

Having our cake and eating it?

NOVEMBER 2018 NEWSLETTER



When companies and their advisors are designing new all-employee plans, especially for global workforces, there's a growing trend for companies and their advisors to pursue simplicity, flexibility and innovation - all of which are to be applauded. Many of these important plan features are achieved, however, at the expense of domestic tax advantages, mainly for employees. During my time leading ProShare, we been working hard to persuade regulators and policymakers to introduce greater simplicity, flexibility and innovation to tax advantaged schemes. In the past, the pushback has always been that we are trying to have our cake and eat it.

But our own research and other evidence now indicates that we are at a tipping point. Long, inflexible holding periods, complex tax treatment, and punitive leaver provisions are not encouraging loyalty and retention – far from it. They're actively discouraging employees from joining all-employee plans in the first place. In my more recent meetings with MPs and Government officials, I'm sensing a better understanding of our challenges and a growing acceptance of our viewpoint. But still the machinery of legislation grinds frustratingly slowly, more so with Brexit sand in the gears.

Some companies are taking the initiative and sacrificing domestic tax advantages - for now - in order simply to get their people to join a global all-employee plan that more closely meets their own objectives. After all, why run a share plan that nobody wants to join? But if we cannot convince legislators to embrace greater flexibility, simplicity and innovation, we and all our fellow employees stand to lose a great deal.

Let's not forget that these tax advantages were hard fought for in the first place. They still remain relevant to employee shareholders in protecting them from stock market volatility, encouraging financial wellbeing, and helping their pay to go further. If you care about taking these arguments to our political masters and mistresses, then join me, and - if you haven't already - join ProShare, and support our work, so that all-employee plans remain true to their inclusive spirit and are valued by the workforces of today and of the future. One day, some day, the fog of Brexit will have cleared, and we need to have laid the groundwork in readiness to capitalise on that moment.

Turning to our imminent Awards, this year the stand-out awards category for me was 'Best Overall Performance in Fostering Employee Share Ownership'. I was struck by the sheer diversity of competing companies, from those with a few hundred employees to those with many thousands, from the well-established to the 'new kids on the block', from those whose ownership status has changed rapidly to those whose status has evolved over many decades and weathered many challenges along the way.

As you'll hear if you're joining us at our Awards night on Wednesday, our winners in this category each won for very different reasons, operating as they do in very different markets and with varied workforce demographics. What they all have in common is an unwavering commitment to employee share ownership and the benefits that it brings to employees and their families, their employers, and the broader economy.

That employee share ownership should flourish in such a range of companies and industries, and across so many years, should give us all great hope as we in the UK face an uncertain political and economic future.

A handwritten signature in black ink, appearing to read "Gabbi Stopp".

Gabbi Stopp
Executive Director, ProShare