

CVS LAW

EMPLOYEE SHAREHOLDERS

Later this year it will be possible for new and existing employees to become "Employee Shareholders". Employers may offer a new or existing employee between £2,000 and £50,000 worth of shares in their company and in return, the employee agrees to give up certain employment rights (the key ones include the right to claim for unfair dismissal and a redundancy payment).

The intention is to provide small to medium sized businesses with the ability to have a more flexible work force. An Employee Shareholder whose employment is terminated will receive the value of their shares and the employer is assured that there will be no claims for unfair dismissal or redundancy pay.

On the face of it, the advantage for employers is protection against some potential employment claims and a level of commitment from an employee given their stake in the company. However, employers do need to think about the benefits bestowed upon an employee when they are given shares and the rights that attach to the shares should be considered and documented. From an employee's perspective, becoming an employee shareholder is likely to be most attractive to senior staff who are less likely to miss the rights they are giving up and employees of high growth companies which are working towards an exit, since they are more likely to see substantial gains on their shares.



Should you want to discuss this or any other employment related issues please contact:

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For further details about CVS Law and examples of what we can achieve please visit www.cvs-law.co.uk.

Please note that this is not intended to be a comprehensive statement of the law and should be used for guidance purposes only.