

Senedd Cymru
Pwyllgor yr Economi, Masnach a Materion Gwledig
Ymchwiliad i Fanc Datblygu Cymru
DBW02
Ymateb gan: Cwmpas

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Welsh Parliament
Economy, Trade, and Rural Affairs Committee
Development Bank of Wales inquiry
DBW02
Evidence from: Cwmpas



Senedd Economy, Trade and Rural Affairs Committee - Development Bank of Wales inquiry

Cwmpas response

Cwmpas is a development agency working for positive change in Wales. We are a co-operative, and our focus is on building a fairer, greener economy and a more equal society, where people and planet come first.

As part of the Social Enterprise Stakeholder Group, we deliver Social Business Wales, the Welsh Government's specialist support service for social enterprises, co-operatives, and employee-owned businesses.



In this response we will discuss the extent to which the Development Bank has met the objective regarding employee ownership, as set out in Term of Government remit letter from the Welsh Government. Specifically, this objective is:

“In line with the Programme for Government, the Development Bank of Wales (DBW) will support employee buy-outs raising awareness among businesses where funds are able to support such actions”.

In 2021, following publication of a white paper by Cwmpas on the future of employee ownership, the Welsh Government made a commitment in its Programme for Government to double the number of employee-owned businesses in Wales by 2026. This year, our Employee Ownership Wales team within the Social Business Wales project confirmed we have reached 68 employee-owned businesses, up from 37 in 2021. This means we have nearly achieved our ambition to double the size of the sector with three years to spare – highlighting the potential this model has to prove beneficial to the Welsh economy.

In 2022, the Centre for Local Economic Strategies published “Owning the workplace, securing the future” – a plan to support worker buy-outs and expand employee ownership in Wales. CLES found: ¹

“The relationship between Social Business Wales and the broader business support infrastructure in Wales is crucial, as the most significant volume of contacts into the business community come through more generic business support contacts via Business Wales advisors, local authorities, and the Development Bank of Wales. There is still work to be done in ensuring that these relationships are strengthened and employee ownership is being championed in everyday conversations as a component of more general advice. For example, Business Wales can be empowered to move away from a conventional role of signposting employee ownership and worker buy-out support to Cwmpas and toward being

¹ <https://cles.org.uk/wp-content/uploads/2022/06/ENG-Owning-the-workplace-FINAL.pdf>

an active champion for employee ownership models in the everyday conversations of frontline advisors.

“Financial support via the Development Bank of Wales has been instrumental in facilitating transfers into employee ownership, with notable recent success stories including, for example, the transfer of Cwmni Da, one of Wales’ leading TV production companies, into an employee ownership trust. However, the number of investments to support employee ownership thus far has been modest, with 57 organisations supported via equity finance or debt-based provision, the majority of these being in support of management buyouts as opposed to worker buy-outs. Whilst acknowledging that this will inevitably be a demand-led process (and that the Development Bank is clearly responsive to the expectations set out in its remit letter), there is an opportunity for the Bank to lead by example on risk, especially in relation to worker buy-outs.

In this respect, the language in DBW’s ’ remit letter could arguably be strengthened, with greater compulsion to act, especially in relation to worker buy-outs at the point of business failure. A dedicated and ringfenced fund for worker buy-outs could be established, in recognition of the more generative contribution of direct employee ownership. There is also merit in considering the development of more innovative finance solutions for worker buy-outs, which could shift the balance of risk away from individual employees.”

Further recommendations in the CLES report include:

- Imposing a duty to engage Social Business Wales and the Development Bank of Wales with relevant state actors in certain circumstances.
- Supporting the development of a ring-fenced loan fund, administered by the Development Bank for Wales, to incentivise direct employee ownership and put worker ownership through direct shareholding on an equal footing to employee ownership trusts. This could be supported by greater emphasis on the benefits of increased employee ownership in future remit letters to the DBW, encouraging the Bank to become the exemplar for risk, providing innovative patient capital to support direct employee ownership and shifting the risk away from employees.

Cwmpas supports the recommendations in the CLES report as a means of continuing the considerable success we have seen in Wales in developing the employee-owned sector. The Development Bank of Wales is a crucial ally in achieving this ambition and we look forward to continuing and developing our working relationship.

We have seen the positive impact that a policy commitment to an achievable but ambitious target has caused and believe this should be an example to other policy areas. We believe the recommendations outlined in this response should be prioritised as the next step towards making employee-ownership an even stronger and more impactful sector, as part of our ambition to make social enterprise and democratic ownership the business model of choice in Wales.