

# **EMPLOYEE-OWNED BUSINESS CENSUS 2024**

(Ref: CDS23/EOCensus2024)

## **Report to Scottish Enterprise and Co-operative Development Scotland**

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<sup>1</sup> We would like to thank Joseph Robinson for his research assistance on this project and the CDS team for their help and assistance throughout this project.

## **EXECUTIVE SUMMARY**

The report accompanies a census of the number of employee-owned businesses operating in Scotland as of the 31<sup>st</sup> March 2024 and provides information on the economic significance of these businesses alongside information on ownership types and the governance of employee-owned businesses (EOBs). The 2024 Census updates an earlier census carried out in 2022.

The project mainly examines two types of employee-owned business: EOBs based and registered in Scotland and workers' co-operatives based in Scotland. The report provides information on the number, sector, and location of these firms, along with total employment and sales. Summary information on incidence is also provided on employee-owned businesses registered elsewhere though with some operations in Scotland.

In the census, companies are defined as EOBs if there is an employee stake of more than 25 per cent with no other single majority shareholder. Employee ownership can be direct (individual ownership of shares) or indirect (trust ownership on employees' behalf) or a combination of both. Minimum size thresholds are 5 employees for EOBs and 2 for co-operatives.

Information on possible employee-owned businesses was gleaned from a variety of information sources, and then checked using information held at Companies House, the Co-ops UK Register of Co-operatives, the Mutuals Public Register, company web-pages, and other internet sources. This information was supplemented by a short survey sent to all companies that are potentially employee-owned, and by information obtained from the FAME financial database.

### ***The 2024 Census***

The 2024 Census shows that there are 177 Scottish-registered employee-owned businesses, 25 Scottish-registered workers' co-operatives, and 84 companies (including 5 worker co-operatives) that have some trading or production operations in Scotland but are registered elsewhere. The number of EOBs has grown 49 per cent on the 2022 Census figure (58 companies), whilst the number of EOBs registered elsewhere has grown by 65 per cent since 2022 (31 companies). The number of worker co-operatives registered in Scotland has reduced from 27 to 25 companies. Overall, this gives a combined total of 286 employee-owned businesses operating in Scotland.

Scottish-registered EOBs are concentrated in five industrial sectors: Professional, Technical, and Scientific; Manufacturing, Wholesale and Retail, Construction, and Information and Communication. Worker co-operatives are highly concentrated in five sectors: Agriculture, Forestry, and Fishing, Wholesale and Retail, Information and Communication, Professional, Technical, and Scientific, and Human Health and Social Work. The non-Scottish EOBs are concentrated in Professional, Technical, and Scientific, Administration and Support Services, Manufacturing, Wholesale and Retail, and Construction.

Scottish-registered EOBs are found in all regions of Scotland with the largest clusters in Glasgow and Strathclyde, Tayside, Central, and Fife, Edinburgh and Lothians, and Highlands and Islands. Worker co-operatives, although lesser in number, are concentrated in Edinburgh and Lothians, Glasgow and Strathclyde, and Tayside, Central, and Fife.

Total employment in Scottish-registered EOBs is 7,274, an increase of 2,297 employees since the 2022 Census. Total worker co-operative employment is 319, a small fall on the 2022 figure of 351. Overall, employment in Scottish-registered employee-owned businesses including worker co-operatives has grown by 2,265 employees since the 2022 Census (an increase of 42.5 per cent).

Total turnover in Scottish-registered EOBs is calculated to be £1.443 billion, and £28 million in worker co-operatives. This is a substantial increase (113 per cent) on the total level of turnover observed in Scottish-registered EOBs and worker co-operatives in 2022 (which was reported as £691 million). We do not have employment and turnover information for employee-owned companies that have operations in Scotland but who are registered elsewhere but it is highly likely that both have grown since 2022 because of the increase in the number of such companies.

### ***The 2024 Survey***

The population census was accompanied by a survey of EOBs and co-operatives (the 2024 Survey). In total 105 useable survey responses (i.e. complete or almost complete responses) were received: 93 EOBs and 12 worker co-operatives. This survey provides detailed information on the ownership and governance structures of employee-owned companies, along with information on company objectives and practices.

The 2024 Survey indicates that 99 per cent of EOBs utilise a trust, providing collective, indirect employee ownership, whilst 15 per cent of companies have some direct, individual employee ownership. The proportion of firms using EOTs or EBTs is a small increase on the findings in 2022, and reflects the dominance of the EOT in recent employee ownership conversions.

In EOBs on average employees own 91 per cent of the company between them, with the median being 100 per cent. 67 per cent of EOTs are 100 per cent employee-owned. In 16 per cent of cases, previous owners continue to hold a minority stake, whilst in 15 per cent of cases company directors hold a stake separate from the all-employee stake.

Nearly all Scottish-based EOBs have some forms of employee participation in governance that are not typically used by non-employee-owned businesses. These include worker directors (55 per cent) and regular meetings of employee shareholders (44 per cent). 88 per cent of companies with a trust had one or more employee trustees.

Two-thirds of EOBs paid a bonus to employees in the last year. Using information from those EOBs for which information is available, the total bonus paid to employees

in the last year was £5.14 million. This was shared by 2,251 employees in Scotland, an average of £2,283 per person

The most important objectives for employee-owned businesses and co-operatives relate to promoting employee health and well-being, and maintaining or increasing employment levels. Growing the company is somewhat less important, as is implementing a net zero plan. Between 69 and 94 per cent of EOBs and co-operatives report that they are using various practices that are consistent with fair work policy objectives. However, only a minority (27 per cent of EOBs, 30 per cent of co-operatives) are implementing a net zero plan.

## Introduction

Since 2018 employee ownership (EO) has been a key theme of the Scottish Government's economic strategy around growth, fair work, productivity, sustainability, and wellbeing. Its commitment to growing the employee ownership sector in Scotland is emphasised by the manifesto pledge to increase the number of employee-owned companies to 500 by 2030.

With this target in mind, the White Rose Employee Ownership Centre (WREOC), under the auspices of Professor Andrew Pendleton and Professor Andrew Robinson, was commissioned by Scottish Enterprise to carry out a 2024 update of the 2022 baseline census of the number of employee-owned businesses in Scotland.

The absence of any official statistics or records of companies with employee ownership has, in the past, complicated the development of an accurate picture of employee ownership in Scotland, but the 2022 Census carried out by the WREOC developed a detailed methodology based on information gleaned from a variety of information sources - Companies House, the Co-ops UK Register of Co-operatives, the Mutuels Register, Co-operative Development Scotland (CDS), the WREOC database of UK EOBs, and practitioners specialising in helping companies transfer to EO in Scotland.

The 2024 Census uses the same core methodology as the 2022 exercise. The purpose is to provide updated figures against which to evaluate the success of the policy objective to increase the incidence and coverage of EO in Scotland, how the picture has changed since 2022, as well as evaluate their economic impact (employment and revenue generated).

The report finds a substantial increase in the number of EOBs based in Scotland, along with an increase in the number of employee-owned firms based elsewhere with Scottish operations. The number of employees in the employee-owned sector has increased, as has the total turnover of the sector.

Building on this framework, the 2024 study extends the survey instrument used in 2022 to collect information on the ownership structure, governance, and practices of companies within the employee-owned sector, notably around fair work and sustainability as key objectives of the Scottish government. This is referred to in this report as the 2024 Survey.

The report proceeds by defining employee ownership, setting out the methodology used in the study, and then reporting results on the incidence of employee ownership and the sectoral distribution of EO firms. It then provides information on the size of the sector in Scotland in terms of employment and turnover. It then draws on the 2024 Survey to present findings on the objectives, practices, and fair work outputs of Scottish EOBs and worker co-operatives.

## Definition of employee ownership.

There are two main forms of employee ownership in Britain: workers' co-operatives and majority or co-employee-owned businesses (hereafter referred to as EOBs). Workers' co-operatives are organisations that adhere to all or most of the International Co-operative Principles (<https://www.ica.coop/en/cooperatives/cooperative-identity>) and are notable for equal ownership shares and governance rights between participating employees. Other businesses with substantial employee ownership have a variety of ownership and governance forms. The Nuttall Review of Employee Ownership<sup>2</sup> defined employee ownership as: 'a significant and meaningful stake in a business for all its employees. If this is achieved, then a company has employee ownership: it has employee owners. What is 'meaningful' goes beyond financial participation. The employees' stake must underpin organisational structures that ensure employee engagement. In this way employee ownership can be seen as a business model in its own right.' (Nuttall, 2012, p.74-75).

While there is no clear standard as to what proportion of issued share capital signifies a meaningful stake, from a legal standpoint over 25 per cent is viewed as 'significant control'. Hence, a company can be defined as having employee ownership where more than 25 per cent of the company's ordinary share capital is broadly held, either directly or indirectly, by all or most of the employees, and this shareholding underpins genuine employee engagement.

Most businesses that are portrayed or self-identify as employee-owned have significantly larger employee stakes, with the average employee holding amongst our survey of Scottish registered businesses being over 90 per cent.<sup>3</sup> The Employee Ownership Trust (EOT) model, which is becoming the dominant mode of employee ownership in the UK, requires that employees own more than 50 per cent (to secure the tax benefits associated with the EOT).

The 25 per cent criteria assumes that no other single party owns a majority stake. A company that is 25 per cent employee-owned and 75 per cent private equity-owned would not be viewed as employee-owned as the private equity owner would clearly be the controlling owner. In reality, this issue does not arise, since in nearly all cases those owning significant stakes other than the employee stake are either particular employees (typically directors) or previous owners in the process of exiting. In addition, the survey data finds that employees own majority stakes in all but two cases. In only one case does an external investor own a substantial stake (49 per cent).

A further criterion concerns the size of employee-owned businesses. Very small businesses composed solely of founding entrepreneurs might be viewed as employee-owned. On this basis there would be many thousands of employee-owned businesses, but this would clearly stretch what is normally meant by employee ownership. For this reason, we adopt a cut-off of 5 employees for employee-owned businesses other than

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<sup>2</sup> Graeme Nuttall, Sharing Success: The Nuttall Review of Employee Ownership (Department for Business, Innovation & Skills), 2012, pp74-76. Published on 4 July 2012 this was an independent review for the UK Government. It explained the obstacles to promoting employee-owned companies and set out a framework for knocking them down. It made recommendations to the Government on how to promote employee ownership. Retrieved from: <https://www.gov.uk/government/publications/nuttall-review-of-employee-ownership>

<sup>3</sup> Note that some finance sector companies portray themselves as 'employee-owned' but are in reality owned by a small number of partners (and a minority of employees).

workers' co-operatives. This means that there will typically be some employees other than directors participating in ownership: note that EOT regulations require that former owners should not exceed 40 per cent of trust beneficiaries, meaning that most EOT businesses have 5 or more employees. The cut-off is more challenging for co-operatives since many have fewer than 5 employees. We adopt a minimum size threshold of two employees for co-operatives (a one-person co-operative would in effect be a sole trader).

With regard to workers' co-operatives, our definition requires that these organisations have employees, and can thus be seen to be a traditional definition. In recent years membership organisations composed of self-employed workers with the purpose of securing and distributing work between members have emerged. Since workers in these organisations would be captured by statistics for self-employment, they are excluded from our census. A further complication with workers' co-operatives is that they can transform into more conventional forms of ownership over time as employee members leave, such that the numbers of employees fall below the size threshold outlined above. Where this has occurred, the organisation is excluded from the Census even though it may continue to be called a co-operative.

## **Methodology**

The 2024 Census consisted of several stages. The initial phase of the project involved drawing up a list of potential EOBs in Scotland comprised of well-known EO companies and a growing number of firms that may be employee-owned and therefore requiring further investigation. In establishing a robust and current list of EOBs operational in Scotland various categories of EOB were considered. Of primary importance are those EO businesses based in Scotland (their registered office is in Scotland, and they are incorporated at Companies House in Edinburgh).

In order to build a complete picture of the extent and impact of EO businesses in Scotland, we also capture information on the growing number of EO companies registered elsewhere in the UK that have a subsidiary, office or trading base located in Scotland. An obvious example is the John Lewis Partnership which has John Lewis and Waitrose stores across Scotland but is registered in England and Wales. There is inevitably a grey area in deciding whether a company based elsewhere is operating in Scotland: our approach has been to determine whether the Scottish operations are actually located in Scotland and are at least semi-permanent in nature. Thus companies registered elsewhere that occasionally run projects in Scotland or who service Scottish customers from a base elsewhere are excluded. Companies that are based elsewhere but who have a sales team (but not an office) located in Scotland are included. Distinctions within each grouping – Scottish registered and non-registered companies, were made between employee-owned and worker co-operatives

In drawing up this initial list, core information was taken from the CDS list of known EOBs operating in Scotland and the UK-wide database of EOBs maintained by the WREOC. The WREOC database has provided the statistical backdrop to the growth of the EOB sector in the UK since 2014 and proved particularly adept at identifying

additional non-Scottish registered EOBs which had operational bases in Scotland. This information was complemented by additional searches of information at Companies House, the Co-ops UK Register of Co-operatives, the Mutuals Register, and the internet to identify any new EOBs or companies whose status had changed – either no longer EO or no longer in business.

This led into a more detailed process of authentication and cross-checking by the WREOC team across the various sources to ensure the correct classification of a company as employee-owned and whether Scottish-registered or not. For non-Scottish registered EOBs information was gathered from their company website in order to identify whether they had a subsidiary, office, trading base, or operations clearly located in Scotland. This process of checking, re-checking, and updating of information continued throughout the project.

Running concurrently with the development of the 2024 Census database, an electronic survey instrument (the 2024 Survey) was designed to capture more detailed information on individual companies' ownership structure and core governance practices as well as information to assess their wider economic contribution of the sector to the Scottish economy (employment and sales).

Building on the 2022 survey, some additional questions were added to gain more insight and understanding of key attributes of EOBs without making completion of the survey too onerous. In addition to those questions on ownership structure included in the 2022 Survey, information was sought on trust composition and purpose. Questions were also asked on the level of profit share payments to provide an indication of the financial benefit of employee ownership to employees. Finally, new questions were asked to ascertain the extent to which employee-owned companies were pursuing policies and practices consistent with the Scottish Government's policies on Fair Work and Net Zero practices.

A link to the survey questionnaire was distributed via email by either CDS or the research team with CDS taking the lead where it had a more established relationship or contact with a company<sup>4</sup>. In total, around 250 companies were contacted via email with the initial tranche going out in the last week of November 2023 and continuing until the survey was closed towards the end of March 2024. Where necessary, 'follow-up' and 'final call' emails were sent during this period to try and maximise the response rate while any new emergent EOBs were added to the list and sent a request to complete the survey.

The 2024 Survey generated 105 usable responses (i.e. complete or almost complete responses), of which 93 cases are EOBs and 12 are workers' co-operatives. Over 160 individuals initially connected to the survey, with 120 complete or partially complete responses received. Of these 15 were either duplicates or judged to be too incomplete to use, and hence were excluded. The response rate for EOBs (relative to the populations of EOBs and co-operatives) was 53 per cent, and 50 per cent for co-operatives. For a survey of this type and distribution method the response rate was considered high.

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<sup>4</sup> We would like to thank Carole Leslie (Ownership Associates), Andrew Harrison (Co-ownership Solutions), Ralph Leishman (4-Consulting), John Atherton (workers.coop) and Co-operate Scotland LLP for their assistance throughout this study.

An initial use of the survey responses was to verify the EO status of the companies on our database (see above). In conjunction with the other methods used in the census, this resulted in a final tally of 286 EO companies that were operational in Scotland (see later). The largest component of this number was Scottish-registered EO companies and particular efforts were focused on getting information from this core category so that an accurate picture of the Scottish-based EOB sector could be established.

A key objective of the 2024 Survey was to collect information on the numbers employed in each company and their sales revenue in order to calculate an estimate of the size of the 'home grown' EOB sector (those EOBs and worker co-operatives registered and head-quartered in Scotland)<sup>5</sup>. To deal with non-response to the survey on these key variables we utilised a financial database (FAME) comprised of accounting information deposited at Companies House. This allowed us to identify the numbers employed by each company according to their latest financial statements.

This approach was also used for turnover but was more challenging due to the accounting exemptions available to many smaller businesses. The legal requirements governing what businesses need to make publicly available is governed by several considerations notably the size of the businesses (variously defined). In general, the smaller the business the lower is the burden on providing detailed financial information. While we can fill most of the gaps on turnover for larger businesses, this is not possible in the case of smaller ones (amongst whom EO is most prevalent). In these cases, we have extrapolated from the median turnover of those businesses where turnover is known to generate a figure for the sector as a whole.

This financial database was also utilised to collect additional information on each employee-owned company, notably their primary industrial classification (SIC2007), registered office location, and accounts type.

## **Census Findings**

### *Number of employee-owned companies*

As of the end of March 2024, the 2024 Census shows that there are 286 employee-owned companies operating in Scotland, an increase of 91 companies on the 195 companies in the 2022 census (see Table 1). The number of Scottish-registered EOBs has risen from 119 to 177, an increase of 58 companies, while that of EOBs registered outside Scotland but with trading operations in Scotland has increased by 31 companies. The increase in the latter reflects the steady growth in employee-ownership throughout the United Kingdom rather than existing EOBs opening Scottish operations. The number of Scottish-registered worker co-operatives has remained relatively steady during the period although this masks a number of new start-ups, closures and companies no longer operating as worker co-operatives. One company recorded as a co-operative in 2022 has been re-classified as an EOB in 2024.

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<sup>5</sup> For the 2024 Census, due to informational and methodological issues it was decided not to collect Scotland-specific estimates of employment and sales turnover from EOBs registered outside of Scotland but with some operational base in Scotland.

Nearly 62 per cent of employee-owned businesses operating in Scotland are Scottish-registered EOBs. This proportion has not changed since 2022 but the proportion of employee-owned firms that are worker co-operatives has declined a little whilst that of non-Scottish EOBs has increased.

**Table 1: Incidence and Category of Employee Ownership**

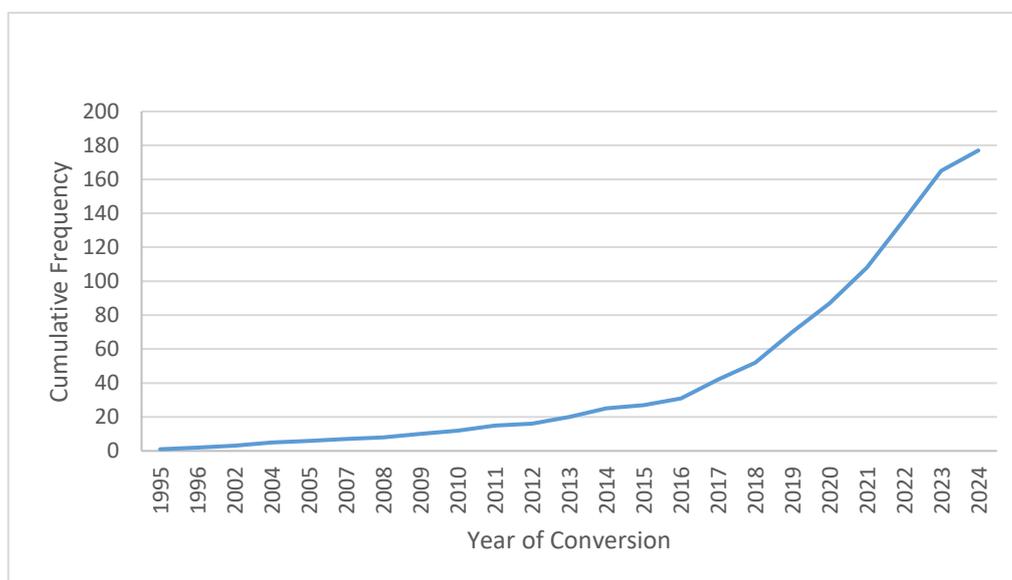
*Numbers and percentages*

Type	Number 2024	Percentage of total 2024	Number 2022	Percentage of total 2022
<b>Scottish Registered</b>				
EOB	177 <sup>6</sup>	61.9	119	61.0
Co-operatives	25	8.7	27	13.8
<b>Non-Scottish Registered</b>				
EOB	79	27.6	48	24.6
Co-operatives	5	1.7	1	0.5
<b>Total</b>	<b>286</b>	<b>100.0</b>	<b>195</b>	<b>100.0</b>

Source: 2024 Census and 2022 Census

**Figure 1. Size of the Scottish-registered Employee-Owned Sector (2024)**

*(Number of companies: cumulative)*



Source: 2024 Census

Note: Worker co-operatives are not included in this graph. See Note 7 below.

<sup>6</sup> This total includes 4 companies who were non-Scottish registered but upon further investigation were judged to be 'Scottish' either because their EOT was registered under Scottish law and/or their only business base is in Scotland.

Figure 1 shows the cumulative frequency of Scottish-registered EOBs. Over 85 per cent of EOBs have been created since 2014 (when the Finance Act 2014 established the EOT). The trajectory since 2022 (when the previous census was undertaken) has been maintained, with between 25 and 30 conversions occurring in Scotland each year<sup>7</sup>.

### *Sectoral distribution of EO companies*

The sectoral classification of all EOBs across the different groupings are presented in Table 2. In terms of the Scottish-registered EOBs, the largest clusters are in the following sectors: Professional, Technical, and Scientific; Manufacturing; Wholesale and Retail; Construction; and Information and Communication. Over 75 per cent of Scottish EO businesses operate in these five sectors, the same ‘top 5’ as in the UK more generally. The rank order of these clusters is the same as in 2022, and overall there is very little change in the sectoral distribution of EOBs in 2024 compared with 2022.

**Table 2. Sectoral Distribution of Scottish Employee-Owned Companies 2024**  
(Percentages)

Sector	Scottish Registered		Non-Scottish Registered <sup>8</sup>
	EOB	Co-op	EOB
Professional, Scientific, and Technical Activities	24.3	8.0	43.0
Manufacturing	17.5	4.0	8.9
Wholesale and Retail: Repair of Motor Vehicles	15.8	24.0	8.9
Construction	10.7	0.0	6.3
Information and Communication	10.2	16.0	3.8
Administration and Support Service Activities	7.9	0.0	13.9
Human Health and Social Work	2.8	8.0	1.3
Other Service Activities	2.8	0.0	0.0
Financial and Insurance Activities	2.3	0.0	5.1
Accommodation and Food Service Activities	1.7	4.0	2.5
Agriculture, Forestry and Fishing	0.6	24.0	1.3
Arts, Entertainment and Recreation	1.1	4.0	1.3
Mining and Quarrying	0.6	0.0	1.3
Water, Sewerage, Waste Management	0.6	0.0	0.0
Transportation and Storage	0.6	4.0	0.0
Education	0.6	4.0	1.3
Electricity, Gas, Steam and Air Conditioning	0.0	0.0	0.0
Real Estate Activities	0.0	0.0	1.3
Public Administration and Defence	0.0	0.0	0.0
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Source: 2024 Census

<sup>7</sup> Figure 1 does not include co-operatives because there is more ‘churn’ in co-op numbers and it is very difficult to determine when some co-operatives ceased to be co-operatives (but continued to trade as companies).

<sup>8</sup> Due to the small number of non-Scottish registered worker co-ops operating in Scotland the sectoral distribution figures are not reported here.

Worker co-operatives again reveal a similar high degree of concentration but slightly different composition. The dominant sectors are Agriculture, Forestry, and Fishing, and Wholesale and Retail, each constituting 24 per cent of the sector. These are followed by Information and Communication (16 per cent), Professional, Technical, and Scientific (8 per cent), and Human Health and Social Work (8 per cent). These five industrial sectors make up 80 per cent of all Scottish- based worker co-operatives.

The sectoral distribution of the non-Scottish registered EOBs differs a little from the Scottish-registered EOBs, though Professional, Technical, and Scientific is also the largest sector (43.0 per cent). Administration and Support Service Activities is the second largest sector (compared with sixth amongst Scottish EOBs), followed by Manufacturing, Wholesale and Retail, and Construction. Together these sectors account for over 80 per cent of employee-owned businesses in this sector, a slightly higher level of concentration than amongst the Scottish-registered EOBs. There is little change since 2022 but both Manufacturing and Construction have slightly increased whilst Profession, Scientific, and Technical, along with Administration and Support Service, have declined slightly in terms of their prevalence within the sector.

### *Geographical distribution of EO companies*

In terms of the geographical distribution of Scottish EOBS and worker co-operatives, all regions have some incidence of employee ownership although the largest cluster is found in the Glasgow and Strathclyde Region, followed by Tayside, Central, and Fife, and Edinburgh and the Lothians (see Table 3). Worker co-operatives are similarly concentrated in Tayside, Central and Fife, Edinburgh and Lothians, and Glasgow and Strathclyde.

**Table 3. Geographical distribution of Scottish employee-owned companies  
Percentage of companies in Scottish Regions**

<b>Region</b>	<b>EOBs (%)</b>	<b>Co-ops (%)</b>
Aberdeen and North-East	9.0	8.0
Highlands and Islands	12.4	4.0
Tayside, Central, and Fife	21.5	20.0
Edinburgh and Lothians	18.6	36.0
Glasgow and Strathclyde	35.6	28.0
Scotland South	2.8	4.0
<b>Totals (%)</b>	<b>100.0</b>	<b>100.0</b>

*Based on region of registered office location  
Source: 2024 Census*

## Employment

Data on employment is obtained from company accounts and is available for all EOBs and workers' co-operatives. The figures provided refer to persons rather than Full-Time Equivalents (FTEs). Total employment in EOBs in 2024 is 7274 compared with 4977 in the 2022 Census (see Table 4) an increase of 2297 employees albeit on a larger number of companies. Total employment in Scottish worker co-operatives is 319, slightly smaller than in the 2022 Census (351).

The average number of employees across the 177 Scottish registered EOBs is 41 with a median of 24. These figures show little change from 2022 (42 and 22 respectively). The discrepancy between the mean and median indicates a positive skew, where a smaller number of large employers pull the mean value above that of the median (see distribution of employment by category in Figure 2). The largest company employs just under 500 employees. The average number of employees in worker co-operatives is 13, with a median of 5 employees.

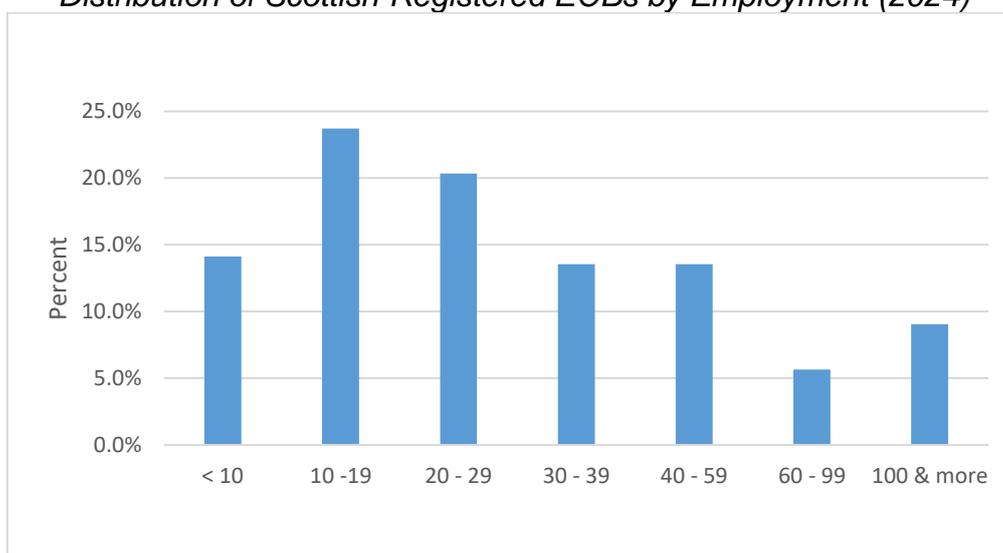
**Table 4. The size of the employee-owned sector in Scotland: employment**

Type	2024	2022	Increase 2022 – 2024
EOBs	7,274	4,977	+2,297
Worker co-operatives	319	351	-32
Total	7,593	5,328	+2,265

Notes: rounded figures

**Figure 2. Employment in Scottish Employee-owned Businesses**

*Distribution of Scottish-Registered EOBs by Employment (2024)*



Source: census data (2024)

Although the number of employees in the employee-owned sector has increased since the 2022 Census (alongside the increase in the number of employee-owned firms), some firms have experienced a reduction in employment numbers. Focusing on 118 firms from the 2022 Census where comparative employment data is reported<sup>9</sup>, 31 per cent have since experienced a reduction in employee numbers. In most cases the absolute decline is 10 employees or less but there is one case where the reduction in workforce has been more significant. However, 48 per cent of firms have increased their workforces over the period, in most cases this being less than 10 employees (skewed towards a few employees) but in 7 per cent of cases recording a double-digit increase.

### *Company turnover*

Understanding fully the value of EOBs' output to the Scottish economy is hampered by limited access to full company revenue. Unlike figures on employment, where there is complete coverage from company accounts, we have been able to obtain partial evidence on turnover from 106 of the 177 EOBs using accounts and survey data<sup>10</sup>. From this, we have been able to calculate that Scottish-registered EOBs have an average turnover of £11.47 million with a median of £3.20 million. Businesses varied from sales of £100,000 to that of over £360 million (see distribution by turnover below). In total these businesses generated £1.216 billion of revenue.

To estimate a value for all 177 Scottish registered EOBs we need an appropriate way of scaling-up this value from the 106 companies for which we have turnover data to the group as a whole. Using the same approach as in the 2022 Census, we scale-up based on the value of the median (£3.20 million) for the companies for which data is available. This adds an additional £227 million pounds (71 companies x £3.20 million) to the known total of £1.216 billion, giving a total sector size for Scottish-registered EOBs of £1.443 billion.

This figure of £1.443 billion as the total turnover for the Scottish-registered EOB sector in 2024 is an increase of £782 million on the 2022 figure of £661 million (an increase of 118 per cent).

If we adopt the same calculation method using the mean rather than the median, the total turnover of Scottish EOBs is £2.030 billion. However, given that the mean is pulled upwards by a small number of large companies, the more conservative total figure generated by use of the median is to be preferred.

In order to check the robustness of the preferred median based measure above, we considered an alternative method of calculation which matches companies with no turnover figure to similar sized companies where turnover figures are available. For example, if a company with no turnover figure has between 20 - 29 employees we look at the similar sized cohort of companies where a turnover figure is available and use the median turnover value of this group as an estimate of turnover for the company with missing data. This is repeated for each size category so we get a proxy of turnover

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<sup>9</sup> These figures are based on the information that was available at the time of each census.

<sup>10</sup> Accounts data is used where it relates to 2023 at least in part. Where accounting data is older, we use the more recent survey data where applicable.

based on size/employment. Based on this matching methodology we get a figure of £1.430 billion, a figure that is very similar to the value generated using the median approximation approach (£1.443 billion), thus confirming the robustness of our preferred approach to calculating total turnover.

Turnover in worker co-operatives has to be estimated given that turnover data is unavailable for 11 of the 25 co-ops. Total turnover for 14 co-ops (where data is available) is £25.53 million, with the average for each co-op being £1.823 million. Median turnover is £242,000. Using this median figure to calculate turnover in the same way as used for EOBs gives a total turnover for the worker co-operative sector of £28.2 million. Once again, this is slightly smaller than the figure of just over £30 million in the 2022 Census.

Table 5 summarises the findings on turnover of the employee-owned sector in Scotland whilst Figure 3 provides the distribution of EOBs by turnover.

**Table 5. The size of the employee-owned sector in Scotland: turnover (£m)**

Type	2024	2022	Change 2022 - 2024
EOBs	1,443	661	+782
Worker co-operatives	28	30	-2
<b>Total</b>	<b>1,471</b>	<b>691</b>	<b>+780</b>

*Source: census data and company accounts*  
*Notes: rounded figures*

**Figure 3. Turnover of Scottish Employee-owned Businesses 2024**

*Distribution of Scottish Registered EOBs by Turnover (2024)*



*Source: census data and company accounts*

## **Scottish-registered EOBs and co-operatives: survey findings**

In the remainder of this report we draw on the 2024 Survey to provide further information on ownership, governance structure, and company policies and practices in the Scottish-registered sector of EOBs and co-operatives. Ninety-three EOBs responded to the survey, providing coverage of 53 per cent of the EOB population. We examine employee ownership structure, governance arrangements, and company policies. The Survey also provides information on workers' co-operatives but the much smaller number of responses (12), coupled with the non-applicability of many of the questions, limits the presentation of findings.

### *Forms of Employee Ownership*

An employee trust is used in nearly all employee-owned businesses (see Table 6) and is the dominant form of employee ownership in Scotland. The 2024 Survey shows that 99 per cent have a trust, and that 85 per cent rely solely on an employee trust to achieve employee ownership (this proportion has grown since the introduction of the EOT in 2014). Fifteen per cent have some individual employee ownership, possibly using one of the tax-advantaged employee share ownership plans, but only 1 per cent rely solely on direct individual ownership (whereby a clear majority of employees hold ownership of shares to a combined level of 25 per cent or more). Around 14 per cent of the sector are hybrids, that is they use some combination of indirect and direct employee ownership. These figures are very similar to those in 2022 though there has been a slight increase in the use of trusts and a small decline in the proportion using direct ownership.

**Table 6. Forms of employee ownership**

<b><i>Form of employee ownership</i></b>	<b><i>Percentage of companies (rounded) 2024</i></b>	<b><i>Percentage of companies (rounded) 2022</i></b>
Trust (EBT or EOT) present	99	98
Trust only (no direct ownership)	85	83
Direct ownership (by employees) present	15	17
Direct ownership (by employees) only	1	3
Hybrid direct and indirect ownership	14	15

*Source: 2024 Survey (93 companies) and 2022 Survey (81 companies)*

Across EOBs, the average proportion of company ownership held by employees, either directly or indirectly, is 91 per cent (median = 100), with the lowest level of employee ownership being 30 per cent.

90 per cent of EOBs have an EOT whilst 9 per cent have an EBT. 67 per cent of EOTs are 100 per cent employee-owned.

Although most firms are employee-owned in their entirety, other owners are also present in some. In 15 per cent of cases company directors hold a share separate from the all-employee share (in just one case this is a majority share), whilst in 16 per cent of cases previous owners continue to hold a (minority) share. External investors are present in just two cases (2 per cent).

The survey shows that tax-approved individual share schemes are used in a minority of EOBs, notably the Share Incentive Plan (14 per cent of EOBs) and Enterprise Management Incentives (14 per cent). The Company Share Option Plan is used in 2 per cent of firms.

### *Employee Governance*

Employee engagement and involvement in company governance is a key feature of active employee ownership. The survey sought views on eight potential forms of employee participation in governance, based on previous research into employee ownership. These include employee directors on the company board, presence of an employee shareholder council, employee trustees, use of a 'shadow board' amongst others. These forms of employee participation are not typically found in non-employee-owned companies. The rationale is that ownership rights should give some control rights if ownership is to be meaningful to employees.

An important consideration facing many new employee-owned companies is whether to have employee representatives on the company board or an employee ownership council that in effect oversees the company board. Alternatively, many smaller companies may favour more informal forms of employee governance. A further issue relates to the extent of employee involvement in the ownership trust (where present) since the trust holds ownership on behalf of employees.

The survey asked about six forms of governance, and over 80 per cent of companies reported using two or more different practices, while no company reported using none of these arrangements. Of those who reported using only one governance arrangement this tended towards an employee representative sitting on the trust board (EOT or EBT). No company reported the use of an employee representative on a 'shadow board', whilst there was minimal evidence of collective bargaining with trade unions over wages and conditions in our sample. Overall, these findings indicate that employee-owned businesses have some provisions for employee involvement that are not typically found in non-employee-owned companies.

In the 2024 survey, 55 per cent of respondents reported having an employee director sitting on the company board. Employee directors were observed across all sizes of company (by number of employees) but their incidence tended to increase with company size. Regular meetings of all employees were utilised by 45 per cent of companies, its use tending to increase with business size but tailing off amongst businesses with 100 or more employees. Conversely, it is evident that smaller businesses tend to rely on more informal governance arrangements with over 80 per cent of companies ticking this category employing less than 20 employees. Employee

representatives on an ownership or employee council were less prevalent (13 per cent) but were more likely to be found in larger businesses where 50 per cent of companies with 100 or more employees use this practice.

**Table 7. Forms of Employee Governance**

<i>Form of employee governance</i>	<i>Percentage of companies (rounded) 2024</i>	<i>Percentage of companies (rounded) 2022</i>
Employee director on company board	55	58
Employee representatives on an ownership or employee council	13	14
Regular meetings of all employee shareholders	45	44
Given our size we rely on more informal governance arrangements	29	23
Employee representation on trust (where trust present)	88	82

Source: 2024 Survey (83 companies) and 2022 Survey (80 companies)<sup>11</sup>

88 per cent of companies reported the presence of employee representatives on the trust board (found in all but 1 per cent of EOBs), up from 82 per cent in the 2022 Survey. In 37 per cent of cases, employee representation on the trust board was the only form of formal employee involvement in governance.

In 91 per cent of cases, employee representatives on the EOT or EBT are elected by employees, with a further 1 per cent selected by an elected employee council. Employee trustees are selected by management in 8 per cent of EOBs.

Just 4 per cent of EOBs have no formal institutions of employee governance connected with employee ownership. 46 per cent have either worker directors, employee representatives on a partnership council, employee representatives on the trust, or employee representatives on a shadow board. A further 46 per cent have two of these forms of governance, with 5 per cent having three.

### *Employee bonuses*

Just over two-thirds (67 per cent) of EOBs had given a bonus/profit share to employees in the last year, with a further 12 per cent of EOBs intending to give one in the next year. The average amount of profit share across the companies (not per employee) was £3,133 (median = £1,800). The lowest share was £200 and the highest £20,000. Using information from 55 EOBs for which information is available, the total bonus (average per firm multiplied by number of employees, then summed) paid out in the last year was £5.14 million. This was shared by 2,251 employees in Scotland, an average of £2,283 per person.

<sup>11</sup> The table does not report findings for presence of a 'shadow board', of which there is only one instance.

### *Trust purpose*

A new question asked in the 2024 Survey related to the purpose and activities of the EOT or EBT where present. This is important because the trust is charged with acting on behalf of its beneficiaries, and the extent to which the trust carries out this role provides an indication of the vitality of employee ownership. At one extreme, the trust may be just a 'warehouse' for company shares whilst at the other it may be actively involved in the management of the company on employees' behalf.

Table 8 shows that in most cases the trust operates somewhere in between these two extremes.

Most EOTs or EBTs have either little or no strategic role but nevertheless promote the interests of employees or have an active strategic role in the oversight of the company.

**Table 8. The purpose of employee trusts**

<i>Trust purpose</i>	<i>Number of EOBs</i>	<i>Percentage of EOBs</i>
Custodian role, with active involvement in at least some operational management decisions as well as active strategic oversight of the company	12	14
Custodian role, with active strategic oversight of the company but no involvement in operational decisions	38	46
Custodian role, with little or no active strategic oversight but some activity to promote the interests of employee beneficiaries	29	35
Passive long-term holding of shares with no wider role	4	5

*Source: 2024 Survey. n = 83*

### *Company objectives and practices in EOBs and worker co-operatives*

A set of questions in the survey asked companies about the importance of various potential objectives for the company. An average score can be created for each objective based on a 1-5 scale where 1 = 'not at all important' and 5 = 'extremely important'. Table 8 shows the importance of each objective based on this score. Data

is shown for EOBs and worker co-operatives. It should be borne in mind that data is available for only a small number of co-ops.

**Table 9. The importance of company objectives (in rank order for EOBs)**

<b>Objective</b>	<b>Importance score - EOBs</b>	<b>Importance score – Co-ops</b>
Promoting employee health and well-being	4.21	4.33
Maintaining/increasing current employment levels	4.11	4.33
Providing local employment	3.95	3.83
Growing the company	3.81	3.08
Growing the value of company shares	3.48	1.64
Reducing labour costs	2.16	1.92

Source: 2024 Survey

As Table 9 shows, for EOBs employee-focused and employment objectives are most important, followed by company growth objectives. There is a similar rank order for worker co-operatives, with the unsurprising exception that growing the value of company shares is the least important objective.

### *Fair work and net zero*

The Scottish Government has various policy objectives in the areas of Fair Work and Net Zero. Questions were asked in the survey to ascertain the extent to which employee-owned businesses and worker co-operatives have or are implementing desirable practices in these areas.

**Table 10 Use of fair work and net zero practices**

<b>Practices</b>	<b>Employee-owned businesses per cent of cases</b>			<b>Worker co-operatives per cent of cases</b>		
	<b>Yes</b>	<b>No</b>	<b>Working towards</b>	<b>Yes</b>	<b>No</b>	<b>Working towards</b>
Payment of living wage to all 16+ employees	84	7	9	91	9	0
Only utilising zero hours contracts when appropriate	71	29	0	80	20	0
Investing in workforce development	93	5	2	80	20	0
Appropriate channels for effective voice	81	10	9	73	27	0
Undertaking gender pay gap actions	71	20	9	80	20	0
Flexible and family friending working for all workers from day one of employment	69	14	18	83	8	8

Opposing the use of fire and rehire practices	94	4	3	91	9	0
Implementing a net zero plan	27	19	54	30	50	20

Source: 2024 Survey

As Table 10 shows, most EOBs and co-operatives report that they are applying internal policies in accordance with these Policy objectives, with the exception of implementation of a net zero plan. Only a minority are currently implementing a plan although over 50 per cent of EOBs report that they are now working towards this.

## Conclusions

The 2024 Census shows that there are 177 Scottish-registered employee-owned business, 25 Scottish-registered workers' co-operatives, and 84 non-Scottish-registered employee-owned businesses (including 5 worker co-operative), with a **combined total of 286 businesses**. As noted in the 2022 report, there has been substantial growth in the number of Scottish-registered EOBs since 2017 and this growth has continued since 2022. By contrast, the number of worker co-operatives has stayed broadly the same, though there has been some churn with the emergence of new co-ops counter-balanced by the demise of existing ones (either ceasing trading or transforming into more conventional forms of ownership). We do not examine the reasons for growth in EOBs in the report but the emergence of the EOT has clearly facilitated growth as most of the recent conversions have used the EOT mechanism.

The census exercise has provided a robust estimate of the number of employee-owned businesses registered in Scotland, and it provides a useful further benchmark study to evaluate the success of policy initiatives to grow the employee-owned sector in Scotland.

**Professor Andrew Robinson**

Andrew Robinson is Professor of Accounting and Performance at Leeds University Business School. Andrew main area of research expertise is employee ownership, employee share schemes and governance. He has published widely in leading academic journals and has acted as a consultant to international organisations including the European Parliament, the European Commission, the International Labor Office, the Organisation for Economic Cooperation and Development and the French Ministry of Labour, Employment and Health. Andrew is a co-founder of the White Rose Employee Ownership Centre a research centre that tracks the growth and development of the employee-owned sector in the UK and is on the Council of the International Association for the Economics of Participation (IAFEP). Andrew is currently visiting professor at the Université Panthéon-Assas, Paris-II, France and a Fellow and Mentor on the Beyster Program in the School of Management and Labor Relations at Rutgers University, New Jersey, USA.

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