

Finance

How sharing with employees makes good business sense

Geoffrey Newman

MATP

547 words

10 April 2004

The Australian

1 - All-round Country

32

English

Copyright 2004 News Ltd. All Rights Reserved

Companies soldier on better when the troops see a slice of the action, reports Geoffrey Newman

WHEN Lachlan Jeffries offered to give the driver of his company's front-end loader a direct stake in the amount of fuel he was using, a curious thing happened.

The firm started to save \$300-\$400 a month in fuel -- which the company, the Jeffries Group, shared with the driver.

"He did the same amount of work, but because he was measuring the amount he was using, it was a drive for him to save," Mr Jeffries said.

The managing director of the Adelaide landscape supply and environmental services business has been trying to get his 40 employees more involved in the business with this kind of project for a few years. The company holds information evenings for staff, runs an "open book" management style and trains them how to do the financial reports.

Now it will take the next step by joining a federal Government pilot study designed to double the proportion of employees in Australia covered by employee share ownership schemes (ESO).

The Government has set a target of doubling ESOs from the current 5.5 per cent of employees -- which is low by international standards -- to 11 per cent by 2009.

The Jeffries Group will be one of a number of private firms trialling ESO templates designed to make the

process easier and relatively inexpensive for other businesses to emulate. The **Remuneration Strategies Group** consultants will help companies implement the ESO plans.

The ESO push comes at a time when the total share of GDP going to profits has reached a record high in Australia, with more people owning shares, running their own businesses, and company profits growing faster than wages.

But this is not just a feel-good labour relations initiative for the Jeffries Group. Mr Jeffries says it is essential to growing the business, turning it from a family-run firm that has operated since the 1920s into one primed for long-term growth.

"It has really grown in the last 10 years from 15-odd people to what it is now," Mr Jeffries said. "We want people to understand where the business is going longer term."

His industry is also a very competitive one, Mr Jeffries said, and the company needed to find new ways of keeping its employees loyal. "We want to give them a bigger stake in the outcome."

"It's a very competitive market and we need to attract and retain the best people in the industry." Mr Jeffries said the company had been considering an ESO but was concerned about choosing the right model and avoiding the financial pitfalls.

He said there were serious tax implications, for example, which the company needed expert help with.

"If you set something up and it's wrong, it's not only financially costly -- it can be quite devastating," Mr Jeffries said.

The Australian Employee Ownership Association estimates that establishment costs for an ESO can be between \$30,000 and \$50,000.

Remuneration experts have called on the federal Government to implement reforms to the tax and corporations laws to make it less complex and costly to set up an ESO.

Photo

Document AUSTLN0020040409e04a0002c