Bridging the awareness gap

Some of the most unexpected findings that we uncovered during the course of producing our 'Attitudes to Employee Share Ownership' research (downloadable for free here: www.proshare.org/research-and-surveys) relate to gender differences.

Here's a few to get our heads around:

- The SIP awareness gap – the average level of awareness of SIP key features for male respondents (participating in the plan) was 72%. For female participants, the average awareness level was 60%. That's a whopping 12 point difference.
- For SIP non-participants, some 52% of female respondents cited a lack of understanding as a key reason for not participating in the plan, vs. 17% of men citing the same reason.
- For SIP participants, some 57% of male respondents cited ownership of shares as a reason for joining the plan, vs. 39% of female respondents; 68% of males cited the value of the plan's tax advantages as a key reason to join, vs. 28% of females.
- With SAYE, 46% of male respondents cited ownership of shares as a key reason to join the plan, vs. 26% of female respondents. 80% of males wanted to profit from participating in SAYE, vs. 70% of females*. [1,699 employee respondents across 11 companies participated in our research.]*

As a woman who's been working in the share plans industry for about twenty years, these statistics make for uncomfortable reading. In an industry that enjoys visibly better than average levels of female representation at all but the most senior level, do we take our own knowledge and subject matter expertise for granted – have we become complacent about the scale of the challenge faced elsewhere? The evidence suggests we may have failed to recognise that for many women (and men) working outside of our share plans 'bubble', their perspective, understanding and experience of share plans is significantly different to our own.

As a further step towards understanding this apparent gap between male and female attitudes towards employee share ownership, this year I've asked ProShare's member plan administrators to provide gender breakdowns for some measures of SAYE and SIP take-up and participation. We intend to report these findings in our Annual SAYE & SIP Survey, which is due out towards the end of May. I hope that they help to shine a light on differences in participation between the genders and start a conversation in the industry on how best to tackle these.

Around nine months ago, when I started to map out what I wanted to cover with our Attitudes to ESO research, I was most concerned about the lack of share plans engagement from employees in the Millennial generation. For those that decry demographics as something akin to horoscopes and to be regarded with similar levels of suspicion, consider this: the unique environment in which Millennials came of age. The normalisation of personal debt, ultra-low interest rates, the dysfunctional UK housing market, the rise of insecure work and the 'gig' economy…all of these factors have a profound influence on Millennials' ability and desire to save and invest. More fool us if we claim that this has no impact on this generation of employees.

A further premise for the research was that as Millennials ascend the corporate ladder, and some become responsible for deciding whether to implement SAYE or SIP in their companies, they may be far less likely to do so if they haven't personally benefitted from these schemes.

We also find ourselves at a critical point for capitalism, in that most politicians have now cottoned on to the fact that you cannot reasonably expect people to defend capitalism if they don't own any capital themselves. There is a generation of unwilling participants in the current model, who, feeling unable to participate in it through home ownership and decent pensions, are eager to hear about the alternatives.

SAYE and SIP were originally created as ways of democratising share ownership in the UK, sharing wealth, and putting capital into broader ownership. SAYE itself was launched in 1980, ahead of a slew of privatisations which were marketed to the general public, given the opportunity to share in the wealth generated by this activity. SIP was launched in 2000, coincidentally at the height of the dotcom boom, and with a rather different risk profile to that of SAYE. SIP has since proven itself to be a popular, flexible, yet complex plan. Click here to see how SAYE & SIP have fared over the past twenty years. https://proshare.libf.ac.uk/docs/default-source/default-document-library/ons-hmrc-statistics.pdf?sfvrsn=0

Today a far greater proportion of UK listed company equity is in overseas shareholders' hands than in those of their own employees – the ONS classes 53.9% of UK listed equity as 'rest-of-the-world' owned in 2016, up from 7% in 1963. In 1963, 54% of equity was owned by UK individuals, compared to 12.3% for 2016. Almost a complete reversal.
https://www.ons.gov.uk/economy/investmentspensionsandtrusts/bulletins/ownershipofukquotedshares/2016#rise-in-uk-shares-owned-outside-of-the-country-continues

The ‘Big Bang’ of 1997 and the globalisation of the UK economy are key factors here of course; globalisation remains a double-edged sword for many. Whilst globalisation has brought considerable investment and, to a degree, innovation, it has challenged many traditional industries. With its close cousin, technology, it continues to disrupt many well-established business models. Those on the receiving end with little means of re-training or alternative employment undoubtedly experience the worst effects, and this has been the case for some time. The debate now isn’t over whether AI and robots will replace jobs, it’s more a question of which jobs and by when. In the midst of all this societal and economic change, employee share ownership still has a great deal to offer, a beacon in a sea of uncertainty as an effective – if constrained - means of getting capital (and the associated financial benefits) into employees’ hands. But it’s not entitled to that plaudit without some important changes.

It’s clear that Millennials’ needs around shorter job tenure and greater flexibility are not currently being met by employee share plans. Women too, with a greater likelihood of interruptions to their career path (in the form of childbearing, and greater elder caring responsibilities) than men, even with the advent of shared parental leave, have been poorly served by share plans predicated on continuous earnings and employment. Is it time to introduce a more portable type of share plan to alleviate the punitive leaver penalties which are putting off Millennials from joining share plans? Thankfully a change is on the near-horizon as regards SAYE – HMRC are expected to issue their revised guidance imminently, regarding the change to the contribution ‘pause’ from six months to 12 months. More on that as soon as I see the guidance.

One of ProShare’s long-held policy change objectives is to do away with the 5-year holding period in SIP. The majority of our ‘Attitudes to ESO’ survey respondents were vastly in favour of a shorter – simpler! – 3 year holding period for SIP, regardless of whether they were currently participating in a plan or not. There is support for this change across the industry and from employers and employees, yet every so often I do encounter resistance to the apparently crazy notion that shortening the SIP holding period would make the plan much more popular. I personally find it nonsensical that some people should turn a blind eye to algorithm-driven trading entities (with opaque ownership structures) who own many millions of shares for fractions of seconds, yet still insist upon employees holding a much smaller proportion of shares for much, much longer timescales. Even more so when these holding periods no longer match up to average employee tenure and, far from encouraging retention , engagement and loyalty, are now putting people off from joining and benefitting from these valuable share plans in the first place thus neutering these plans’ positive impact.

This research has given me valuable insight and has challenged some of my personal assumptions regarding women in the workforce, especially those working part-time and their participation (or otherwise) in share plans. It’s clear to me now that many people within these groups are not receiving key messages around employee share ownership and are not participating in plans, either by decision or default.

If we are to remain true to the spirit of all-employee share plans then we have a duty to address the issues raised, to ensure that nobody is missing out and that those who participate do so on a well-informed basis. It’s not an exercise in maximising participation, it’s about optimising participation. If we fail to tackle the root causes of lower participation and engagement in certain groups, then we are collectively missing a huge engagement opportunity which will, ultimately, have consequences for us all.

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