It's time to start looking at shareholder democracy for all, not just the wealthy

Alexis Condon

As if under a black light, the emergence of COVID-19 illuminated the many fragilities of our nation's economic and political system. Shortages at the grocery store reminded us that neither food nor toilet paper appears with the wave of a magic wand. World-renowned hospitals ran out of life-saving ventilators, reminding Americans of how much we take health (and public hospitals) for granted. Living in a world of a surplus—where food can be delivered to your door at the touch of a button—it's easy to forget those of us who have been left behind in the whir of economic prosperity.

The greatest evidence of the growing economic disparity between wage earners and America's bourgeoise lies in politics. Many issues discussed by candidates on the 2020 campaign trail, such as the debate over raising the federal minimum wage and wealth taxes, can be traced back to a single question: does our democracy today exist to serve the common man, or does it serve the elite?

As we begin the process of rebuilding our economy in a post-pandemic world, it's time to confront wealth inequality at its source: corporate greed. According to the Economic Policy Institute, chief executives of big companies now make, on average, 320 times as much as the typical worker in the same firm, whereas in 1965, the CEO-to-worker compensation ratio was 21-to-1. Big corporations like Amazon and Walmart have long taken advantage of congressional gridlock about a livable minimum wage, a phenomenon Bernie Sanders calls "Welfare for Walmart." By failing to pay their workers a livable wage, workers have no choice but to turn to government welfare and social service programs, paid for primarily by taxes on the middle class. To put things into perspective, the minimum wage would currently be $26 an hour if it had kept up with the gains in economic productivity over the last 50 years.

It's time to look beyond raising the minimum wage as a means of curbing the gross wealth disparity between the 1% and everyone else in this country. If our goal is to diminish the compensation disparity between workers and executives, we have to embrace modern solutions that fit the current economy. Alternatives like raising the capital gains tax, raising the estate tax, and variations of the earned income tax credit all deserve consideration. But if we want to create a more worker-centric government, we will have to look beyond taxes, and Bernie Sanders' plan to share corporate wealth with workers makes good sense in this regard.

Employee stock ownership plans (ESOPs)—a cornerstone of Sanders' wealth redistribution philosophy—are a type of employee benefit plan that gives workers ownership interest in the company in the form of stock. By giving employees stake in their own company, workers are not only guaranteed a stable living wage but they are given more agency over their work lives. According to Sanders, employee-owned businesses boost employee morale, dedication, creativity and productivity. In keeping with the service-profit chain theory, these benefits are paid back to the company in the form of increased productivity and sales. By coordinating the goals of workers and owners, ESOPs offer a solution to the "principal-agent" problem that tends to plague large businesses.

Jared Bernstein, member of the White House Council of Economic Advisors, explains that ESOPs have a huge potential to reduce the high levels of wealth concentration seen in corporate America by transferring capital ownership to wage earners. In his 2021 study, Bernstein summarized the key benefits of employee ownership as retirement security, job stability and employee loyalty, and increased workplace productivity. In addition, the data suggests that selling

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businesses to workers could have significant positive economic spillover benefits by stabilizing employment and minimizing layoffs.

There is a growing body of evidence that suggests ESOPs should play a role in both our short-term and long-term economic recovery strategy. According to Nonprofit Quarterly, ESOPs were 3.63 times more likely to retain non-managers, and 3.95 times more likely to retain managers during the 2020 economic downturn. The pandemic has given us an opportunity to gear economic strategy toward more sustainable growth patterns. While we still have fresh memory of how dangerous it is to allow nearly half of the American population to live paycheck to paycheck, we must commit ourselves to restructuring businesses to be worker centric, rather than profit centric.

It doesn't have to be a choice, either: employee ownership has been found to have nothing but a positive net effect on economic productivity. In addition to maximizing profit by increasing sales, employee ownership has been found to increase employment rates and spur job creation. Unlike raising corporate taxes, ESOPs in no way interfere with a company's ability to perform in the global marketplace. Companies would stay competitive, and national economic growth would be unaffected.

Sanders is not the only congressman who has proposed variations of employee ownership. Elizabeth Warren's Accountable Capitalism Act called for 40 percent of corporate board members to be elected by workers. And in 2016, Hillary Clinton made a proposal to offer a tax break for profit-sharing payments made by corporations to their workers. To be sure, there is still a debate to be had about which companies should go down the employee-ownership route. At the very least, businesses should allocate a percentage of their stock for employee-controlled fund so that their workers get dividends.

Whether we raise our federal minimum wage or not, too many full-time workers are living at poverty level. As extreme as Sanders' corporate accountability plan may sound, it is only in response to the extreme levels of wealth inequality. Big problems require big solutions, and it is time corporate America gets the message: workers will no longer accept such inadequate wages when publicly available CEO compensation packages prove their company can afford to pay them more.