CREATING A BUSINESS ENVIRONMENT FOR EFFECTIVE WORKER OWNERSHIP

The damaging impacts of the increased concentration of wealth, the automation of industry, and climate catastrophe demand that we create a different way of doing business. Corporate structures as they exist today are undemocratic, by design, run by and in the interest of a small group of elites.

Competitive and profitable businesses don’t have to be solely focused on shareholders. There are effective ways to broaden power and profits to more stakeholders. This includes the presence of diverse alternatives to the shareholder-first business model that are owned and governed in the interest of stakeholders: workers, local communities and others. What makes these businesses different is that their governance is more democratic and ownership is not concentrated so profits are more proportionally shared.

Worker ownership—specifically “broad-based” ownership, as opposed to stock options held by a smaller subset of employees — has a long history of building wealth and influence for workers. By offering workers an opportunity to share in the returns of strong corporate financial performance, worker ownership can foster a true ownership culture and a desire to engage with and grow the company. Particularly when workers are knowledgeable about how their labor contributes to corporate financial performance, and when they have influence in workplace decision-making, there can be a greater sense of alignment that helps grow the “economic pie.”

The U.S. government has the power to create an effective business environment for worker ownership models increasing benefits for stakeholders and reducing inequality.

WORKER OWNERSHIP

Injecting democratic ownership and governance into mainstream business could not only help tackle wealth inequalities; it would also drive business decisions that better reflect the issues that matter to society. This is not unthinkable: in the U.S., approximately 32 million employees participate in some form of employee ownership plan—with approximately 14 million participants in broad-based ownership plans—and according to analysis from the National Center for Employee Ownership (NCEO), “overall, employees now control about 8% of corporate equity.” Worker owners from racialized groups and women worker owners have a 30% and 17% higher wage income, respectively, compared to non-worker owners, and worker owners have greater job security and lower turnover across income levels than their non-worker owner counterparts. The future of business lies in business structures that have dual goals of financial sustainability and social purpose.

Worker ownership is of interest to policymakers from across the political spectrum, with its potential to address rising populist concerns about wealth and power imbalances. Worker ownership is thus widely perceived to highlight how the distribution of returns from a company does not have to be a zero-sum game.

The federal government can support businesses with worker ownership models by:

• Providing financial support to worker-owned businesses, including worker cooperatives. This includes the implementation of International Labour Organization Recommendation no.193 on promoting cooperatives and relevant regional instruments.

• Using public procurement and export incentives to give preferential treatment to equitably structured companies. Public tender processes should give overwhelmingly negative scores for large companies that are performing poorly on sustainability criteria, so that procurement isn’t driven by the lowest price, and enable more competition from more equitably structured businesses.

• Using tax and other economic instruments to incentivize equitable business models, including worker ownership. No economic aid should be given to companies that are missing their net zero targets, paying below living wages, using tax havens, or engaging in aggressive tax planning.

WHY IT MATTERS FOR INEQUALITY

Worker ownership, when designed with best practices and coupled with worker engagement—such as grievance mechanisms, workers on boards, freedom of association, and collective bargaining—can provide both companies and investors with valuable outcomes, including increased productivity, job retention, lower injury rates, along with income and wealth benefits to workers, in turn reducing overall inequality. The government must foster a business environment that prioritizes employee-owned businesses to shift from an era of prioritizing corporations and shareholders to an inclusive economy that works for all.


FIGHTING INEQUALITY TO BUILD A BETTER WORLD

Oxfam believes that poverty is a policy choice, and that the ultrawealthy and giant corporations have hijacked our systems to benefit a select few. We are working to redress the balance of power, putting it back in the hands of working families in the U.S. and around the world.