



By ESOP CENTRE for the S-DEED project

An example of a formerly family-held UK private business, the ownership of which has been progressively transferred into the hands of employees.

Childbase

Childbase is the only employee-owned private nursery company in the United Kingdom after the founders established the 'Childbase All Employee Share Plan' almost 12 years ago when shares were valued at just 40 pence (**€0.48**) each. Today they are worth almost three times as much. The company started life more than 20 years ago with its first nursery in a village outside **Milton Keynes**, in central England. Childbase is committed to its ethos of: *“Putting people first to ensure they value the service provided to our parents and their children. “*

Childbase mission statement:

Following a set of principles linked to the Early Years Foundation Stage, our innovative learning through play programmes are designed to nurture each child's talents; support weaknesses and establish the path to formalised learning. A fully inclusive service, each nursery, and the company as a whole, is committed to respecting and celebrating ethnic heritage, social and economic backgrounds, gender and varying physical and learning abilities.

Childbase, which now has **1,304** employees, first declared its commitment to total employee ownership in 2001. This level of employee ownership in the company now stands at **64 per cent**. There have been some real changes recently with the previous owning family shareholders now committed to passing all their shares to a Trust, which is held for the benefit of current, and future, employees. Childbase will end up as a totally employee owned company – and the Articles (legal basis) of the company are being changed to accommodate that transition.

Childbase, which won the EducationInvestor *‘Nursery Group of the Year’ 2011* award, has 20 nurseries rated ‘outstanding’ and 18 rated ‘good’ - out of day 41 nurseries in total, which look after 4,500 children. The group took 13th place in the Sunday Times’ *‘100 best companies to work for’* in the 2012 listings. More than 80 percent of staff are qualified for the care they provide, with programmes throughout the company from NVQ level II to Graduate Leaders and Early Years Professional Status. The opportunity for colleagues to experience care mechanisms in a wider field is also supported through trips abroad, including Sweden, Romania, Madrid, Italy and supporting ‘Build Africa’ through its charity work in Uganda.

Employee ownership in action:

The Childbase website says: “There are several reasons why shared ownership is good for everyone at Child Base. Firstly, a spread of ownership secures the company’s long-term future. For instance, the company can only be sold to a third party if the majority of shareholders want it to be. Secondly, shared ownership is a great

motivator to everyone to make the company a success – because that success is shared.”

1.

At Childbase the ethos is: ‘*We all contribute, we all benefit!*’ Accordingly, Childbase provides a pay package aimed at rewarding committed staff. This includes employee share ownership on an optional basis.

Childbase ‘Partnership Councillors’ (senior employees) promote employee ownership at company and nursery level through regular meetings with staff. Councillors are expected to canvas views from their colleagues and to accurately represent staff views. Councillors make very important decisions on behalf of their colleagues which includes the staff bonus, reduction of hours strategy, come up with new policies and assist with their implementation - e.g. hardship fund

Employees are given the option of saving to purchase shares through a tax – advantaged *Save As You Earn* Sharesave Scheme (see e-references). From the outset, employee participants in the SAYE scheme are awarded share options in their company Childbase at a discount to their real value, but employees are not forced to join such schemes, as participation is *voluntary*. The options mature after three years, at which point the participating employees decide whether they want to turn these options into shares. If the market value of the options is by then higher than the price at which they were awarded, the employee option holders will convert them into shares, which they can either keep, or sell at a profit.

In addition, staff at each nursery have been encouraged to acquire shares in the venture, through another tax-advantaged employee share scheme, the *Share Incentive Plan* – (see e-references) initially on a ‘buy one, get one free’ basis, but most recently on a three-for-one basis. These BOGOF (Buy One and Get One Free) offers cover participating employees against loss, if the share price of the company goes down instead of up.

Childbase organises share dealing days twice a year, in May and November, when shares can be bought or sold at the value set by the company's accountants.

Childbase includes elected representatives of rank-and-file employees on the board of the company’s Employee Benefit Trust (EBT). Employees can either hold their own shares or own them collectively within the Trust. As shareholders, employees can formally hold the management board to account annually and help shape the business at a strategic level.

In 2010 Childbase recorded pre-tax profits of £2.7m (**€3,24m**) on a turnover of £27.7m (**€ 33,24m**). Dividends have doubled in value over the past six years. The company claims that its pay rates are among the highest in the child care sector. Average staff pay at end 2010 was £17,151 (**€20,588**) per annum.

Childbase's profits have provided a mechanism for the company (via the Employee Benefit Trust) to buy out some of the existing shareholders, including part of the Thompson family's own holding, an arrangement which Mike says offers investors a fair and equitable exit route.

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In addition to running bonus and share schemes, Childbase operates a number of internal awards that recognise outstanding employee achievers - like a nursery cook who received a cheque for £10,000 for his exemplary work attendance record.

Childbase claims that co-owned businesses are:

- more sustainable
- more accountable
- reduce absenteeism
- increase productivity.

The guiding light (motive force):

Mike Thompson, chief executive (ceo) of the Childbase Partnership, chose the employee share ownership route partly because his father was Sir Peter Thompson - ex ceo of the former state-owned National Freight Corporation, which privatised itself many years ago. This is the psychological key to what happened at Childbase.

Mr Thompson said: *‘Many of the most severe problems afflicting our economy today stem from failures of private sector ownership. When people receive the share certificate they think, well, OK, but when the dividend cheque arrives they love it. The educational process about employee ownership is tough, very hard work, but at the end of the process we’ll get where we want to be.’*

He called for legislation to provide a single route to employee-ownership, improved tax treatment for employee shareholders and better access to bank lending for co-owned firms. The UK government has since announced legislative plans to help bring about more employee ownership.

Endorsements:

Carol Fisher, directors' support and partnership councillor, said: *“As an employee owner of Childbase, I thank you for recognising the fact that our company is extraordinary. We share everything from decision-making to profits so we really do deserve this award”* She was collecting the **‘Employee Ownership Champion Award’**, which recognises the contribution that partnership councillors have made in supporting and promoting employee ownership. The conference, at which this award was made, attracted 300 delegates from UK businesses; some already employee owners and others thinking about the process. At a briefing following the awards

ceremony, Herman Kok, finance director at construction company Lindum Group, praised the passion and enthusiasm of the Childbase delegation.

Mike Thompson added: “At the core of the business are the people with whom we work and the values they bring to the organisation. Our commitment to our colleagues is hopefully endorsed by our national achievements through the Times top 100 Companies to work for and our four National Training Awards.” The approach to care within the nurseries, and the focus on individuals through training, has helped the company to achieve the highest 'Outstanding' outcomes awarded by the government educational standards agency, OFSTED (Office For Standards in Education)

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Employee owner Miranda Oliver, of Mulberry Day Nursery in Maidenhead, Berkshire, said, ‘It is times like this when you realise Childbase has a very different approach. Working together and listening to each other makes sense, so it is difficult to understand why people think this is a new idea.’

Childbase launched a report at the House of Commons (Parliament) in March 2012 entitled: *‘All of Our Business: Why Britain needs more private sector employee ownership’*. Deputy Prime Minister, Nick Clegg, endorsed this report and gave his support to Childbase’s call for action. The then Employment Minister, Norman Lamb, described the economic case for employee ownership as “*Overwhelming.*”

Lessons learned:

The Childbase experience demonstrates the key role played by an individual small or medium size company (SME) owner, or a group of individual owners, in organising the transition of a privately-owned company into an employee-owned company. In short, the process depends upon the **goodwill** of SME owners. Therefore, it is crucial that more small business owners are made aware of the employee ownership and employee share ownership concepts and processes, particularly in the context of business succession. The Esop Centre calls for an EU budget line to be opened in order that a major EFP promotional ‘*Hearts & Minds*’ campaign can be launched in member states at ground level in the workplace. Thousands of SMEs in the EU could be saved from liquidation if the employee ownership and employee financial participation processes were introduced to permit reluctant or retiring owners to sell their long-term equity stakes to their employees in a dignified exit. Furthermore, the use of EFP plans in business succession events helps keep businesses in their regional bases and stops jobs from being de-localised.

E- references

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