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Osborne delights Tory right with speech

By Brian Groom and George Parker



George Osborne has delighted the Tory right with plans to let bosses strip new staff of employment rights in exchange for shares in the company.

mainly at small, fast-growing companies.

Mr Osborne believes hundreds of thousands of workers will be taken on as “employee-owners” under the new scheme, aimed



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The idea revives some of the controversial employment law reforms proposed last year by Adrian Beecroft, a venture capitalist and Tory donor.

Vince Cable, the Liberal Democrat business secretary, blocked Mr Beecroft's plan to let employers **fire staff at will** in exchange for compensation. But Mr Cable has agreed to the new plan, which will apply mainly to new staff and will incorporate a Lib Dem-friendly element of employee-ownership.

The new scheme would make staff part of their businesses, Mr Osborne told the Conservative conference in Birmingham, adding: “Workers of the world, unite.”

Business leaders welcomed the chancellor's voluntary scheme but warned that take-up was likely to be limited. “This is a niche idea and not relevant to all businesses,” said John Cridland, director-general of the CBI employers' group.

Simon Walker, director-general of the Institute of Directors, said the change could encourage employers to hire more people.

“We're talking about small, medium, struggling businesses around this country who would like to employ people but frankly are scared to because they

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are worried about the consequences if something goes wrong,” he told the BBC’s *Today* programme.

Unions attacked the move. Brian Sutton, GMB national officer, told the BBC on Tuesday morning that the scheme would not create jobs.

“I don’t think employees would want to trade their guaranteed employment rights for uncertain share values, I don’t think any decent employer would want to go anywhere near it,” he said.

“But the key point is the message: the government is saying it thinks it is OK for employers to treat their workers like they are in the Victorian millhouse and that is just a terrible message.”

Under Mr Osborne’s plan for a [new type of employment contract](#), companies could make staff “employee-owners” by giving them between £2,000 and £50,000 of shares that would be exempt from capital gains tax when eventually sold. In return, staff would give up rights including the ability to claim unfair dismissal after two years in a job, the right to statutory redundancy payments and the right to request flexible working or time to train.

Mr Osborne’s aides expect hundreds of thousands of employees to take up the scheme, with the cost to the Treasury reaching about £100m in lost capital gains tax receipts by 2017-18.

It will be open to all limited companies, but could be particularly attractive to high-tech start-ups, which are often unable to pay large salaries but can tempt staff with a share in equity.

Mike Lynch, founder of technology business [Autonomy](#), said the approach signalled “a new era of co-operation inside some of Britain’s most enterprising small businesses”.

But lawyers pointed to potential problems. “Giving up the right not to be unfairly dismissed for £2,000 worth of shares will not be a very attractive proposition for most employees, particularly if they are joining a company whose shares are unlikely to increase in value quickly or at all,” said Anthony Sakrouge, of law firm Russell-Cooke.

The new status will be optional for existing employees, but companies could choose to offer only this new type of contract for new hires. The government expects to bring it in from next April.

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