

Employee Ownership Scheme Trends for 2025

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Why employee ownership schemes are exploding in 2025 *(and not for the reasons you might think).*

Are you a business owner looking to build productivity, resilience, employee engagement and retention in a tricky financial climate? Or perhaps you're planning your exit strategy and considering selling up? If you've answered 'yes' to one or both of those questions, there's another option that may not immediately spring to mind: transitioning to an employee ownership scheme where employees become the beneficiaries of shares in the business, giving all team members a stake in its long-term success. This is set to be a growing trend in 2025 and beyond.

At Paradigm Norton, we're five years into **our own employee ownership journey**¹, driven by our commitment to 'build for the future' – one of our core values. And we're in good company. **John Lewis**² may be the most well-known employee-owned organisation, but other businesses like **Aardman**³, **Riverford**⁴ and **Richer Sounds**⁵ have all adopted this model too.

It's commonly assumed that the primary driver for joining an employee ownership scheme is to take advantage of tax breaks, but we're here to tell you that there is much more to the story than this. Yes, tax breaks are possible under this model, but it's the many other advantages of employee ownership which are causing a sharp rise in interest from businesses across the UK.

In this article, we'll explain why the perceived leading benefit of tax breaks really is at the bottom of the pile when it comes to reasons for transitioning to an employee-owned model and we will share our learned observations, having gone through the process ourselves.



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What is employee ownership?

Fundamentally, **employee ownership schemes**⁶ allow employees to have a beneficial ownership in the business, meaning they have a stake in its future success and can have a say in the way it's run. Unsurprisingly, this leads to employees enjoying a far more meaningful relationship with their employer, likely resulting in more engagement, more productivity and motivating them to stay longer with the company, too. For founders, employee ownership is increasingly being seen as the primary option for exiting without selling.

How does employee ownership work?

Through this model, trustees are appointed who are legally responsible for ensuring the business is run for the benefit of the new owners – the employees. The trustees provide checks and balances to the board, are consulted on all major issues and are the guardians of the culture and values of the business. You can find out more about all of this in our **introduction to employee-owned businesses**⁷.

Transitioning to an employee ownership scheme can be an attractive alternative to a traditional buyout or merger. A trade sale can compromise the values of the business and lead to mass redundancies, parts of the business being 'sold off', and clients jumping ship. Conversely, employee ownership schemes offer long-term continuity for both clients and the team which can lead to better retention, productivity and job satisfaction.

It's a great way of protecting and future-proofing the business that you've worked so hard to build, maintaining its name, culture, legacy and values long after you've exited.

When the time comes for existing owners to move on or retire, the business stays the same while the owners are paid out over time.

Employee ownership is a growing business trend in 2025 and beyond.

With over 800 members, the EOA (Employee Owned Association) says there are now over 2000 employee-owned businesses in the UK, and this number is growing rapidly, as demonstrated by the chart below (it's also worth noting that more recent years are under-represented due to time lags. There are more transitions in 2024 than we currently know of, and potentially a handful more going back to 2021). This is further evidenced at Paradigm Norton by the increasing number of enquiries coming in from business owners wanting to explore employee ownership.

⁴ riverford.co.uk/ethics-and-ethos/employee-ownership

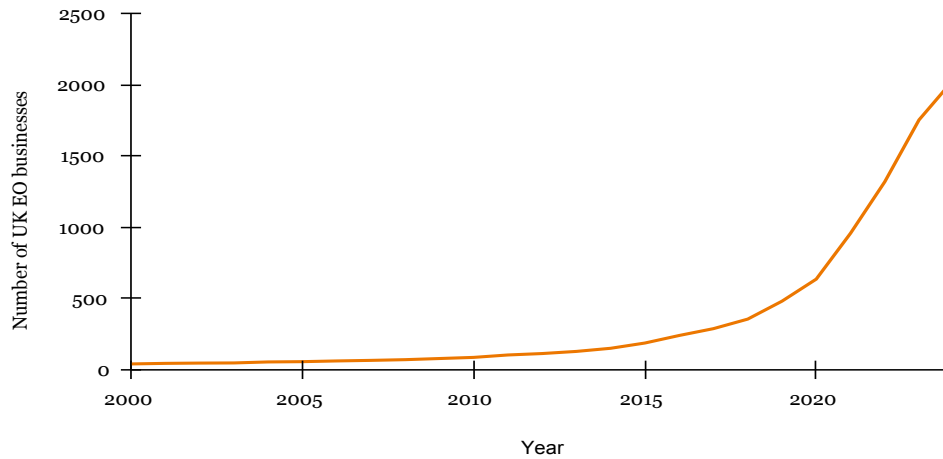
⁵ richersounds.com/the-richer-way

⁶ gov.uk/employee-ownership

⁷ paradigmnorton.co.uk/paradigm-thinking/employee-owned-businesses/how-employee-owned-businesses-operate-in-the-uk

⁸ employeeownership.co.uk

Number of employee-owned businesses in the UK



There's been a sharp increase in employee-owned businesses, particularly since 2020

[Sources: [EOA](#) and [White Rose Centre for Employee Ownership](#)⁹]

EOA's Annual Conference¹⁰ is a good place to get a sense of the growth and excitement surrounding employee ownership. In 2018 there were around 700 delegates; in 2024 this rose to around 860, and the venue is booked for the 2025 conference with over 1000 business owners expected to attend.

Another reason for its surge in popularity is that employee ownership schemes have wide cross-party governmental support. The recent budget contained some **minor changes to the operating model**¹¹, but fundamentally the model remains the same and it has retained its tax-free status.



Why are so many UK businesses embracing employee ownership?

Our CEO Barry Horner spoke at the 2024 EOA Annual Conference and during his session, he surveyed a group of around 80 business owners, all of whom were either considering transitioning to an employee ownership scheme, or already had. He asked attendees to rank the factors driving their EO transition decision, and the most popular motivation was to **protect the business for the long term**. You'll notice that tax breaks weren't mentioned at all!

⁹ business.leeds.ac.uk/research-wreoc/news

¹⁰ employeeownership.co.uk/Site/Site/content/eoa-annual-conference.aspx

¹¹ [gov.uk/government/publications/changes-to-the-taxation-of-employee-ownership-trusts-and-employee-benefit-trusts](https://www.gov.uk/government/publications/changes-to-the-taxation-of-employee-ownership-trusts-and-employee-benefit-trusts)

¹² paradigm-norton.co.uk/paradigm-thinking/employee-owned-businesses/how-employee-owned-businesses-operate-in-the-uk/

Please rank these factors in driving your EO transition decision:

Rank	Factor
1	Protect the business for the long term
2	Maintain independence and culture
3	Facilitate founder exit
4	Reward employee talent
5	Grow the business in new directions
6	Increase productivity
7	Cashflow management

What are the *benefits* of employee ownership?

If tax breaks aren't the leading benefit of employee ownership, what are the real reasons for its spike in popularity? We've listed all the benefits of employee ownership in our [step-by-step guide](#)¹², but they include:

- A positive shift in company culture
- Enhanced employee engagement and motivation
- Improved business performance and stability
- Potential for financial gains for employees

By far the biggest advantages are **resilience, independence** and the possibility of future **profit sharing** (there's a tax-free profit share of up to £3,600 pa for employees).

Employee-owned businesses regularly outperform their non-employee-owned peers in just about every metric – they're **8–12% more productive** and invest more in their people, innovation and communities, according to the [EOA's Robust Growth Champions](#)¹³ report. It states that the employee-owned sector has a significantly higher percentage of businesses that, over the past five years, have delivered over 10% growth in sales, profit or headcount, while at the same time demonstrating lower insolvency. Employee-owned firms were also found

to be **five times less likely to make redundancies**¹⁴ during economic challenges, demonstrating long-term stability and employee retention. There's also evidence to suggest that moving to an employee-owned model **increases employees' entrepreneurial mindsets**¹⁵.

It's not all down to the cold, hard statistics, though. Clients and employees who value your company's culture and mission are more likely to remain loyal. Much like having **B Corp status**¹⁶, being employee-owned sends out a clear message to your customer base and the wider economy: you are a company that cares about its future, its people and its long-term sustainability. This reputational benefit may not be measurable, but it goes a long way towards reinforcing positive perceptions of your brand.

¹³ employeeownership.co.uk/Site/content/News-and-Insights/Research/Robust-Growth-Champions.aspx

¹⁴ employeeownership.co.uk/Site/content/News-and-Insights/EO-Knowledge-Programme/EO-Knowledge-Programme-executive-summary.aspx

¹⁵ www.independent.co.uk/news/business/e2e-100/employees-entrepreneurial-owners-finance-growth-b2568763.html

¹⁶ paradigm-norton.co.uk/about/b-corporation

What are the disadvantages of employee ownership?

Employee ownership schemes certainly aren't for everyone, and at Paradigm Norton we take our clients through a detailed **financial planning**¹⁷ process to help them decide if it's a viable option for them.

The transition to employee ownership takes time and careful thought, and anyone looking for an immediate financial payout within a few months will be disappointed. The proceeds of sale from employee ownership are spread over a longer period, which might not feel as attractive as getting an immediate lump sum from a trade sale.

Cash management can also create tension between current and future shareholders (especially when it comes to reinvesting in the business), as the business needs to pay out the value of the shares over time.

Finally, it's worth flagging that while employee ownership will resolve ownership succession, it won't address leadership succession. Leadership succession planning is a distinct process that should be considered separately from the transition

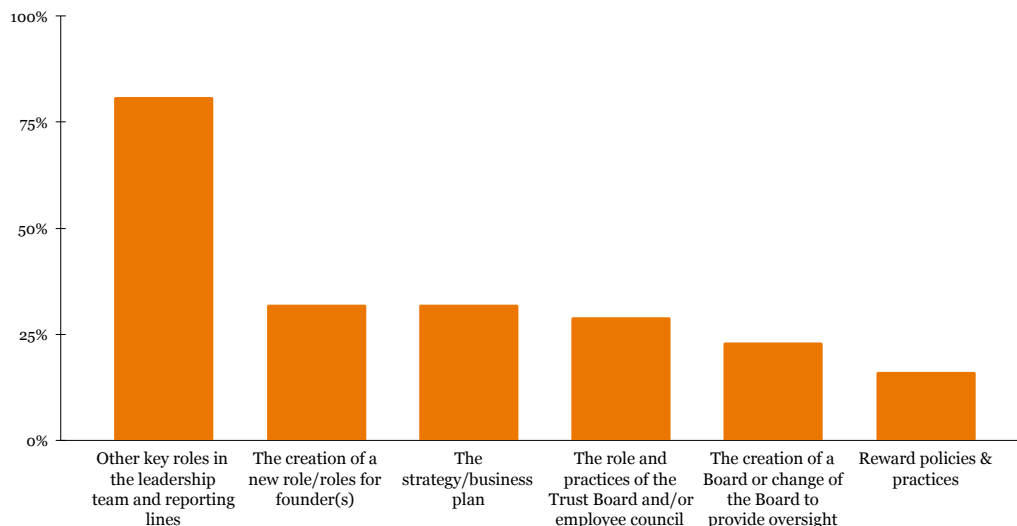
to employee ownership to ensure business continuity. We'll go into more detail on that in the next section.

Founder exits and leadership succession.

Our transition to employee ownership took a great deal of time and headspace (our inboxes were constantly filled with complex legal documents and valuations). Once we had successfully moved to the new model, only then did we begin to consider our leadership succession planning, including the recruitment of a new CEO. That meant that we could give it our full attention and go through a thorough recruitment process, so we had far more confidence in our hiring decisions.

It's important that any new leader coming into the business feels supported and able to succeed. Barry asked EOA Conference delegates what should happen to help a new CEO thrive in their role, and overwhelmingly they said that other key roles and reporting lines must be reviewed. Leadership succession planning should consider all key roles within the business, and not just those of the CEO/founder.

What would need to change in your business to enable a new CEO to be effective? (please select all that are relevant)



It's crucial to find the right leader who will be able to guide the business into its future. An established business that's growing and maturing may well need a different style of leader, so consider the attributes that your new leader/s may need (which might be very different from the ones you have now). EOA Conference delegates were asked to rank a series of CEO 'personas' in order of importance of what they need at their current stage of growth, and top of the list was a CEO focused on people and culture, closely followed by a leader who is focused on results.

CEO Personas

People Champion	focused on people and culture
Commercial Executor	focused on results
Corporate Entrepreneur	focused on improving operations
Financial Value Driver	focused on shareholder return
Innovative Inventor	focused on shiny new products/services
Global Missionary	focused on using the firm to change the world
Corporate Ambassador	focused on societal impact
Conscious Capitalist	focused on ensuring the business does no harm

What does **2025** have in store for employee ownership?

Businesses are transitioning to employee ownership schemes at **record rates**¹⁸ and this is showing no signs of slowing down. We're anticipating that employee-owned businesses are going to be at the forefront of driving green initiatives and sustainability practices, along with robust diversity, equity and inclusion (DEI) initiatives. Alongside this, we expect that platforms for managing communications and plans around employee ownership will become more sophisticated and more widely adopted.

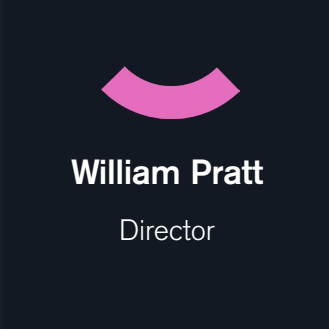
If an employee ownership scheme is an option that you're exploring and you'd like some advice from financial planners who understand how it works and have been through the process themselves, then we're here to help. **Get in touch to find out more**¹⁹




Barry Horner
CEO



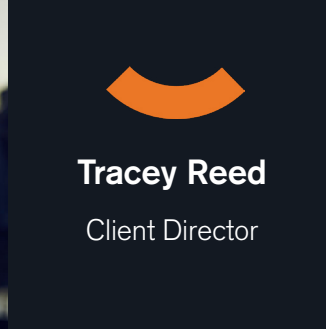

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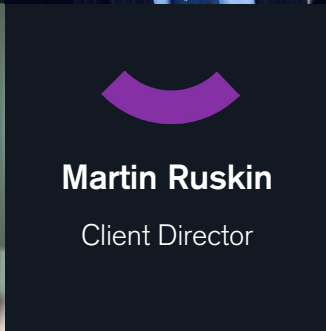

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