



Retiring from the business should not mean closing the door

Concerned about what to do with your business when you retire? ESOPs could be the answer.

Sydney, 29 April 2013: Retirement should be the time to rejoice and take stock of the achievements of your working life. But, for many small and medium business owners in Australia, what to do next with the business can become a real headache as the age of retirement approaches. Some owners simply put off retiring because they cannot work out a way to exit their business without selling or closing it down.

Employee Ownership Australia, the national body formed to promote employee ownership as an exit plan for retiring owners wants to change the “shut up shop” mentality.

“When you have personally put in a lifetime’s hard work to build a successful business and you have a team of loyal employees, selling or closing the business is the last thing that many business owners want to see happen,” says Alan Greig, Employee Ownership Australia.

“A Federal Parliamentary inquiry into Family Business has found that the effect of baby boomer retirements in the coming decade is a rising tide of small business closures. So, the problem of business closure is not just one for owners, it is a problem for the whole economy,” says Greig.

Family succession, trade sale or liquidation of assets are the usual routes retiring owners take, but they are not without their challenges. Trade sales can be time consuming, costly, and open the business to intense scrutiny. There may not be a suitable family member to inherit the business. Sale to a third party can result in its closure and loss of jobs for existing employees.

There is another option – creating employee ownership by selling to staff – but it is not one currently considered by many Australian businesses despite being a proven, successful option for retiring owners.

“Employee share ownership plans, ESOPs as they are commonly known, are used widely around the world. There are currently about 10,900 ESOPs and equivalent plans employing more than 13 million people in the U.S. In the UK, the Employee Ownership Index has outperformed the FTSE All Share Index by an average of 10% annually since 1992,” says Greig.

ESOPs not only provide a solution to many of the challenges of succession by actually facilitating ownership change, they also ensure business continuity and preserve the businesses values and the jobs it generates. ESOPs are known for increasing productivity because they give workers a stake in the performance of the company. Employee owned firms have on average 4-5% higher productivity rates, they record higher average staff sales and post higher profits.

In Western Sydney, locally owned engineering plant C-MAC Industries was in danger of closing when its owner looked to retirement. The introduction of an ESOP, with all but two of the company’s thirty employees taking an ownership stake, led to the successful transfer of the company to its employee-owners, and an 18% rise in productivity since the sale.

Could an ESOP work for your business?

If you are a small or medium business owner in Western Sydney interested in finding out if a sale to employees and managers could work for your business, Employee Ownership Australia is offering a special trade rate to attend their annual conference in Sydney on Friday, 24 May. The conference program covers all aspects of preparing an option for sale for employees.

More information

Alan Greig

Board Member, Employee Ownership Association

T. 0418 418 182 | E. ahgreig@bigpond.com | www.employeeownership.com.au



Contact Details

Conference website www.employeeownershipconference.com.au

Media contact Melina Morrison, Sommerson Communications
M +61 410 902 656 | E melina.morrison@socialbusiness.coop

EOA contact Alan Greig, Board Member, Employee Ownership Association
T. 0418 418 182 | E. ahgreig@bigpond.com

Editorial Notes

Why are employee-owned businesses better?

Employee-owned firms are more productive and their employees are better off:*

- Firms that are owned by their employees or where they have a stake in the business through a share ownership plan are 4-5% more productive than comparable companies
- They are also 25% more likely to survive than comparable companies and the employees are four times less likely to get laid off in a downturn
- 98% of co-operatives are still trading after their first three years compared to 65% of all business
- Over a 25% year period employee owned companies have 25% higher job growth
- Employees at employee-owned firms receive 5-15% more in wages
- Employee owned businesses do not close for reason of moving to another country

High profile examples of employee-owned firms:

- Australia - [Arup \(in BRW\)](#)
- UK - [John Lewis \(in BRW\)](#)
- US - [Publix \(in BRW\)](#)

Australian example of a manufacturing firm where jobs were saved because the plant was transferred to employee ownership rather than closing:

- C-mac Industries: [Case study](#) and [video](#)

***Sources**

- Employee Ownership Australia: www.employeeownership.com.au
- National Centre for Employee Ownership: www.esopinfo.org/infographics/
- Employee Ownership Association UK: employeeownership.co.uk/publications/new-publication-employee-ownership-impact-report-the-business-case-for-employee-ownership/