

HRM: 533:325:01

Employee Ownership and Group Incentives

Professor Christopher Mackin
Voice: 617-388-0650
Email: christopher.mackin@rutgers.edu

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Wednesdays 1:40pm-4:40pm
Levin Building Room 106

Teaching Assistant: Nick Veronsky Email: npv13@scarletmail.rutgers.edu

Office Hours (by appointment): Email to request appointments

SMLR Learning Objectives:

This course is designed to help students attain the following SMLR learning objectives:

IV) Theoretical Perspectives – Demonstrate an understanding of relevant theories and apply them give the background context of a particular work situation.

- Demonstrate an understanding of the practical perspectives, theories and concepts in their field of study
- Evaluate and apply theories from social science disciplines to workplace issues

VI) Application – Demonstrate an understanding of how to apply knowledge necessary for effective work performance.

- Apply concepts and substantive institutional knowledge to understanding contemporary developments related to work
- Understand the legal, regulatory and ethical issues related to their field

VII) Professional Development – Demonstrate an ability to interact with and influence others in a professional manner, and to effectively present ideas and recommendations

- Develop effective presentation skills appropriate for different settings and audiences
- Work productively in teams, in social networks, and on an individual basis

Course-Specific Learning Goals:

Upon completion of this course students should understand:

1. The history of the idea of broad-based employee ownership
2. The range of national applications of the idea of broad-based employee ownership with a focus on experience in the United States
3. The legal and regulatory foundations of broad-based employee ownership
4. How the idea of broad-based employee ownership intersects with theories of group incentives
5. Critical perspectives against the idea of broad-based employee ownership
6. The range of professional specialties that service the idea of broad-based employee ownership – visits from professional groups to illustrate the realm of practice
7. How broad-based employee ownership is implemented in the United States – simulation of how employee ownership transactions take place

Required Texts:

- Beyond the Corporation: Humanity Working. David Erdal, The Bodley Head, London, 2011. Not published in the United States. Week 1 and 2 readings will be made available on Sakai, but students will be expected to purchase either a hard copy (on Amazon or other sites) or a digital copy via Amazon Kindle at this shortlink: amzn.to/Q94qC2 or through Google E Books – [see this link](#) - prior to our Week 3 session. Copies will be held on reserve at Livingston Library.

- The Citizen's Share: Putting Ownership Back in Democracy. Joseph R. Blasi, Richard B. Freeman, Douglas L. Kruse, Yale University Press 2013. Purchase hard copy [here](#) or on Kindle.

Articles

- Selected readings – Listed in syllabus and available on Sakai. Additional readings will be added over the course of the semester

Additional Books for Supplementary Reading:

- Democratic Capitalism, Ray Carey, AuthorHouse, 2004.
- The 3rd Way: Building “Inclusive Capitalism” through Employee Ownership, Upendra Chivukula and Veny W. Musum, The 3rd Way Publishers, 2016
- The Soul of Capitalism: Opening Paths to a Moral Economy, William Greider, Simon & Schuster, 2003

Course Description: This course will explore the contemporary revival of interest in broad based employee share ownership structures. We will investigate the legal and policy frameworks that presently structure employee ownership. We will investigate how broad-based ownership initiatives take place in a broad range of corporations from publicly traded, stock exchange firms, to closely held Employee Stock Ownership Plans (ESOPs) and worker cooperatives, and in high technology firms.

We will compare and contrast five specific starting points; five “verbs” for how employee ownership actually takes place in the economy. We will hear from business owners and working people affected by these ideas and we will hear from practitioners who facilitate the process. We will review empirical research on how employee ownership is performing and we will debate both the promise and the limitations of employee ownership as a business strategy and a strategy for motivating employees. We will research the practical uses of broad-based employee ownership with a focus on implementation that has taken place within the states of New Jersey and New York.

Grading: The following components will comprise 100% of the grade:

- Mid Term Exam – 30%
- Final Exam – 30%
- Participation – 40%

Further details regarding the participation requirement will be summarized in class.

Approach: This course will make use of weekly lectures, the regular use of film, guest lectures and both large and small group discussion.

Lecture Notes: The PowerPoint slides for the lectures will be posted on the course’s Sakai website.

Participation and Written Work: Participation represents a relatively high percentage (40%) of the final grade. Attendance at lectures and class meetings is critical to the class. Attendance will be taken in class and those not participating will lose points on the participation score. Lecture material will be presented in class that is not covered in the readings and will make up a significant part of mid-term and final exams.

Beginning in week 2, in advance of each Wednesday morning class, all participants are expected to submit through Sakai (submission deadline of 2 PM ET on Tuesday – the earlier the better) two items:

- 1) **Commentary** – No more than two paragraphs of commentary by you the current week’s readings. Describe what you found provocative or interesting. Your comments may focus on a single reading or on readings as a whole and
- 2) **Question** - A single question that occurs to you that has been inspired or provoked by the current week’s readings be that a single reading or readings as a whole.

These weekly submissions will be graded on a 1-5 scale and will be included as part of your participation grade. The comments and questions you pose will also be used anonymously to help provoke discussion in the class.

Classroom Conduct: The following are NOT permitted in class:

- (a) cell phones, pagers, and text messaging devices. These should be turned off and put away OUT OF SIGHT (except when responding to PollEverywhere questions.
- (b) laptop computers (except when used for taking notes or responding to PollEverywhere questions)
- (c) napping
- (d) chit-chatting with your seat neighbors
- (e) studying or doing homework for other courses
- (f) arriving at class late on a consistent basis
- (g) leaving class early on a consistent basis
- (h) wandering in and out of class

When you are doing any of these things it is hard to argue you are participating in the class, and points will be deducted from your Participation score.

Week One: Introductions and Overall Themes

Brief Outline: After introducing members of the class to one another, this session will introduce the broad themes of the course. We will discuss classroom contracts governing classroom behavior.

Required Readings:

- Beyond the Corporation: Humanity Working. David Erdal, Introduction, Chapter 1, *Owning a Business and Making it Perform*, pp. 1-25 (PDF provided on Sakai)

Week Two: Getting Acquainted - The EOGI Triangle – Spectrums Describing Ownership -

Brief Outline: We will continue our introductions and begin to explore the concepts that will guide the course. We will discuss the readings listed below, guided, in part, by your comments and questions submitted over Sakai.

Required Readings:

- *Employee Ownership in America: A Primer for Industrial Relations*, Perspectives on Work. Christopher Mackin, pp.1-5
- Employee Ownership: The Road to Shared Prosperity, The Nation, June 8, 2011, Christopher Mackin, pp.1-2
- Beyond the Corporation: Humanity Working. David Erdal, Chapter 2, *Founders*, Chapter 3, *Predictions* pp. 26-44 PDF provided on Sakai

Week Three: Challenges and Advantages of Employee Ownership

Brief Outline: We will engage in a small group exercise which asks students to discuss with each other and then list the Challenges and Advantages of Employee Ownership. We will discuss this week's readings.

Required Readings:

- The Citizen's Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse, Introduction, pp.1-15. (PDF provided on Sakai) All students expected to obtain hard copy or digital ownership of The Citizen's Share prior to Week 4 class session
- *'An iron chain of bondage': lessons from the Knights of Labor*, Alex Gourevitch, Our Kingdom, Democratic Wealth, November 29, 2012 - <http://www.opendemocracy.net/ourkingdom/alex-gourevitch/iron-chain-of-bondage-lessons-from-knights-of-labor>
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 3, *Predictions* pp. 26-44 PDF provided on Sakai, Chapter 4 *Creative and Inventive*, pp.62-73

Week Four: Challenges and Advantages Reviewed – Introduction to Broad Based Equity Compensation

Brief Outline: We will review the responses from our small group exercise regarding the Challenges and Advantages of employee ownership. We will then begin our introduction to the range of structures used to introduce employee ownership beginning with Employee Stock Purchase Plans. We will discuss this week's readings.

Required Readings:

- The Citizen's Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse, Introduction, pp.16-29
- The Citizen's Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse, Ch. 2, "Examples," 57-70 – Including Case Studies: Google and Proctor & Gamble
- Employee Ownership in the Best 100, (1 page) National Center for Employee Ownership
- Employee Stock Options Fact Sheet, (2 pp.) National Center for Employee Ownership

Week Five: Broad Based Equity Compensation – ESPP's

Brief Outline: This session will dig further into the details of our first Broad Based Equity Compensation instrument – Employee Stock Purchase Plans (ESPP's). We will discuss this week's readings.

Required Readings:

- The Citizen's Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse, Ch. 2, "Examples," 57-70 – Including Case Studies: Google and Proctor & Gamble
- The Citizen's Share: Putting Ownership Back in Democracy Joseph Blasi, Richard Freeman, Douglas Kruse Ch. 5, "Evidence," 167-194
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 5, *Decisions, Decisions*, Chapter 6, *The Discreet Charm of the Employee Owner* pp. 62-88
- An Overview of Employee Stock Purchase Plans (ESPP's) – NCEO, On Sakai
- How to Get the Most from Your Employee Stock Purchase Plan (ESPP) – Motley Fool – On Sakai

Week Six: Continuation on ESPP's – Introduction to Restricted Stock and Restricted Stock Units

Brief Outline: This session will continue with definitions and examples of our first Broad Based Equity Compensation instrument – Employee Stock Purchase Plans (ESPP's). We will also introduce a second instrument; Restricted Stock and its close relative, Restricted Stock Units. We will discuss this week's readings.

Readings:

- Beyond the Corporation: Humanity Working, David Erdal, Chapter 7, *Working for Shareholder Value and Chapter 8, Power and Accountability*, pp. 95-122
- Introduction to Employee Stock Purchase Plans
- A Primer on Equity Compensation
- Restricted Stock Introduction
- Restricted Stock 101

Week Seven: Guest Lecture-Debbi Marcus, Equity Sharing at the Unilever Corporation – RSU's and Stock Options – Erdal Readings

Brief Outline: This session will continue our discussion of equity-based compensation with a specific case described by a guest lecturer, Debbi Marcus, formerly employed at the Unilever Corporation. After the guest lecture we will discuss Restricted Stock Units. We will conclude by reviewing a Mid-Term Exam Study Guide.

Readings:

- Beyond the Corporation: Humanity Working, David Erdal, Chapter 9, *How the Employment Contract Came to Be and Chapter 10 Thinking it Through*, pp. 123-144 (Resources Tab of Sakai)
- RSUs vs. Options: Why RSUs (Restricted Stock Units) Could be Better Than Stock Options At Your Private Company, Jeron Paul. – in the Resources Tab of Sakai and [at this link](#)

Week Eight:

MID TERM EXAM IN CLASS

Week Nine: SPRING BREAK

Week Ten: Final Lessons of Broad-Based Equity

Brief Outline: This session will focus on taxation and the back-end, on how RSU's are settled. We will review the debate between stock options and restricted stock and consider the challenge from wealth advisors to treat restricted stock as compensation rather than long term investing.

This session will conclude our focus on Broad-Based Equity Plans.

Readings:

- Equity Compensation Alphabet Soup
- I Have RSU's Now What?
- How to Avoid the Tax Traps of RSU's
- Beyond the Corporation: Humanity Working, David Erdal, Part 3, *Humanity in Partnership*, Chapter 11, John Lewis: *Partners at Work*, pp. 145-161, Chapter 12, *Leadership* pp. 162-171

Week Eleven: Goodbye RSU's and Introduction to Employee Stock Ownership Plans

Brief Outline: This session will explore the experience of the most statistically significant cohort of the employee ownership field. That cohort is the 7,000 plus enterprises, collectively employing over 11 Million Employees that have come about as a consequence of the adoption starting in 1974 of Employee Stock Ownership Plan (ESOP) legislation. We will introduce basic conceptual foundations as well as the statistical highlights of ESOP's.

Readings:

- An Overview of How ESOPs Work, Corey Rosen, National Center for Employee Ownership, Chapter 1, pp. 1-9
- Whose Pie? And Why ESOP's?, Senator Russell Long (D-LA), United States Congress, Congressional Floor Statement, November 17, 1983, p.1
- Congressional Record, Proceedings and Debates of the 97th Congress, Tuesday, May 12, 1981 – Expanded Ownership Act of 1981, pp. 1-3
- National Center for Employee Ownership, The Employee Ownership Top 40, pp. 1-3
- Defining Employee Ownership: Four Meanings and Two Models, Christopher Mackin
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 13, Lining up the Arrows pp. 172-195

Week Twelve: How Do Employee Stock Ownership Plans Actually Work and How are they Communicated

Brief Outline: This session will further examine the background of the largest grouping of employee owned companies in the United States - companies with Employee Stock Ownership Plans. We will be joined by two guest lecturers; Michael Keeling, the President of the ESOP Association of America, the leading advocacy and lobbying organization in the United States representing ESOP's and Patrick Mirza, Communications Director, ESOP Association of America. Mr. Keeling will focus on ESOP history and policy. Mr. Mizra will focus on how ESOPs are communicated to employees in companies across the United States.

Readings:

- How to Create Good Blue-Collar Jobs in the Knowledge Economy, Campbell, Case and Fotsch, Harvard Business Review, January-February, 2018
- How and Employee Stock Ownership Plan Works, National Center for Employee Ownership
- ESOPs The Good Bad and Ugly - Wells Fargo, pp. 1-6
- ESOPs Turn Workers Into Owners, Joanne Sammer, Society of Human Resource Management, pp. 1-4
- The Employee Ownership 100, National Center for Employee Ownership
- Beyond the Corporation: Humanity Working, David Erdal, Chapter 14, Governance and Power, pp. 196-202, Chapter 15 A Thousand and One Ways of Structuring Ownership, pp. 203-213

Week Thirteen: Ownership Culture

Brief Outline: This session will focus on questions of ownership culture and the possibilities for participation in decision-making in employee owned firms. We will review the general themes of the course in preparation for your final exam on April 26.

- Beyond the Corporation: Humanity Working, Chapter 16 Culture, pp. 214-223, Chapter 17 Hunters and Gatherers Go to Market, pp. 229-244 and Epilogue pp. 245-249
- Defining Employee Ownership: Four Meanings and Two Models, Christopher Mackin, pp. 1-25

Week Fourteen: Closing Thoughts and Final Exam Preparation

Week Fifteen: Final Exam in Class

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