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Unfinished Business

The ownership agenda, thirty years on

by Ed Mayo and Carina Millstone

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ABOUT THE AUTHORS

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SUMMARY

Following the election of Jeremy Corbyn to leader of the Labour Party, debates about public versus private ownership have, all of sudden, been rekindled. Are we back to the 1980s?

As Prime Minister, Margaret Thatcher set an aspirational vision thirty years ago in her speech to the Conservative Party Conference for wider ownership across the UK, to get to a society in which three quarters of people owned their own home and it was as common to own shares as cars. A generation later, this vision remains unfinished business.

This timely report, which reviews data on different forms of ownership between 1985 and 2015, concludes that participation in the form of personal ownership has increased but business ownership has declined.

The Household Ownership Index has risen from a base of 100 to 120, while the Economic Ownership Index has declined by a third, down from 100 to 65.

The key findings are:

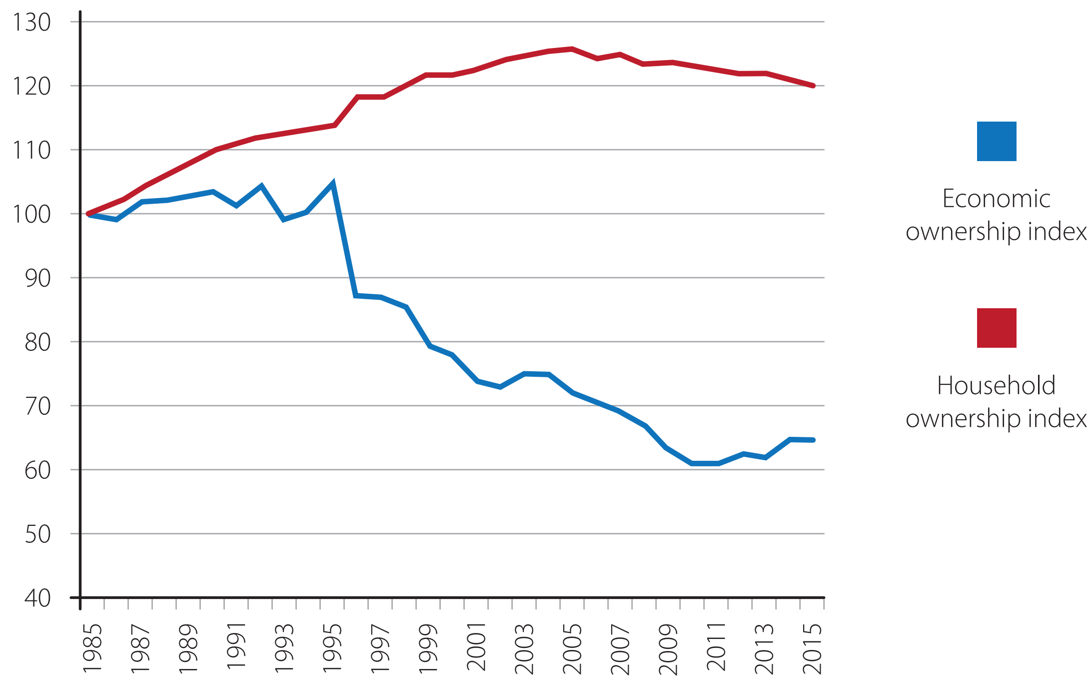
- After an initial increase in the late 1980s, individual share ownership has halved; and only 11% of the total value of UK traded shares is now owned by individuals.
- What has displaced it is foreign ownership. At the end of the 1980s, around 13% of the total market value of UK shares was foreign owned. Now it is over half, 53%.
- Share ownership has not reached the level of car ownership of 1985, let alone of today - 76% of households own a car or van, whereas only 19% of adults own shares.
- Despite an increase in private home ownership in the 1990s, home ownership has since decreased and has returned to the same level it was in 1985.
- The big change in housing tenure is that private landlords have replaced public landlords, with a threefold increase since 1985 in the proportion of households renting privately.
- More positively, the numbers of people who are self-employed has risen dramatically in recent years to an all-time high, with 15% of the workforce now self-employed.
- More entrepreneurs live on the edge though, with many working fewer hours and receiving less income than employees- in a context of high and rising costs of house rental on the private market.
- Family ownership remains prevalent, with around two thirds of small business owners describing their business as family owned.
- With 14.9 million members, there are more co-operative business owners in the UK than there are individual shareholders.

In survey work alongside this research, people across the UK report that they feel surprisingly little control - in their workplaces, over business, or over the economy as a whole.

The report concludes that one of the striking characteristics of ownership is that every political party talks about it from time to time, but no party makes it a consistent theme in government. Other countries show what is possible. Japan, for example, despite economic challenges, has doubled the level of shareholder participation over thirty years (to 31%) through patient action.

Widening ownership can bring significant gains not just of productivity but also of well-being, spreading an emotional sense of prosperity, and remains unfinished business.

The report calls on the UK government, and devolved counterparts, to recognise and celebrate the contribution of new owners, such as those in self-employment and co-operative enterprise, and design policy to recognise their needs and remove barriers to their success.



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THE OWNERSHIP VISION 1985

A generation ago… and on a fresh morning in Blackpool on Friday 11 October 1985, Lady Thatcher stepped up to deliver her set-piece speech to the Conservative Party Conference.

The Winter Gardens was a venue that she knew. She had made her political debut there years before, in the late 1960s on the party conference fringe. Now, one year on from the IRA bomb at the Grand Hotel in Brighton, from which she narrowly escaped injury, a ring of steel and police security circled the building in which she was to speak. It was half a year on too from the end of the miners' strike, and those present were keen to hear what she would have to say about the agenda ahead.

The answer she gave, looking forward, was one about ownership and independence:

"Let us together set our sights on a Britain: — where three out of four families own their home; — where owning shares is as common as having a car; — where families have a degree of independence their forefathers could only dream about."

The theme echoed what she had said earlier in the year to the Conservative Party in Scotland, that: "We believe that it should be as common for people to own shares as it is for them to own houses or cars." Home ownership was where she started as Prime Minister, and business ownership was where she was going. The ownership agenda of 1985 was one that built on the sale of council properties kicked off in her first term of office, with half a million homes sold by the time of her decisive re-election victory in 1983. But the ownership agenda of 1985, in her second term, went further than this, because alongside private home ownership was a vision of private share ownership, spreading entitlements to wealth, and of private enterprise, creating wealth through an enterprise economy.

Her ownership agenda of 1985 drew on a long heritage of conservative thought, back to John Locke and Edmund Burke, in which the test of any ruler or system of government was argued to be the extent to which it fulfilled or violated fundamental ends of the protection of life, liberty and property.

The more contemporary re-working though, was by a party colleague, David Howell, now Baron Howell of Guildford, in his landmark book, Freedom and Capital: Prospects for the Property-Owning Democracy. If there was one contemporary text that shaped the policy agenda of what became known as Thatcherism, then Howell's book has a strong claim to be that, prefiguring what emerged in later terms around the supply-side reforms of privatisation, deregulation and the wider encouragement of enterprise.

But although it was the politics of taking on unions, breaking up state control and promoting markets that dominated what came to be known as Thatcherism, her underlying interest in the positive agenda of widening business ownership, echoed by David Howell, was there from the start. In a letter, now declassified, to a US Senator, Russell Long, in August 1979, just three months in to her first term of office as Prime Minister, she wrote:

"There are very real benefits to be derived from encouraging wider stock ownership and I think that this applies not only to owning shares in the company in which people work but also to investing in company shares more generally. I am convinced that by increasing the commitment of employees to the financial wellbeing of their company, and perhaps by making them more aware of problems and requirements of other aspects of the operation of the company, employee share ownership can make a significant contribution to improving productivity and consequent profitability. This can only be to the advantage of all those associated with the company, including the existing shareholders and clearly if these improvements were to be reflected across the whole of industry the impact on the economy would, I am sure, be substantial."

In the words of Margaret Thatcher, soon after her Winter Gardens speech, this was 'popular capitalism'. *"To us Conservatives, popular capitalism means what it says: power through ownership to the man and woman in the street, given confidently with an open hand."*

That was a generation ago. So what has happened since? How does the vision of 1985, of a share in business ownership that is as common as owning a car, of home ownership for all but a minority of people, compare to what we have today?

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UNDERSTANDING OWNERSHIP

This paper examines what has happened to ownership over the last generation. As such, it is a risky exercise. Ownership can be controversial, changes in ownership more so. Ideals such as private home ownership have to be understood in the context of the national story since the 1980s of a distorted housing market with limited supply and dramatic asset price inflation. Trying to trace the contours of ownership patterns over time is to skate on the very political economy of national life, subject at every turn to competing interpretation and heady dispute.

It could also be viewed, mistakenly, as an unnecessary exercise. It is both intuitive and evident that people own far more goods than ever before – personal ownership is surely on a high, indeed an unprecedented historic high. Or why would the de-cluttering industry clutter the lifestyle pages of our magazines and papers?

But as soon as one looks at data on ownership in more depth, it becomes evident that here is a question that is rarely asked. House prices and share prices rise and fall, prominent in the news, and with them rise and fall the hopes and fears of many. But when it comes to who owns what, and whether more people or less people do, commentators tend to fall back on assumptions rather than evidence. The work on economic inequality, for example, is far richer on incomes than on assets – who owns what is harder to get to, particularly over time (as the 'fat finger' dispute on spreadsheet entries last year between the Financial Times and economist Thomas Piketty perhaps bears out).

To start with then, it may be helpful to understand what is meant by ownership with a modest dose of theory. John Locke offered one definition of property, and there is a liberal theory of ownership in philosophy that can be dated back to this. As Locke described it, the core purpose of civil society is the preservation of property - although he used the term in a broad sense, as anything that no-one else has a right to, therefore including life and liberty, and not just land and material goods. A man earns ownership over a resource when he mixes his labour with it, and from the principles of self-ownership and the corollary right to own property, a political philosophy allying ownership and independence emerges.

The origin of the word ownership is a reminder of the Christian context within which these ideas developed. The classic UK work from the 1980s on business ownership understood as 'stewardship' was *The Just Enterprise* by the late George Goyder.[1] In this he explored the etymology of ownership: *"It is worth pausing to consider for a moment the underlying meaning of the word 'own'. If I own a house, that means I have a right to live in it or dispose of it. But the word used for possession from the fourteenth to the seventeenth century was not 'own' but 'owe'. Before me as I write lies a manuscript copy of John Wycliffe's New Testament. At the side of the page is written 'John Shaw oweth this book.' (Sir John Shaw was Lord Mayor of London in 1501.) Many similar illustrations could be given of the fact that ownership was originally 'owership'."*

1 And, in line with this, there has been a growing movement over the last thirty years that has worked to re-entrench the rules and practices of longer-term responsible ownership, across both institutional and individual investors. See, for example, the work of Robert Monks - http://www.ragm.com/ - or, bringing together organisations in the field in the UK, the sustainable investment and finance association - http://www.uksif.org/

The idea that ownership was not limited to individual power and control but to social and religious context was common to pre-Enlightenment thinking – from Plato (whose ruling elite should own no property) and Aristotle (whose Politics commended the role of property in preventing discord, but regulated some of its uses), from the Church Fathers through to philosophers and theologians, such as Nicholas of Cusa, the ownership and use of property was not identified with the power of the individual (the power of property rights or right of use) but with a harmonious moral order directed toward the common good, which transcended the individual alone. 'Ownership' (and 'rights'), in other words, was not just an instrument for a single person, but contributed to a much higher purpose - the flourishing of the family, community and contribution to much broader prosperity.[2]

These are the roots of ownership, but the more prevalent framework today is termed the 'bundle theory' of ownership. Bundle theory asserts that there are a range of features of property – covering aspects of exclusion, use, power, immunity or remedy – that add up to the core characteristics of ownership. This is as close perhaps as modern philosophy comes to pick'n'mix. When you combine these features in different ways, what results is a complex spectrum of ownership.[3] On one end of the spectrum are pure public goods, such as national defence and global climate, and on the other pure private goods, such as lipstick or wine gums. And across the spectrum is a range of ownership models, using the bundle of features in different ways.[4]

The most extensive literature that draws on this approach focuses on ownership rights in relation to business. This suggests that you are an owner when you have the right, at the end of the day, to benefit from and to control something of value, in the sense of deciding what happens to it. The 'unique rights' of ownership in the academic literature rest on the related concepts of residual claims and residual rights of control:

- Residual claims are defined as the rights to net income generated by a firm (left over after debts are paid) and these residual claimants are also risk bearers.
- Residual rights of control are defined as the rights to make decisions over assets not already explicitly accounted for in terms of contracts and/or legal terms.

2 For an excellent critique, and brief history, of the modern notion of property, see Limits to Property, by Andrew Simms, Jo Drury and Kim Trathen for the New Economics Foundation - http://b.3cdn.net/nefoundation/a6c40385d0b081d249_kgm6b860t.pdf
3 For example, the idea of exclusion tests whether something is available only to a limited group or is open for use more widely. The idea of use tests whether something is consumed privately and so can be depleted, making this what economists call a 'rival good': one person's use of it reduces the amount available for others to consume.
4 An example is the 'common pool resource', which is what made the name of Elinor Ostrom, co-operative theorist and co-winner of the 2009 Nobel Prize for Economics. This is a public good that is non-excludable but rivalrous.
Ostrom proved that you can't simply reduce ownership to public or private, let alone public bad and private good, or vice-versa. The idea of the 'tragedy of the commons' held that common ownership degrades over time because it is in everyone's personal interest to over-use what they don't own. Ostrom showed that this was not an inevitable outcome. Her work, demonstrating the relevance and diversity of social ownership, is illustrated by her field research in a Swiss village. Here farmers tended private plots for crops but shared a village meadow to graze their cows. What Ostrom discovered was that there was no tragedy on this commons. There were no problems with overgrazing, because of an agreement among villagers that one can graze more cows on the meadow than they can care for over the winter—a rule that dated back to 1517.
Of course, what can and should be owned is also culturally determined and has changed over time. One used to be able to own - and therefore sell - public offices, and of course, slavemasters use to own and trade humans. Some of the things we assume today should be owned and traded, whether mines, oil fields or companies, might be viewed differently in future.

Henry Hansmann, Professor of Law at Yale, writing his best known work ten years after Lady Thatcher's speech in Blackpool, is today's most influential writer on the nature of ownership. For him, notions of ownership are grounded in legal rights and a theory of the firm that defines it as a 'nexus of contracts' - emphasising that relationships can be understood to be contractual in nature between owners, employers and managers. Ownership, he argues, is the major incentive for business development, as it creates, sustains and improves assets, which benefit their owners.

Ownership, though, comes in different forms. Investor-owned firms, family-owned firms, member-owned firms all represent different 'assignments' of ownership, with different levels of performance or distribution of benefits depending on the design and context in which they operate. As Lady Thatcher's letter to Senator Long suggests, she was an early advocate of the business benefits of wider ownership – that staff ownership builds a 'sense of ownership' that improves productivity.

In a study of the evidence on employee ownership for the Social Market Foundation, Nigel Keohane concludes that the largest gains from employee ownership came from the co-operative participation of all employees in ownership schemes rather than from schemes limited to managers. Similarly, Professor Virginie Perotin draws on a range of international econometric studies to conclude that businesses create more sustainable employment where they are structured as worker co-operatives, in which the key feature is active employee control of, and involvement in, the life of the firm rather than philanthropic ownership in the name of employees. A recent study of family owned firms, by Henssen et al, argues likewise for an approach to ownership that includes its psychological dimension – the *feeling* of ownership – as crucial for understanding family business in addition to formal, legal ownership structures.

It is the emotional benefits of ownership, including the values of being engaged, working together, taking responsibility, that explain why it is such a powerful driver for well-being and wider prosperity. *"At the heart of Lady Thatcher's ambition"*, says Caroline Julian of ResPublica *"was a deep concern for and belief in ownership that emerged from her personal experience, being a daughter of a grocer and helping to run his business (which was an emotional as well as a financial investment), witnessing the gains and losses of the business on everyday life, contributing through her family and the business to the wider local community."* This is 'up close' ownership and of course, ownership through distant intermediaries and institutional holders, much critiqued over recent years in the financial sector, may not have the same benefits. Institutional and individual shareholders are likely to have different interests in a firm and result in different types of governance – despite being, on paper, the same type of owners.

So, while there is an established theoretical framework for ownership, much of it developed over the last thirty years, and core to the fast-growing field of institutional economics, different accounts of ownership – often contrasting the long-term responsibility to buy-in versus the short-term ability to cash out – still generate considerable debate. To unpick ownership is to open up a deeper conversation around individual rights and responsibilities around property resources.

MEASURING OWNERSHIP 1985 – 2015

Academic advances and rich debate on the nature of ownership does not, however, translate into ready data. For the purpose of this exercise, we started by conducting a literature review to see if anyone else had asked or answered the same question we were looking at – how patterns of ownership have changed over the last generation. No one had. We then looked at sources of data, particularly those that might relate to the categories of ownership that Lady Thatcher had referred to. What emerged was limited.

What we found was government and industry data on the stock of business – including company numbers and their legal status – as well as data on household ownership, including home tenure and ownership of consumer durables. However, beyond this, the data on ownership is patchy, incomplete and inconsistent. Moreover, there are shortcomings in the robustness of the data, including the "official" data, due to changes in methodologies over time, making accurate historical comparisons problematic. Survey sources and survey questions have changed over time. So, perhaps not surprisingly given the length of time we were looking at, there were few sources offering any meaningful breakdown in terms of business ownership – and there seemed limited benefit in compiling data from different sources across different time periods, with different methodologies. We wanted to stick to what we could prove.

An example is the absence of consistent data over time on ownership for the majority of companies: small, unlisted, private companies. Data will however be more robust going forward - from 2014, the Small Business Survey has a new question: *how many owners does your enterprise have?* This question will provide information on the number of owners for nearly all UK businesses in terms of numbers. Alongside this, there are both regulatory and civil society moves toward a greater transparency of company ownership, which will help over time.[5]

What we found is set out in Table 1 (next page). The primary data sources are listed in Appendix 1.

5 This includes through Companies' House's new participation in the Public Data Group, resulting in all of Companies' House's records being made available online, for free, in addition to the efforts of groups such as Open Corporates, providing data on global corporations. However, this data is more useful to seek information about individual companies; painting an accurate picture of ownership overall would require significant research effort.

Indicator/ Available data	What it shows – now versus then (2015, 1985)
Contribution of private company and public corporation to national turnover	Dominance of private companies, but also the continued role of public corporations in the economy. During the period 1985 to 2013, the contribution of sole proprietors to national turnover has decreased from 37 to 21%; and the contribution of partnerships has decreased from 27 to 11%. At the same time, the contribution of private companies and public corporation has increased significantly from 35 to 64%. Despite privatisation, the contribution of government and non-profit bodies to national turnover has remained quite steady in the period 1985-2013, accounting to 2% of turnover until 2007, and 4% from 2008 onwards, at a time of financial crisis.
Number of British companies on stock market and their value	Decline in the number of British companies listed on the stock market, and a concentration of value in these companies. During the period 1989-2012, the number of British companies quoted on the London Stock Exchange fell from 2,188 to 973. At the same time, the market capitalisation of these companies has increased 800% (not adjusted for inflation). There are fewer firms with increased market capitalisation. There has been a surge in foreign ownership. While "Rest of the World" investors owned 13% of the value of UK shares in 1989, over half (53%) of the value of UK shares was foreign owned by 2012. Individual ownership of shares has halved from 20% of market value of shares to 11%. The share of stock owned by UK pension funds has declined even further, from 31% of the market value of shares in 1989 to less than 5%.

Indicator/ Available data	What it shows – now versus then (2015, 1985)
Ownership of UK quoted shares	UK quoted shares are majority owned by foreign investors, with a significant rise over time. Share ownership by individuals has declined in relative terms as a form of ownership. Pension fund ownership has also declined. British institutional investors other than pensions have remained stable in terms of their share of ownership.
Private equity backed firms	Rise until the financial crisis and decline in more recent years of the number of firms backed by private equity. The number of firms backed by private equity investors and total amounts invested increased from the period 1985 to 2008, when it peaked, with 1278 firms backed by private equity for a total value of £8,556m invested. Since the financial crisis, numbers have declined sharply, with fewer and fewer firms backed. In 2013, 708 companies were backed to a total value of £4,217m, less than half the value invested at its peak in 2008.
The cooperative and mutual sector	The demutualisation of building societies and consolidation of consumer retail co-ops has been balanced by new co-operatives and mutuals and a rise in overall membership in recent years. There were 167 building societies in 1985. Today, there are 45 societies, some of which, as with consumer retail societies, have grown in part through consolidation with other societies. The co-operative sector has been growing since 2006. 14.9 million individuals are members of a cooperative, 5 million more than in 2006. There are now 6,796 independent co-operatives.

Indicator/ Available data	What it shows – now versus then (2015, 1985)
Small and medium-sized enterprises (SMEs)	Growth in the number of SMEs and an increase in share in employment over time. In recent data, 35% of SMEs had 1 owner, 38% had 2, 15% three to five, and 5% more than 5.
Family owned business	Stability in the levels of family ownership within the SME sector. The proportion of SMEs that are family owned has remained relatively stable since 2001 (when the first Small Business Survey was held), with 62 to 72% of employers describing their business as family-owned during that period. The higher figure (for 2014) follows a change in methodology, however, making accurate comparison difficult.
Self-employment	Rise in self-employment, reaching now a 30 year high. Self-employment is at the highest it has been in the last 30 years. While it accounted for 11.5 % of the working population in 1985; in 2014, 15 % of the working population describes itself as self-employed, representing 4.6 million workers. While this trend reflects greater ownership over one's work, it also reflects increasing income insecurity, and average income from self-employment has fallen by 22% since 2008/2009 by the end of 2014.

Indicator/ Available data	What it shows – now versus then (2015, 1985)
Housing tenure	Home ownership has returned to former levels with 61% of household owning their home in 1985 and in 2015 (both owned outright and with a mortgage). There is an all-time high now in households living in privately rented property. Rental from the Council or housing association as decreased from 30% of households to 19%. At the end of December 2014 data from the Labour Force Survey shows that the proportion of households occupying privately rented accommodation is at an all time high since 1985, with 22% of households in privately rented accommodation (up from 9% in 1985).
Ownership of consumer goods	Fast uptake and near universal acquisition of many consumer goods. 63% of households owned cars in 1985. In 2013, that figure is 76%. Close to all households (96%) have central heating in 2013, compared to 69% in 1985. While only 44% of households had mobile phones in 2000, 92% had mobiles by 2013.

OWNERSHIP INDEX 1985 - 2015

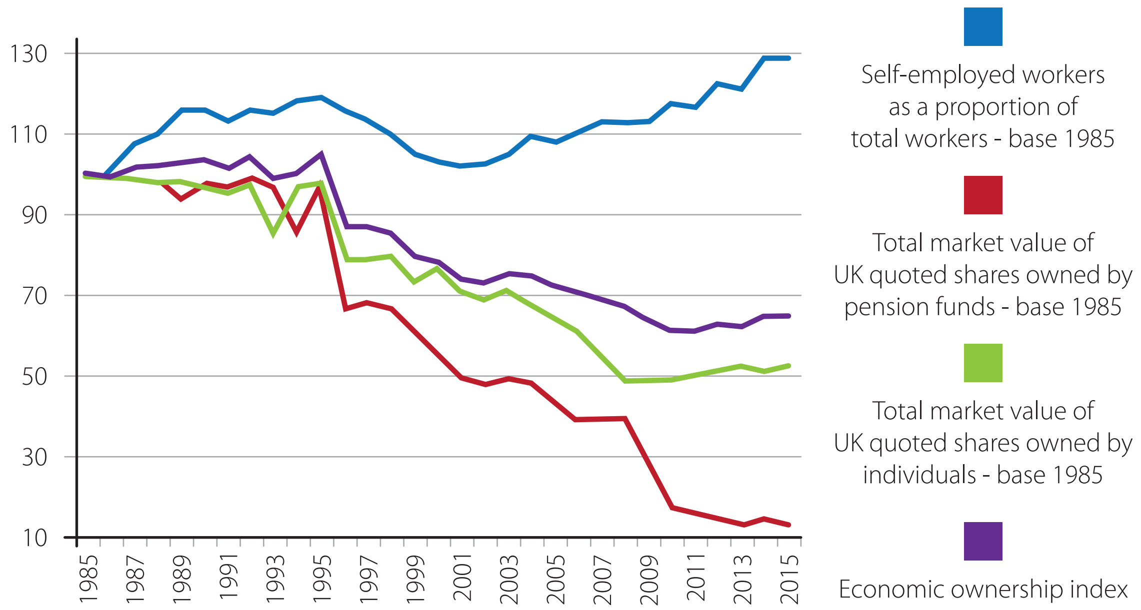
Drawing on the best quality data we have, using trend analysis to cover gaps in data for a small number of years, we can construct two composite ownership indices, representing different elements of the pattern of ownership change over the last generation.

The first is an Economic Ownership Index for the period 1985-2015 (Figure 1), which is constructed using the following data:

- Proportion of UK shares owned by individuals
- Proportion of UK shares owned by (British) pension funds
- Proportion of overall working population who are self-employed.

Starting at 100 in 1985, the Economic Ownership Index now stands at 65 – around the two thirds point.

Figure: 1

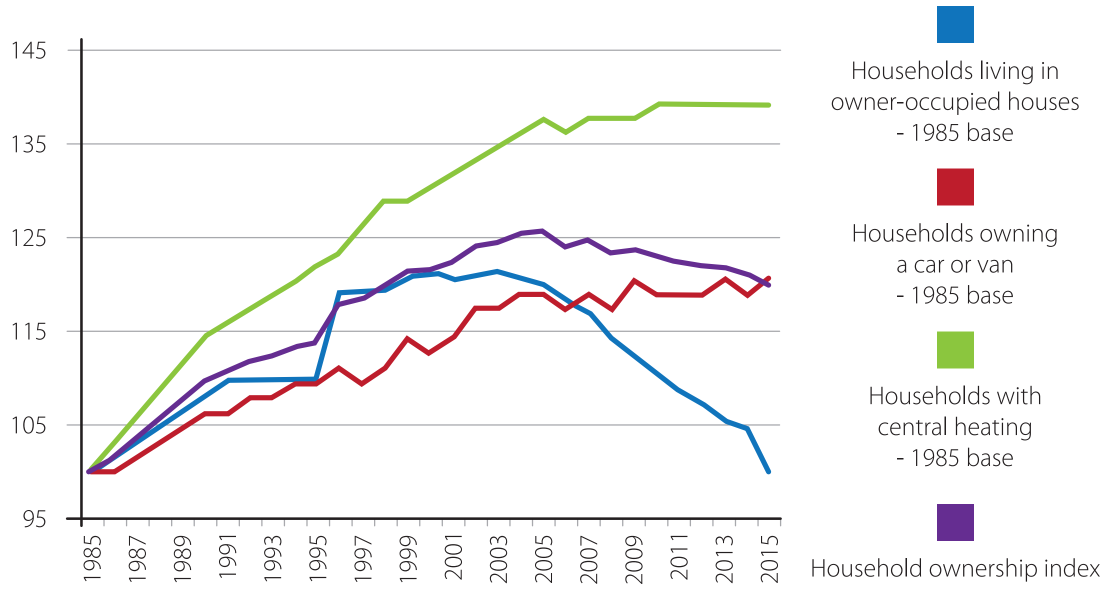


The second is a Household Ownership Index for the period 1985-2015 (Figure 2), which is constructed using the following data:

- Proportion of households who live in a home that they own
- Proportion of households who own a car or a van
- Proportion of households who have central heating

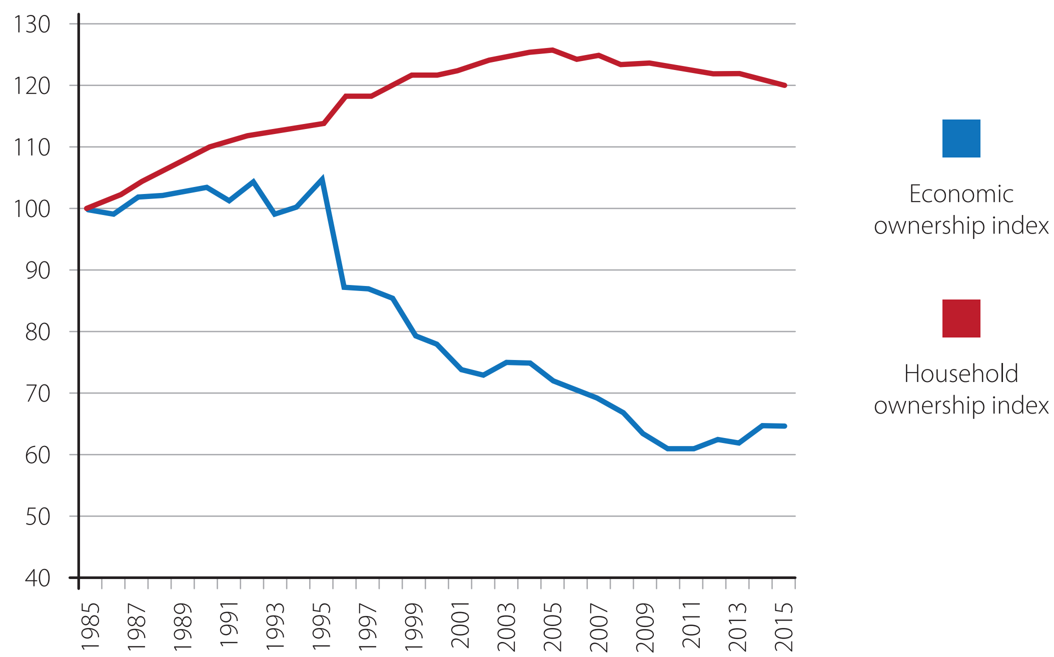
Starting at 100 in 1985, the Household Ownership Index now stands at 120.

Figure: 2



The two composite indices compared are set out in Figure 3. They show that while personal ownership at the household level has increased significantly, economic ownership after some initial gains in the early years has declined significantly.

Figure: 3



TEN KEY OWNERSHIP TRENDS

1. The individual shareholder is in relative decline

Individual, direct ownership of shares on the London Stock Exchange is at an all-time low, and is half the level of a generation ago.[6] Equally, indirect ownership through pensions and investment vehicles has also declined, even more rapidly – measuring both in relative rather than absolute terms, i.e. calculated as the share of market value of UK quoted shares owned by different categories of investors. Whether as a result either of market inefficiencies or regulatory misdeeds, it is also not easy nor always cost-effective to be a shareholder for a prospective individual.[7]

2. The majority of listed shares are now foreign-owned

What has displaced domestic individual share ownership is foreign ownership. At the end of the 1980s, around 13% of the market value UK shares were foreign owned. Now it is over half, 53%.[8]

3. We prefer cars to shares

The extent to which privatisation of public companies has given rise to a "shareholder democracy" can be questioned. We are also a country miles away from having as many people with shares as cars, one of the aspirations Lady Thatcher set out. 76% of households own a car or van, whereas on one survey, at most 19% of adults own shares directly, or 46% indirectly.[9]

Share ownership in 2015 is more marginal than in 1985 and has not reached the level of car ownership of 1985, let alone of today.

4. Home ownership has not increased

Over the last 30 years, the proportion of households renting privately has increased threefold. The proportion of households who own their home increased significantly until the early 2000s, peaked, and has subsequently declined, so that home ownership rates today, at this point in the cycle, are no higher than they were 30 years ago.

6 Direct shareholding is shares that are held in the name of the individual. Indirect shareholding is where individuals are beneficiaries of pension and institutional funds that invest in equities.
7 The 2012 Kay Review of equity markets comments that *"the decline in the role of the individual shareholder has been paralleled by an explosion of intermediation. Between the company and the saver are now interposed registrars, nominees, custodians, asset managers, managers who allocate funds to specialist asset managers, trustees, investment consultants, agents who 'wrap' products, retail platforms, distributors and independent financial advisers. Each of these agents must employ its own compliance staff to monitor consistency with regulation, must use the services of its own auditors and lawyers and earn sufficient to remunerate the employees and reward its own investors…But a principal driver of the growth of intermediation has been the decline of trust and confidence in the investment chain."*
8 Note that the way that this data is compiled means that this does include, however, shares held indirectly by UK individuals where they are clients of asset managers whose parents are headquartered abroad.
9 Whereas we have good data on the proportion of stocks held by individuals compared to other categories of owners, the quality of data on the number of individual shareholders in the UK that this translates to is particularly weak. This figure itself, of 9,060,260 adults owning equity and funds, around nineteen per cent of adults, so the broadest definition of shares, is dated, from 2005, but is an estimate from a source that is well-positioned to offer one - the UK Shareholder Association.

5. We have replaced public landlords with private landlords

The Right to Buy programme will undoubtedly have increased home ownership in the short term, but the long term housing landscape is more a story of replacing public landlords with private landlords, rather than with home owners.

6. The individual entrepreneur is on the rise

The numbers of people who are self-employed has risen dramatically in recent years to an all-time high and now account, on some estimates, for up to half of all new jobs. By 2018, the RSA reports, there will be more people self-employed than those working in the public sector.

Here, if sustained over time, is perhaps a sign of progress towards the enterprise economy promoted by Lady Thatcher as part of the 1985 ownership agenda.

7. More entrepreneurs live on the edge

At the same time, with changes in housing tenure and self-employment combined, there is a rise in what might be termed precarious living. Over the last decade, average earnings from self-employment have dropped by around two thirds - a median weekly income of £207.[10] Housing rental costs, in contrast, are typically high and fixed. Where freelance income, high or low, is variable, if you get it wrong, it is not just your business that suffers but your home and family. And with further difficulties for securing mortgages, entrepreneurs are increasingly condemned to remain part of Generation Rent.

We have looked at combining these two growth trends, of housing tenure and employment, into a Precarisation Index (importing here a French term), set out in Figure 4 (next page). Insecurity, on this measure, is on the rise and on these measures is close to double the level of a generation ago.

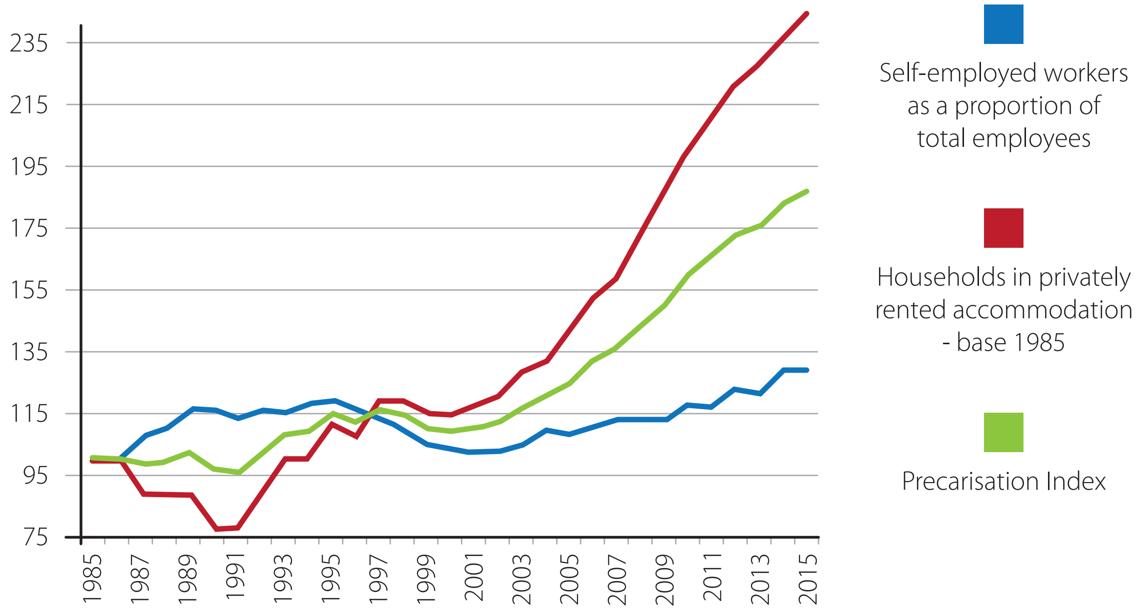
8. The family member owner is on the rise

The ownership of business by family members is extensive and, although the data over time is not easily comparable, family ownership appears to be on the rise, at least in recent years.

The proportion of small and medium enterprises that are family-owned has remained high since the first Small Business Survey was held, in 2001, with between 62% and, on the last count, 72% of employers describing their business as family-owned.

10 Freelancers also experience a lack of social protection compared to those in traditional employment and specifically in relation to a lack of sick pay, paid maternity leave, holiday pay and redundancy.

Figure: 4



9. The co-operative member owner is on the rise

In the mutual sector, there has been significant change in terms of new co-ops emerging in recent years. More and more people have become member owners of co-ops, whether customers owning the large retailers they use, fans owning their football club or local people owning shops, pubs and green energy.

From 8.1 million members in 1985, there are now 14.9 million members of Britain's co-operatives. That means that up to a third of the adult population are owners of Britain's co-operatives – and that there are more co-op member owners than there are individual direct shareholders in the UK.

10. The private investor is on the rise

There is an upward trend since 1985 in the number of companies backed by private equity and the amounts financed, even if neither has fully recovered from the 2008 financial crisis. The overall trend suggests fewer firms are financed, but greater amounts invested.

As the 2012 Kay Review argues, "both private equity and debt generally imply direct engagement with companies of a kind which is made more difficult by the fragmented ownership characteristic of equity markets and the extensive regulation of information provision by listed companies."

A PUBLIC VIEW ON OWNERSHIP

The case for broadening ownership across British society is, if anything, even stronger today than in 1985. Ownership gives people control over things that matter to them, whereas narrower ownership overall can come at a cost. In society, where people have no ownership, they have no stake. In business, where people have no ownership, key determinants of economic success suffer. Businesses are less productive, there is less entrepreneurialism, and innovative ideas are harder to come by.

This is echoed by the British public in survey work as part of this research, who feel surprisingly little control - in their workplaces, over business, or over the economy as a whole.

- 58% of those in work believe that they have no influence in their workplace
- The figure rises to 70% for part-time employees
- 59% feel they have no influence over big business
- 58% feel they have no influence over the economy as a whole

Not surprisingly, the story is very different when it comes to those who do have an ownership stake. But we were also interested to test the public view on the question at the heart of this paper – whether we have wider or more narrow business ownership than a generation ago. So we asked that question in our field research: 'Thinking about now compared with 30 years ago (i.e. 1985), do you think that the number of people in the country who currently own Britain's businesses has increased or decreased, or do you think it has stayed about the same?'

Around one in five people, less perhaps than one might expect, express no view, one way or the other. Of those that do express a view, around a half (48%) believe that the spread of business ownership has increased, compared to over a third (39%) who say that it has decreased, with the balance believing that it has stayed around the same.

One unsurprising profile emerges from within the survey – those who are retired are more likely to believe that business ownership has widened, whereas the majority of those who are unemployed believe that it has narrowed. Ownership is always a matter of perspective, but generational differences may be down not just to your life stage but also to changing circumstances, such as how hard it is now for younger first-time buyers to get onto the 'housing ladder'.

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Marjorie Kelly, the author of a recent book on business ownership, argues that ownership is the "gravitational field that holds our economy in its orbit." If so, then perhaps ownership is unfinished business and has the potential to alter the trajectory of the economy as a whole, above all to be a great policy lever for advancing productivity and building the resilience of the British economy.

Jesse Norman MP, Chair of the Culture, Media and Sport Select Committee, puts it simply: *"There is still a huge vacuum of ownership. Firms have investors who regard investments as betting slips, not owners who regard them as property."* What the UK needs, Jesse Norman argues, are owners and not just investors: *"making more companies work slightly harder through better ownership would have a gigantic effect on Britain's competitiveness and prosperity as a nation."*

Andrew Haldane, Chief Economist at the Bank of England, in a recent speech adds that "this shareholder collective action problem is not new. It lay at the heart of …concern about 'ownerless corporations' in the 1930s. But there are good reasons for believing this problem may have become more acute since then, as the shareholder base has become more fragmented and diffuse and shareholder coordination more difficult."

The story on home ownership could be characterised in a similar way. The housing and mortgage market has changed significantly over thirty years, but the debate perhaps has not. Home ownership is a popular aspiration and brings proven benefits, but the gap between aspiration and reality comes at an acute price. Julia Unwin, Chief Executive of the Joseph Rowntree Foundation (JRF), says that *"our research for JRF has shown that for over 20 years home-owners have made up more than half of people living in (before housing costs) poverty. And now first-time buyer house prices in the UK are running at five times average earnings. Unless supply is greatly increased, this problem is likely to get much, much worse for succeeding generations of poorer buyers. Private renters are also more likely to live in poor-quality housing, with one in three being described as 'non-decent' and one in ten being damp. Pandering to the majoritarian instincts around ownership… perpetuates the notion that renting is second best – a point of transition, rather than the secure foundation on which to build a life."*

It didn't have to be this way. The weakness of the 1985 ownership agenda was not necessarily in its conception but perhaps in its delivery. Governments, politicians lost sight of it. They certainly didn't measure it, but they also did little to address the obstacles and opportunities that arose over time. One example would be employee share ownership. From the 1990s, tax concessions, in essence costly state subsidies, were eaten up by senior executive employees and their stock options, fuelling pay at the top and concentrating ownership and control in the hands of the few, rather than spread more co-operatively across staff more widely, in the way that Lady Thatcher described to Senator Long.[11]

11 This is something that, positively, has begun to change since the influential 2012 Nuttall Review.

There has been talk of ownership from time to time, but when acted on, it has been done through ad hoc interventions, such as the public service mutuals programme promoted by the Cabinet Office or community energy in the Department for Energy and Climate Change. Such programmes haven't been woven into wider strategies, either to boost industry and productivity in the UK for the former, or to create an affordable, low carbon and secure economy for the latter.[12] We have the rhetoric of priority, but little substantive action behind it, far from the ambition and vision of three decades ago.

So, the UK has changed but not significantly moved forward in terms of economic ownership in the way that Lady Thatcher had hoped. In terms of shares traded on the public market, we appear to have moved backwards. However, there are positive signs, with a rise in direct forms of business ownership, rather than through the stock market – the rise of self-employment, of private equity, the dynamic of co-operatives and mutuals as an engine for dispersed business ownership are all key building blocks of an ownership agenda of 2015.

This means recognising the value of diversity of business ownership, just as we recognise the value of diversity in service and recruitment. As Professor John Kay told us in the course of this work, *"in the last few decades, the diversity of forms of business organisation has diminished and we need to reverse that trend."*[13] The 2012 Ownership Commission, chaired by Will Hutton, endorsed that call, arguing that *"a plurality of ownership forms should be viewed as an economic good in its own right, increasing both choice and the variety of corporate forms available for varying business models and their investors while spreading risk more effectively."*

One of the striking characteristics of ownership is that every political party talks about it from time to time, but no party makes it a consistent theme in government.[14] But a clear policy focus on ownership makes a clear difference over time. The country with the widest shareholder ownership across its population is Japan. Despite its economic challenges, Japan has a strong record in terms of inclusive ownership. The proportion of the population owning shares, now at 31%, has doubled since 1980.

12 Similarly, extending the right to buy to tenants of housing associations is for some an echo of 1985, but far harder to defend in the absence of a compelling assault on housing supply.
13 Professor John Michie of Oxford University has done valuable work on this theme of ownership diversity, following the Ownership Commission initiated by Peter Hunt of Mutuo. See, for example, http://www.financialmutuals.org/files/files/Corporate_Diversity_Report.pdf
14 It is not just or even primarily the Conservative Party by any means… but all the parties including: the Liberal Democrats, since Jo Grimond; the Labour Party, including Labour and Co-op MPs such as Stella Creasy; SNP, who are getting on with it in practice through Scottish Enterprise; The Greens, who stress community ownership, localism and sustainability.

For the UK, the ownership agenda in policy terms is not about single measures but about four interlocking system changes, across government and its partner agencies:

1. recognise and celebrate the contribution of new owners, such as those in self-employment and co-operative enterprise, and design policy to recognise their needs and remove barriers to their success
2. map and track economic ownership in the UK going forward, alongside the other business data collected by statistical agencies
3. recognise the diversity of ownership models and remove regulatory and fiscal barriers to their growth over time
4. build into all new proposed regulation a business ownership test, to safeguard against the introduction of new barriers or distortions

Those who have ownership have the freedom that comes with the control that ownership affords them. In a democracy, there can be few greater causes than this – economic democracy in the form of a wider spread of ownership and freedom.

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APPENDIX 1

Data Sources on Ownership, 1985 - 2015		
Organisation	Source	Reference
BIS	Business Population Estimates 2014, "Additional Tables"	https://www.gov.uk/government/statistics/business-population-estimates-2014
BIS	Business Population and Demography	https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/16418/guide_to_the_uk_business_population_and_demography.pdf
BIS	Small Business Survey	
BIS	Small Business Survey (and its predecessors)	https://www.gov.uk/government/collections/small-business-survey-reports; http://webarchive.nationalarchives.gov.uk/20100216092443/http://www.berr.gov.uk/whatwedo/enterprise/au/research-evaluation/business-surveys/page38370.html
British Venture Capital and Private Equity Association	Investment Activity Report	http://www.bvca.co.uk/ResearchPublications/IndustryStatistics.aspx

Data Sources on Ownership, 1985 - 2015		
Organisation	**Source**	**Reference**
Building Societies Association	Building Society Yearbook 2014/2015; Building Society Operational Information table	http://www.bsa.org.uk/document-library/consumers/operationainfo2014_15/
Co-operatives UK	The Co-operative Economy 2010 – 2015; 1979 – 1998: Retail Societies 10 Year Record Table	http://www.uk.coop/co-operative-economy-explorer
LSE	LSE Historic Data	http://www.londonstockexchange.com/statistics/historic/stats-summary-pre-2005/pre-2005.pdf
ONS	UK Business: Activity, Size, Location; Table PA 1003 Size Analyses of United Kingdom businessses - 1985 to 2001; Table 1 and 1 A of the 2001 data, VAT trade clasification by year, standard industrial qualification by year	Up until 2001, ONS Newport (see excel spreadsheet in folder); from 2001 http://www.ons.gov.uk/ons/rel/bus-register/uk-business/index.html
ONS	UK Business: Activity, Size, Location; Table 2- UK number and % of VAT-based enterprises by turnover sizeband; Table 3A, B, C, D- UK number and % of VAT-based enterprises by turnover sizeband sole proprietors	idem

Data Sources on Ownership, 1985 - 2015		
Organisation	Source	Reference
ONS	Share Ownership Survey	http://www.ons.gov.uk/ons/rel/pnfc1/share-ownership---share-register-survey-report/index.html
ONS	Share Ownership Survey	http://www.ons.gov.uk/ons/rel/pnfc1/share-ownership---share-register-survey-report/index.html
ONS	Self-employed Workers in the UK, 2014+ data table	http://www.ons.gov.uk/ons/dcp171776_374941.pdf
ONS	Self-employed Workers in the UK, 2014+ data table	http://www.ons.gov.uk/ons/dcp171776_374941.pdf
ONS	UK Business: Activity, Size, Location	
ONS	General Lifestyle Survey and its predecessors; data for end of 2014 from Table D, Labour Force Survey	http://www.ons.gov.uk/ons/dcp171776_302199.pdf; http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Households#tab-data-tables
ONS	Living Costs and Food Survey and predecessors (Family Expenditure and National Food Survey)	http://www.ons.gov.uk/ons/rel/family-spending/family-spending/index.html