

Share in Australia



Photo: William West (AFP), Newspix.

A comprehensive policy agenda for the further expansion of employee share ownership in Australia has been set out in the report *Shared Endeavours*, released recently by the House of Representatives Committee on Employment, Education and Workplace Relations. The report presents 45 recommendations aimed at advancing what the Committee says is "an idea whose time has come".

Shared Endeavours – "an idea whose time has come"

The report, however, was not unanimous, with Opposition members of the Committee presenting a dissenting report. While supporting increased access to employee share ownership for general employees, they were concerned that the concessions recommended by the Government members could provide increased opportunity for tax minimisation schemes.

'When employee share ownership plans are offered, usually all workers participate.'

Shared Endeavours was the result of an 18 month detailed examination of employee share plans (ESOPs) in Australia. It was the first such examination of ESOPs ever undertaken, even though ESOPs have enjoyed bipartisan support for over a quarter of a century.

ESOPs are common in the United States and the United Kingdom. In both countries they enjoy considerable concessional taxation treatment and specific legislative recognition because they are credited with fuelling economic development. The European Union has a general policy aimed at fostering the growth of ESOPs in member states.

In Australia, legislative support is *ad hoc* and taxation concessions are much more modest. It became apparent to the House Employment Committee that a decisive initiative was required to ensure that Australia remains in step with international practice.

One of the major discoveries of the inquiry is that very little is known about the extent and value of ESOPs in Australia.

From the evidence available to the Committee, it was apparent that there is widespread support for the growth of ESOPs amongst ordinary workers and that this support comes from the union movement, employers and employees. When ESOPs are offered, usually all workers participate.

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Pictured left to right: House Employment Committee members Kerry Bartlett, Brendan Nelson (Chair) and Phillip Barresi at the launch of the Shared Endeavours report.

The House Employment Committee also found that ESOPs can have a positive effect on the operation of an enterprise and that they are important in sunrise industries such as information technology and biotechnology companies. The Committee hoped to promote the development of ESOPs in sunrise enterprises as they are crucial in the evolution of the Australian economy from a resource intensive, old economy to a high value-added new economy.

Despite the importance of ESOPs in the continued economic prosperity of the nation, and the fact that ESOPs enjoy widespread support, the Committee discovered that their foundation in public policy was unclear.

'One goal is to more closely align the interests of employers and employees.'

The Committee concluded that in order for ESOPs to be encouraged they should advance four important public policy goals:

- to more closely align the interests of employers and employees;
- to provide a net contribution to national savings;
- to facilitate the development of sunrise industries; and
- to facilitate succession planning.

A major achievement of the report is to place ESOPs into a clear public policy rationale. This is the first time that this has been done.

The report makes specific recommendations to foster the development of share plans so that ESOPs will attain their public policy goals. The Committee recognised that these goals would be attained only if there were clear recommendations to prevent the use of ESOPs for tax avoidance purposes.

Key recommendations include:

- examining the feasibility of increasing the taxation concessions available to plans provided to general employees;

- making access to concessions by executive plans ordinarily dependant upon a plan being offered to all employees;
- establishing an ESOPs promotions unit;
- streamlining of the taxation and corporate law legislation; and
- increased regulation of all ESOPs so as to eliminate their use as tax avoidance vehicles by the creation of a regulatory agency.

Opposition members of the Committee supported the goal of providing increased opportunities for general employees to participate in ESOPs. However, they were concerned that the recommendations would provide the opportunity for increased tax avoidance and urged the Government to renew its efforts to stamp out such activities.

The inquiry helped to demonstrate the value of parliamentary processes. It showed that developing public policy is not a sterile activity but a contest of ideas based on clear evidence and one in which members of the public have an important role to play.

Mr Gary Scarrabelotti, the Executive Consultant of the Australian Employee Ownership Association, said that the report represented an important, compact statement of the current legislative arrangements and, significantly, a blueprint to enable ESOPs to be offered to many more general employees.

"The report sets a paradigm for policy development," commented Mr Scarrabelotti. "It sets the big picture which was badly needed. At the same time the report addresses micro-policy issues by indicating the legislative changes required to adapt ESOPs to the individual circumstances of an enterprise – especially small and unlisted enterprises.

"It is one of the best reports I have ever seen and the Committee is to be commended for its vision and thoroughness," Mr Scarrabelotti added. "One of the great innovations in this inquiry has been the willingness of the Committee to come back to witnesses and ask for additional information and pose additional questions. This forced us to closely examine our own approach and really put us on our mettle. As a result, the Committee had access to extremely detailed information especially on technical issues from all parties. This shows in the quality of the report."

To get a copy of the House Employment Committee's report, *Shared Endeavours*

Visit: www.aph.gov.au/house/committee/eewr/ESO

Call: (02) 6277 4573

Email: eewr.reps@aph.gov.au



Pictured left to right: House Employment Committee members Kim Wilkie, Craig Emerson, Julia Gillard and Rod Sawford (Deputy Chair) discuss their dissent to the report.