to the onset of Covid-19 will continue in certain sectors, and compensate, thereby ensuring that profits will not suffer. For saving-related share option schemes,



employees may continue to save at the same levels, provided they keep their jobs. The accumulated cash saving is always the fall-back position if the share price fails to perform. Is this the time to see a resurgence of Sharesave? Maybe. For the Partnership Shares Module within the Share Incentive Plan, employees may not want to take the risk of a fall in the share price. Companies should consider majoring on the profit-sharing Free Shares Module, or, possibly ensuring that the Matching Shares Module is in place, if they wish to uphold the strength of the Partnership Shares Module. Variable reward could come back on to the agenda with a renewed vigour, possibly through a new profit-related pay initiative, as a purposeful approach by the British Government to avoid unemployment. Variable reward schemes work best, according to the evidence, when they contain a meaningful element of reward

through shares. There may be a move to personal performance conditions rather than reliance on corporate performance targets in circumstances where those targets cannot be met due to circumstances beyond the control of the employees but the commitment from the workforce at all levels is stronger than ever.

The conclusions for the subject must be: (1) for companies: to introduce employee share schemes that continue to offer significant motivational and financial advantages and (2) for the British Government: employee share schemes contribute to the efficiency of the market economy by facilitating a strong incentive-orientated workforce and honing the skills necessary for personal responsibility.

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