International Journal of Business and Management Invention (IJBMI)
ISSN (Online): 2319-8028, ISSN (Print):2319-801X
www.ijbmi.org || Volume 10 Issue 12 Ser. I || December 2021 || PP 09-13

The Resurrection of Worker Ownership in the New Biden Administration

Dr. Warner Woodworth
University of Utah, Osher Department of Education, USA
Corresponding Author: Dr. Warner Woodworth

ABSTRACT: *Strategies for U.S. economic growth are going to expand dramatically as the nation seeks to accelerate its rebound from the past several years of decline due to the global pandemic and unfortunate government policies. A key element of this recovery will be new policy initiatives for expanding employee ownership which will provide shares of corporate stock to workers as well as managers by their owning a piece of the pie. We briefly highlight the rise of the ownership movement in recent decades and explore how new policies will potentially accelerate the process.*
KEY WORD: *Worker Ownership, ESOPs, USA, Joe Biden policies*

Date of Submission: 17-11-2021 Date of Acceptance: 01-12-2021

I. INTRODUCTION AND LITERATURE REVIEW

As America emerges from the 2020 COVID crisis and its troubled economy, a radical idea is re-emerging and being embraced, one that will strengthen business and restore employees' job with greater mutual outcomes for business and workers' families. This growing solution that will help is the acceleration of worker ownership through Employee Stock Ownership Plans (ESOPs) and related tools of empowerment such as worker cooperatives, union revitalization, and labor seats on company boards of directors in the USA. It may also suggest far reaching applications for other nations.

The new White House administration of President Joe Biden has made a commitment to foster more employee ownership in the USA to strengthen various aspects of society. It has appointed three ESOP advocates Jared Bernstein to the Council of Economic Advisers, Isabel Guzman who now leads the Small Business Administration (SBA), and Marty Walsh as the new Secretary of Labor. Bernstein is author of "Why Aren't There More ESOPs: Assessing Barriers to ESOP Creation." That report and proposals from many economists urge the new administration to "set up a government office," either in the SBA or Commerce Department, to offer more assistance to traditional firms that want to establish shared ownership plans. Furthermore, the tax provisions of Biden's American Families Plan could also boost Employee Stock Ownership Plans. There will be considerable debate as to whether the changes are good economic policy or not. But the impacts on employee ownership may become quite dramatic because Congress's increasing capital gains taxes would spur more ESOPs (Kreznar, 2021).

For decades Republicans and Democrats have jointly sought to promote ESOPs as a basic element of American capitalism in which more people own stock in our economy. Whether viewed by Ronald Reagan or Ted Kennedy, the two parties have largely agreed to support employee-owned business innovations. The GOP liked ESOPs because they yield greater profits than traditional businesses which are owned primarily by executives and founders. Research shows ESOPs are not only more profitable but are also a third more productive because employee-owners have a greater work ethic. At the same time, Democrats have supported employee ownership so that workers have more power, and firms and communities facing plant closings may be rescued through worker buyouts.

This is apparently still the case. Today's Republicans may not embrace worker ownership like their past leaders (President Ronald Reagan, Sen. Orrin Hatch), but there is sufficient public support for the concept to still move forward. In fact, according to a University of Chicago survey in 2019, some 72 percent of Republicans and 74 percent of Democrats would prefer to have a job at an employee-owned company (Businesswire, 2019).

Over the decades, I have successfully advocated legislation and consulted with firms globally (USSR, Belarus, Poland, USA, Brazil, Mexico, Philippines, to name a few) that sought to become employee-owned because of my commitment to a more participative and democratic economy.

ESOPs can generate greater employee participation and satisfaction, thus maximizing human potential by enhancing self-worth, dignity, and the well-being of working Americans. Changing the impacts of ownership and governance continue to offer multiple promises for coping with risk, safety, and the future viability of business and employees.

Drawing on years of research, this paper will emphasize factors needed to build a collaborative economy through a shared system of ownership. Not merely a psychological feeling, but power-sharing through actual stock, voting rights, and so forth. The U.S., indeed, the entire world, needs a stronger business platform for new, post-COVID realities. For scholars interested in additional corporate innovations for empowerment such as worker cooperatives, union revitalization, a more democratic manufacturing shop floor, and labor seats on company boards of directors, these related topics will also be briefly highlighted.

As we've learned in recent years, business will face more crises in the future. Genuine employee ownership suggests that by empowering workers, firms can better prepare and respond to such challenges, be they new pandemics, natural disasters from climate change, growing concerns about terrorism at home and abroad, and more.

In terms of policy, my research in recent months highlights the new Biden administration's commitment to foster Employee Stock Ownership Plans (ESOPs) as a tool for overcoming the crises of 2020-21 in which tens of millions of Americans lost their jobs, hundreds of thousands of firms shut down, and additional economic fallout forced many families to suffer. The new administration says it is committed to using worker ownership methods supported by new initiatives from the president's Council of Economic Advisers, SBA, and Department of Labor. Innovative ESOP firms promise increased productivity, greater profits, fewer bankruptcies, as well as increased employee job satisfaction, dignity, and meaningful work.

II. A BRIEF ESOP HISTORY

A potentially significant economic movement has emerged over past decades in the United States, and it continues to grow. According to a study by the Institute for Social Research at the University of Michigan, back in the 1970s there were as many as 3,000 worker-owner industrial enterprises in the country. Most American firms grew out of the traditionally structured and owned companies that were managed by professional executives and often controlled by a distant conglomerate or by stockholders scattered all over the country.

All this began to change during the decade of the 1970s and has continued to grow ever since. At the core of the new alternative economics was the localized effort of workers to become owners in producing goods in their own communities, i.e., firms that were worker-owned.

Much of the impetus for this development came from the devastating industrial decline that occurred in the Northeast and industrial Midwest of the nation. During the 1970s these "frost belt" states witnessed the erosion of 1.5 million jobs, some 13 percent of all manufacturing production. An EDA study of this geographic pattern over five years (Institute of Social Research, 1978) showed that business deaths were double that of enterprise births in the North. Plants were shut down because of bankruptcy, new markets in the sunbelt, cheap labor overseas, and/or a generalized effort to trim corporate fat. Particularly hard-hit were states like Massachusetts, where 563 plants were closed in a single year.

III. VICTIMS OF ECONOMIC GENOCIDE

What were the options of workers in such situations? Historically, the alternative was to try to obtain other employment in the area, which often meant changing careers, learning new skills, and taking dramatic decreases in salary. In other instances, workers uprooted their families and moved, wandering like nomads in search of a new, less elusive company that might provide more security, perhaps in the low wage South. Millions ended up trapped in the old areas of industrial decay, sapping financial resources of the government with extensive claims of unemployment compensation, food stamps, and other forms of welfare payment. lt had always been a myth that the local economy could simply absorb laid-off workers. Instead, as a survey by the Ohio Public Interest Campaign of employees idled by shutdowns reported that only 58 percent were successful in securing new employment, and 60 percent of those were working at lower wages than previously. U.S. Department of Labor studies of workers victimized by shutdowns revealed that 40 percent were still without employment two years after losing their jobs. These and other reports were spelled out in *The Deindustrialization of America* by Bluestone and Harrison (1982).

IV. WORKER OWNERSHIP EXPANSION

However, potential factory closings also gave birth to new seeds of change. From human relations training and organizational development techniques which emphasized trust and working together but left the issue of organizational power untouched, a new approach began to emerge. Its underlying thrust was that *it was not enough to do things differently; what was needed was to do different things.*

Dramatic alterations began appearing in the old manufacturing industries of the Northeast United States. To combat community deterioration caused by distant owners who were often disconnected, as well as strikes, low productivity, and runaway plants, dozens of cities created area labor-management committees. Among the most widely heralded successes were those of Muskegon, Michigan and Jamestown, New York, where union officials, local industrial owners and managers, and elected representatives of the public created regional councils engaged in cooperative problem- solving (Meek, 1983).

Within the private sector, organized labor began seeking and gained power in exchange for new union agreements, illustrated by various new contracts: Ford and General Motors agreed with the United Auto Workers not to close assembly plants and to reduce outside competitive buying of parts; American Telephone and Telegraph agreed to consult electrical workers' "technological change committees" before any innovations were implemented; the United Rubber Workers won the right to inspect Uniroyal's books in exchange for concessions; workers at Northwest Airlines, United, and a number of smaller firms gained seats on the board of directors so they could monitor corporate performance and have access to critical financial data (Woodworth, Meek, and Whyte (1985).

Perhaps one of the most fundamental signs of the 1970s-80s industrial revolution in America was the shift toward workers' self-management and employee ownership. Sharing in the fruits of one's labors through employee stock ownership began to mushroom. As a strategy for economic democracy, in some cases, the workers simply obtained stock through special company arrangements, illustrated by Hallmark Card or Sears, Roebuck, and Company which each became 30 percent employee-owned. In other instances, employees gained major blocks of stock through some sort of financing package, such as the Chrysler autoworkers obtaining 15 percent of the company's stock, 12 million shares, as part of a large revitalization plan. In hundreds of other cases, small business entrepreneurs also turned their firms over to their employees upon retirement. In other instances, workers and communities fought imminent plant closings through the tactic of a worker buyout, and thousands of jobs were salvaged.

All told, by the 1990s there were over 11,000 worker-owned firms across the country, employing at least nine million worker-owners whose stock was valued at over 400 billion dollars. Congressional legislation to support employee ownership had widespread bipartisan support in Congress, and even in the White House. Worker ownership grew: From 17 plywood corporations in the Northwest

to an insurance company in Washington where workers elect their own managers; from Okonite, a New Jersey wire and cable firm to the Springfield Remanufacturing Company in Missouri; from

Parsons, a Pasadena-based engineering business with 12,000 worker-owners to Science Applications International in San Diego with 41,000 employees; from large-scale agricultural co-ops to new wave collectives in light industry, crafts, and other economic alternatives. The idea was embraced by one of the largest employee-owned firms in the country, a steel mill in Weirton, West Virginia which was bought by 10,000 steelworkers and became the eighth largest steel company in America. Ultimately, American steel workers at other sites bought out over 20 more such companies. Likewise, some 121,000 employees came to own the majority of shares in Publix supermarkets, headquartered in Florida.

Currently, with the Biden administration beginning in 2021, a new economic revolution may be accelerating. The COVID-19 crisis wreaked havoc with the U.S. economy. By summer 2021, over 40 million Americans had become sick from the virus and over 700,000 had died (Worldometers, 2021, USA). The coronavirus' devastation across the globe led to over 236 million cases, 5 million deaths, and economic ruin for millions more (Worldometers, 2021; CGAP, 2021). Thus, the search for greater economic innovation has grown ever more important which is why the current government is looking to improve and expand worker ownership policies. Much of the shift in power to American workers will come about through voluntary agreements between workers, unions, and companies, led by federal efforts to rebuild America.

U.S. worker ownership may also arise from profit-sharing programs which give employees a stake in the business, as illustrated by firms like Kodak which is partially owned by employees. Or the ownership may include over 50 percent of the stock held by the workers as was the case with Parsons and Okonite.

My research colleagues at Rutgers University, Blasi and Kruse (2019), have carried out numerous studies about worker ownership in America. They found that in 2018, both Republican chairs and Democratic ranking members of the Senate and House Committees on Small Business co-sponsored the "Main Street Employee Ownership Act." A new law, it made it easier for retiring business owners to sell their firms to workers through either an ESOP or worker-owned co-operative. This large study also found that 47 percent of private sector employees (59 million people) have ownership or profit shares where they work, up from 45 percent (52 million) in 2014. All told, some 70 percent of workers in ESOP firms enjoy profit sharing, as well as own company stock.

During the 1990s, there were several innovations in labor/management partnershipsthat were launched. The United Steel Workers of America (USWA) and National Steel Corporation forged a unique agreement that included a policy of no layoffs and the company opening all its books and financial records to the union (Byrne, 1993, p. 10). The collaboration saved over a hundred million dollars in cost cutting and productivity increases, and it became a model for other steel plants. Similar examples include Scott Paper and the United Paperworkers International, the Communication Workers of America and AT&T, Alcoa and the aluminum workers union, and the American Federation of Grain Millers union and Kellogg Company.

The *Businesswire* (2019) report continues to confirm what I have long argued from my research in the 1980s-2000s, that employee ownership offers practical outcomes and political ones, as well. Several critical elements on the practical level are that it helps to stabilize communities and preserve the quality of life. Local ownership helps maintain the community tax base, thus keeping schools and businesses operational. In turn, there is greater consumer purchasing power.

In my view, there seem to be two pragmatic premises for changes toward worker ownership and managerial participation, whether on the factory floor or in the ESOP boardroom. One is the pragmatic rationale which argues that such participation will ensure corporate profits, improve productivity, and better utilize the firm's human resources. The other view stems from an ideological or political premise that until the rights of the individual penetrate the company gates, the fundamental ideals of economic democracy in society will not be achieved.

Another dimension is that ESOPs not only provide more job meaningfulness, as well as both current and retirement income for workers, but significant job security as well. According to 2018 workers who spent at least a year in companies with employee share ownership, less than 0.6 percent suffered layoffs, a huge contrast to the 3.7 percent of workers without employee share ownership who lost their jobs. That means workers owning shares in the firms where they work are *six times less* likely to be laid off (*Businesswire*, 2019). "Employee share ownership may help to stabilize communities and the larger economy by maintaining employment and consumer purchasing power."

While the thrust of this effort seems to portend a future of dramatic alterations in the social and economic infrastructure of modern society, this movement in America is not without its problems and failures. One of the best-known cases of a worker takeover, the Vermont Asbestos Group, was largely a financial success, but the worker-owners eventually lost a controlling interest in the stock and the firm reverted to a more traditional system.

Similarly, the worker participation experiments that the Harvard Project on Technology, Work, and Character launched with Harmon International Industries and the UAW in Bolivar, Tennessee ended up being dismantled, or extensively altered, from an earlier, progressive form to more of a status quo organization (Zwerdling, 1978).

The new Biden policies may be heralded by the president's program, "Buy American" which mandates that federal contracts will require the purchase of U.S. products and services, perhaps helping fast-track $600 billion in federal work orders a year, some of which would go to employee-owned businesses. The administration in Washington will gradually be rolling out new initiatives for expanding workers' economic strength as White House experts have begun proposing the creation of a new Office of Employee Ownership (Rosen, 2021).

The Rutgers's study from two years ago was carried out by the university's well-known Institute for the Study of Employee Ownership and Profit Sharing. It found that on average, worker-owners holding company stock have $75,205 in shares as of 2019. Those with defined ESOPs enjoy an average $134,000 stake. A related point is that the average annual profit sharing and gain sharing bonuses are just over $13,000.

V. CONCLUSIONS

Regardless of the controversies surrounding these new mechanisms for change and worker participation, the likelihood is that these developments may become the norm within a decade or two. Cosmetic changes of the organization's facade only will die quickly. But the substantive shifts of power beginning to occur suggest a future groundswell throughout the Twenty-First Century. These changes are exploding from the guts and the heart of middle America. Top management and union officials who do not begin to articulate a coherent new vision of a truly democratized society may be overthrown by the hard hats now clamoring at the company gates. Hopefully, the new Biden White House will build on the growing legacy of ESOPs and other forms of worker ownership to strengthen America's economy and "Build Back Better" in ways that uplift millions more families.

REFERENCES

[1]. Blasi, J. and Kruse, D., “Understanding Support for ESOPs.” smlr.rutgers.edu/rutgers-kellogg-report, 2019. Accessed September 4, 2021.

[2]. Blasi, J., Kruse, D., and Freeman, R.B. **“**Broad-based Employee Stock Ownership and Profit Sharing: History, Evidence, and Policy Implications**.”** Journal of Participation and Employee Ownership, 2018.

[3]. Bluestone, B. and Harrison, B., The Deindustrialization of America. (New York, Basic Books, 1982).

[4]. Businesswire News. “72% Of Republicans and 74% of Democrats Agree on This: They Prefer to Work for an Employee-Owned Company.” Rutgers University, May 24, 2019. https://www.businesswire.com/news/home/20190524005008/en/. Accessed June 17, 2021.

[5]. Byrne, P. “We’re Partners With Labor Because We Can’t Imagine a Future Without Them.” The Wall Street Journal, 1993.

[6]. CGAP. The State of Economic Inclusion Report 2021: The Potential to Scale. (Washington, DC: World Bank, 2021).

[7]. Institute for Social Research, University of Michigan, Employee Ownership (Washington, D.C. U.S. Department of Commerce, 1978).

[8]. Kreznar, C. “How Joe Biden’s Tax Plan Could Spur A Surge In Employee-Owned Businesses.” Forbes, July 28, 2021.

[9]. Meek, C. “Labor Management Cooperation and Economic Revitalization” on the Jamestown Area Labor-Management Committee, PhD Thesis. (Cornell University, 1983).

[10]. NCEO. “Employee Stock Ownership Plan (ESOP) Facts.” (2021) https://www.esop.org/. Accessed July 26, 2021.

[11]. Rosen, C. “Biden Appointee Proposes Office of Employee Ownership.” (National Center for Employee Ownership, January 12, 2021.) https://www.nceo.org/employee-ownership-blog/biden-appointee-proposes-office-employee-ownership. Accessed June 14, 2021.

[12]. Woodworth, W. Economic Democracy: Essays and Research on Workers' Empowerment. (Ed.) Pittsburgh, PA: Sledgehammer Press, 2002.

[13]. Woodworth, W, Meek, C. and Whyte, W.F. Industrial Democracy: Strategies for Community Revitalization. (Beverly Hills, CA, Sage Pub., 1985).

[14]. Worldometers. https://www.worldometers.info/coronavirus/. Accessed October 2021.

[15]. Zwerdling, D., Democracy at Work (Washington, D.C.: Association for Self-Management, 1979)

Dr. Warner Woodworth. "The Resurrection of Worker Ownership in the New Biden Administration." *International Journal of Business and Management Invention (IJBMI)*, vol. 10(12), 2021, pp. 09-13. Journal DOI- 10.35629/8028