

The problem with employee share ownership schemes

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I was asked recently to discuss employee share ownership schemes. This was my response:

The idea that employee share ownership can transform capitalism rests on a single, very simple assumption: that if workers own shares in the companies they work for, their interests will be aligned with those of capital, and the system will become more stable and productive.

At first glance, that sounds attractive. Workers share in profits. Companies benefit from motivated staff. Conflict supposedly declines.

But there is a fundamental flaw in the argument: ownership without control is not power.

Most employee share schemes give workers a small minority stake in their employer. Those shares may produce dividends or capital gains, but they almost never confer meaningful influence over corporate decisions. I know: once upon a time I set up these things and then realised they were con-tricks. The board still governs the company. Large investors still determine outcomes. Executives still make strategic choices. In other words, nothing about the fundamental structure of power inside the corporation changes.

That matters because the central issue in modern capitalism is not simply who receives income, but:

- * Who exercises control?
- * Who decides investment strategy?
- * Who determines wage policy?
- *

Who chooses whether profits are reinvested, distributed, or used to buy back shares?

* Who decides whether a factory closes or moves abroad?

A few employee shares do not answer those questions.

Without real power, employee share ownership can actually become something quite different from the benign reform its advocates imagine. It can become a new mechanism of labour discipline.

Once employees are told they are “owners”, management acquires a convenient argument: do not challenge decisions, do not push too hard on pay, do not disrupt the company, because doing so would harm “your” business and reduce the value of “your” shares. In other words, employees are encouraged to internalise the interests of capital while still lacking the authority that normally accompanies capital ownership. The danger is obvious. Instead of democratising capitalism, employee share ownership without control risks becoming another form of exploitation, one that uses the language of partnership to reinforce existing hierarchies.

If employee ownership is to be meaningful, it must redistribute power as well as shares. That means, at a minimum, two things.

* First, workers must hold collective majority control of the enterprise, whether directly or through structures such as employee ownership trusts, or

* Second, employees must have guaranteed representation on company boards, with real authority over corporate strategy and governance.

Without those conditions, employee share schemes change very little. They may provide employees with a modest financial benefit, but they do not alter the fundamental relationship between labour and capital.

And unless that relationship changes, the claim that employee share ownership transforms capitalism is simply not credible.

Shares alone do not create economic democracy. Power does. These proposals fail as far as I am concerned. They are invariably designed to exclude access to power.