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Employee share ownership in Australian enterprises
An Employee Perspective:
In my opinion, the adversarial and deceitful nature of the workplace arrangement between Employer, Employee and Union have been detrimental to Australian businesses, industry and the prosperity of the average Australian. In addition the Conciliation & Arbitration Commission is seen by the three contenders as an additional adversary in the industrial war.

The Australian system of Industrial Relations has led to continual disputes that has resulted in spiteful bitterness that has made enemies of all parties involved in the dispute. Instead of a spirit of cooperation and working together, industrial working relationships have degenerated in a vicious circle that has maintained hostilities and has prevented a fair go for all concerned.

Ajax Fastener Co.
My first encounter with employee shares was in February 1966 when I started work as a member of 'staff' at Ajax Fasteners, Richmond, Victoria. The shop floor workers were on strike because the employee shares ('E shares' were internally allocated shares) produced no dividend that year, while the previous year the dividends had been significant. To break the deadlock, Management agreed to pay the same dividend as the previous year, except that it would not be paid as a lump sum, but paid weekly and would be continued every year as such, and the employee share system would be terminated. There was instant agreement from the shop floor and the strike was called off.

Siddons Industries
Ten years later, I commenced work at Sidchrome where an employee share system was in place. The Siddons system offered commercially listed shares at a discount to market price to employees who had at least 12 months service, with seniority and rank within the company determining the quantity of shares being offered. The basis of the offer was that the employee would pay off the shares over 10 years, i.e. pay off 10% per year, by small amounts deducted from the weekly pay packet. On joining the employee share scheme, participants would receive any dividends payable from the shares. During the late '70s, the annual dividend paid was about equal to (sometimes greater than) the amount paid off the shares by the employee during the year. After 10 years the employee fully owned the Siddons shares and could trade them on the stock exchange.

One important result was a feeling by all employees, from the Managing Director down to the shop floor, of a feeling of proprietorship in the company. There were many positive aspects to this system, such as peer encouragement to reduce waste, improved job satisfaction; cooperation with introduced changes and a willingness to suggest improvements in various aspects of manufacture.

It was beneficial to Siddons management too, having up to 20% of Siddons shares in its employee's 'friendly' hands. Voting rights were retained by the trustees of the Employee Share Scheme until the employee shares were fully paid off.

After several share issues, the Australian Tax Office ruled that shares could not be issued at a discount to their market price unless capital gains tax was paid on the discounted amount. This did not alter the popularity of the Siddons employee share scheme.

As the market price of the shares rose, each additional employee new share issue required a greater annual re-payment amount to be paid out by the employee, but dividends remained much the same. This still did not alter the popularity of the Siddons employee share scheme, particularly as there were occasional bonus share issues and the value of shares continued to rise from their original cost. .

The Recession, 1990

When the 1990 recession started to bite hard at Siddons, there were retrenchments. A rule of the Employee Share Scheme was that when an employee left Siddons, any outstanding shares in the employee share scheme, i.e. partially paid shares, either had to have the balance outstanding fully paid out, or the shares sold at market value and the funds put towards paying off the outstanding amount owing. During the '80s, the market value of Siddons shares continued to rise, so that shortly after commencing the purchase of shares through the employee share scheme, the value of the shares exceeded the purchase price. In effect this meant that any shares sold after purchase could be sold for a profit. Around 1990, the market price for a Siddons share fell to about one dollar, with employees paying off shares that were allocated a few years earlier when the price was $3.10. Retrenched employees had paid off less than half of the employee share, and still owed about $2.00 on each share whose market value was only $1.00 *!* Many employees walked away from their half-owned shares by giving the shares back to Siddons. Siddons had received about $1.00 for each share, plus they now fully owned the share.

Happily, Siddons changed the rules, and employee shares were retained by the trustees, until such time that the share price rose sufficiently for the market price to cover the amount owing on each share. The trustee then sold the shares, and the proceeds were passed back to the ex-employee. I was retrenched in July 1991, received the last of my employee share scheme shares in 1994

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