

# Dependency, Poverty and Employee Ownership

By John Hoffmire



It has been over half a decade since the beginning of the Great Recession. During the first few years, the U.S. economy lost an estimated eight million jobs. Although the economy has been slowly and steadily improving, there are many who are still in great financial stress. As the unemployment rate has trended down, so has the number of people choosing to leave the workforce gone up. One indicator of the extent to which Americans are still struggling is the increased enrollment in aid programs including food stamps, housing assistance, and a program for women, infants and children called WIC.

Support programs – whether administered by government or private entities - play a key role in helping provide the necessities of life to individuals in need. Ideally, this assistance is provided for a short period until an individual can supply the proper resources for themselves and their family. Due to the tough economic climate in recent years, this has been easier said than done for many Americans.

Full employment, the opportunity for everyone to have a job who wants one, is an indispensable condition to allow all to thrive economically. Without as many jobs as workers it is impossible for everyone to build wealth. However, even if full employment were achieved, it would likely be insufficient to create financial independence for everyone. In today's economy, some employees live paycheck to paycheck and are unable to save for a rainy day, let alone retirement. In these cases, neither employment nor assistance provides the means necessary to create wealth. However, an increasingly utilized business model may yield part of the solution.

Employee Stock Ownership Plans (ESOPs) are a promising alternative to traditional business models. ESOPs operate in a very simple way. As part of their benefits, an employee receives shares of stock in the company. After an employee retires or changes jobs, the company purchases the employee's shares at market price. This set-up allows employees to build wealth in addition to their usual paycheck. As employees become part-owners of the company, they usually become more engaged in their job and the company operates more successfully, creating even more jobs. The most important aspect, the one that will make all the difference, is that the employees build wealth beyond their paycheck.

Employee ownership plans have been successful in businesses throughout the world. Huawei, an employee-owned company, is the largest private firm in China and the largest telecommunication equipment maker in the world. Huawei's business model has allowed it to set new standards in technology and create wealth for its employee owners. Employee ownership has been successful in many businesses, large and small, including Lifetouch, W.L. Gore and Associates and Publix Super Markets.

Over the last few years the U.S. unemployment rate has declined steadily. Despite this good news, the Bureau of Labor statistics indicates that labor force participation has dropped three percentage points since 2009. Although exact reasons remain unknown, it seems that many people are choosing to withdraw from the workforce. Perhaps if companies provided better opportunities for employees, such as employee ownership plans, many would return.

Currently one in six Americans receives food stamps, and many more receive other types of economic assistance. These statistics indicate there is a clear need for better employment opportunities. The efforts of businesses and government should focus on creating a full employment economy which could provide significant opportunities for individuals to create wealth. Absent these opportunities, the unemployed, under-employed and the working poor in this country have few options to thrive financially. With more concerted efforts, businesses and government can help provide a better chance for each of us to achieve financial security.

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