

EMPLOYEE OWNERSHIP AND COLLECTIVE ENTERPRISES IN THE USA Khabibullin R.I. (Russian Federation) Email: Khabibullin247@scientifictext.ru

*Khabibullin Rifat Ilgizovich – PhD in Economics, Research Associate,
LABORATORY OF MICROECONOMIC ANALYSIS AND MODELING,
CENTRAL ECONOMICS AND MATHEMATICS INSTITUTE OF RAS, MOSCOW*

Abstract: *the article presents the results of the author's study of present state of employee ownership in the U.S. It is noted that in Russia this form of business is not sufficiently developed. The model of employee ownership of corporate property in the United States (enterprises based on Employee Stock Ownership Plan – ESOP model) is considered. It was demonstrated that employee-owned companies have considerable over the enterprises of other forms of ownership concerning better control of production due to participative management, more comfortable psychological climate and higher competitiveness. The study was carried out within the framework of the R&D theme «Development of a systemic multilevel theory and models of coordination and co-evolution of industrial complexes and enterprises for the purpose of sustainable economic development» (state registration number AAAA-A18-118021390173-4).*

Keywords: *collective enterprises, employee ownership, efficiency, democratization of property, ESOP (Employee Stock Ownership Plan).*

СОБСТВЕННОСТЬ РАБОТНИКОВ И КОЛЛЕКТИВНЫЕ ПРЕДПРИЯТИЯ В США

Хабибуллин Р.И. (Российская Федерация)

*Хабибуллин Рифат Илгизович – кандидат экономических наук, старший научный сотрудник,
лаборатория микроэкономического анализа и моделирования,
Центральный экономико-математический институт РАН, г. Москва*

Аннотация: *в статье представлены результаты авторского исследования современного состояния собственности работников в США. Отмечается, что в России эта форма организации хозяйственной деятельности недостаточно развита. Рассмотрена модель владения работниками корпоративной собственностью в США (модель ESOP). Показано, что компании, принадлежащие сотрудникам, имеют значительно большее преимущество по сравнению с предприятиями других форм собственности за счет более эффективного контроля над производством, совместного управления, более комфортного психологического климата и обеспечения более высокой конкурентоспособности. Исследование выполнено в рамках темы НИОКТР «Разработка системной многоуровневой теории и моделей координации и коэволюции производственных комплексов и предприятий в целях устойчивого развития экономики» (номер государственной регистрации AAAA-A18-118021390173-4).*

Ключевые слова: *коллективные предприятия, собственность работников, эффективность, демократизация собственности, ЭСОП.*

The analysis of state of the art in Russian industry indicates that a very unsatisfactory situation has emerged among the Russian enterprises. This unfavorable situation is particularly evident among the industrial companies. Both literature data and our investigation pinpoints that one of the major reasons of crisis for many enterprises is the authoritarian management style when decision-making is restricted by only one person – the CEO who is endowed with nearly dictatorial power. Such a system of managing enterprises allows to solve the urgent problems but at the same time deprives the enterprise of sustainable potential development as it does not allow employees to engage in the production process in full, and thus to determine its potential. The key to success in Russian management model formation is including the potential of employees in corporate governance and, above all, active use of soft skills in management practice.

Therefore, the forms of management, organically combining the benefits of individual employees and the enterprise in general are of special interest. In this case managing is based on efficient allocation of resources. In real conditions this type of management is realized at the collective enterprises (CEs) based on collective employee ownership [1].

In the USA, the employee stock ownership and the companies based on it have developed within the frame work of so-called Plans of ESO (Employee Stock Ownership Plan), allowing the employees to buy shares of the company in which they work, at their own expense of the company's revenue [2]. Article 4975 of the Tax Code of the USA states that ESOP is a program with defined contribution, the funds of which are invested primarily in the shares of the corporation where the employee works.

The below table shows the change in total ESOPs and total participants over time from 2002 to 2018 [3].

Table 1. Trends in ESOP (Participants and Plan Assets)

Filing Year	Number of ESOPs	Total participants	Active participants
2002	8,874	10,230,425	7,946,652
2003	7,934	10,049,154	7,570,321
2004	7,348	10,243,283	7,826,741
2005	7,198	11,998,319	9,448,271
2006	7,384	12,584,772	9,850,008
2007	7,326	13,218,808	10,173,536
2008	7,305	13,037,946	10,055,117
2009	6,690	12,996,711	10,014,524
2010	7,138	13,477,187	10,306,818
2011	6,941	13,462,955	10,288,363
2012	6,908	13,823,595	10,603,334
2013	6,795	13,927,535	10,578,114
2014	6,717	14,050,344	10,563,219
2015	6,669	14,431,622	10,829,726
2016	6,624	14,206,950	10,611,905
2017	6,527	14,267,401	10,580,001
2018	6,416	14,071,987	10,342,760

Since 2014, an average of 263 new ESOPs have been created each year. The below chart shows new ESOP creation since 2014. Nearly all new ESOPs are in privately held companies. The NCEO's 2020 Employee Ownership 100 list includes the nation's largest companies that are at least 50% owned by an employee stock ownership plan (ESOP) or other broad-based employee ownership plan [3]. Many are 100% employee-owned. Employment includes all full- and part-time employees in the U.S. and worldwide. The great majority (96%) of the companies on this list have ESOPs, and several of them have more than one plan. Other vehicles for employee ownership on this list include profit sharing plans invested in company stock, stock purchase plans, 401(k) plans, and a worker cooperative. Seven companies have been added to this year's list, and the companies featured collectively more than 620,000 people worldwide.

Companies applying the plans of employee ownership participation, demonstrate impressive results and their indicators prove to be much better than in those companies not applying ESOP. It is no surprise why this retirement plan has gained popularity among business owners, management, and employees. For shareholders, ESOPs are a valuable liquidity mechanism that minimizes business disruptions. For employees and management, ESOP participation is a reward for years of dedication and hard work and an incentive for future business growth.

An effective ownership culture is one that generates lots of ideas from a well informed and highly involved workforce. Companies that have these high-involvement, idea-generating cultures, generate an incremental 6% to 11% added growth per year over what their prior performance relative to their industries would have predicted.

There are over 4,000 qualified retirement plans that are "ESOP-like": profit sharing, stock bonus, or other defined contribution plans that are substantially (at least 20%) invested in employer stock, and have at least five participants.

Employee ownership has its drawbacks. One issue is risk, when workers have too many eggs in one basket and should the company fail or significantly decrease in share value, then employees can lose it all – investments, pensions, jobs. A second issue is entrenchment. Critics argue that it can entrench underperforming workers or bad management and undermine company's long-term competitiveness. A third issue is entitlement. The strongest argument in favor of employee ownership is that workers will not only work harder, when they get a slice of profits or other benefits, but they encourage colleagues do so too. However, the success of an employee ownership greatly depends on the way it's structured, and motivations behind its adoption. There are many positive reasons for employee ownership, but much attention must be paid to – its purpose, fairness.

Our study gives credibility to the starting point of our investigation – the thesis that corporate ownership has many advantages over capitalist companies. The success of the enterprises with employees as shareholders both in Russia and in the USA is based on a number of factors. The joint stock companies of employees (collective enterprises) have significant advantages in ensuring high labor motivation of employee's output, overcoming the contradictions between labor and capital, reducing the level of opportunistic behavior of employees, improving the quality of products. The institutionalization of partnerships for coordinating major social and labor interests in the company on the basis of the democratization of the property with the tools of participatory management is a prerequisite for sustainable development of the CE.

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