7
Valuing Workers through Shared Capital Investments

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Expanding wealth inequality and economic precarity have sparked broad debates about how shifts in the structure of work affect workforce development and the assets of low- and moderate-income workers and low- and moderate-skill workers. Changes driven by technology, private equity ownership, and the globalization of markets challenge traditional ways of working and learning for work. Those changes can also lead to an undervaluing of the skills, knowledge, and capabilities of the existing workforce, as well as the potential workforce of underemployed and unemployed individuals. This undervaluing increasingly translates for the workforce into low wages, limited benefits, unpredictable scheduling, and underemployment. Combined, this undervaluing produces economic insecurity, an inability to save and invest for the future, limited skill development, and challenges to fully participating in family and community life. There are particularly important impacts related to issues of gender, race, and ethnicity for income, wealth, and well-being. This undervaluing and underinvestment in the workforce reduces firm competitiveness and community economic stability. All of these factors affect the nation's collectively shared economic and social prosperity.

Within the context of these changes, there are opportunities to produce different outcomes for both the workforce and our nation. Shared capital firms can overcome these negative consequences of change and prosper, in part because they value their workforce and provide value to the workforce in a variety of ways, reaping business benefits and providing an important public value (Kruse, Freeman, and Blasi 2010). Shared capital firms have the potential to broaden wealth in communities, stabilize families, and, as this section reviews, are an important location for targeted workforce investments to produce real returns to business, communities, and the workforce. Investments in employees not only as workers but also as owners leads to new skill development, career advancement, and wealth building—all the shared goals and objectives of traditional workforce investments. The section begins with an understanding of what we mean by "undervalued workers" and a discussion of shared capital, making the connection to the public interest in workforce development investments and to the chapters in this section.

UNDERVALUING THE WORKFORCE IS EXPENSIVE FOR BOTH EMPLOYEES AND BUSINESSES

The traditional structure of the workplace and institutional decisions about what and who is of value produces conditions that devalue workers based on gender, race, education, field, age, and other statuses. A few descriptions illustrate this point. Older workers, for example, are increasingly undervalued. Many employers will not hire older workers, often due to anticipated higher wage levels or the perception of antiquated skills. The Federal Reserve Bank of St. Louis reports that in January 2015, those 55 and older were nearly 20 percent more likely to be unemployed long term than those in the 25–54 age group; yet, with greater longevity and resource needs, these older workers seek another 10–20 years of employment (Monge-Naranjo and Sohail 2015). For those who employ older workers, data show they are more frequently laid off, fired, or pushed into early retirement, paving the way for a less experienced but less expensive workforce (Johnson 2007; Truxillo et al. 2018). While older employees may not always be on the cutting edge of technology and that gap may lead to justifications for dismissal, firms that invest in maintaining their workforces invest to keep everyone ahead of the curve. Older workers possess skills in leadership, mentoring, and problem solving, and those contributions to the workplace are undervalued when the bottom line shifts only to a focus on wages.

Female workers and workers of color are particularly vulnerable. In 1976, 1 in 20 women were the sole earners in their households; by 2013, it was 1 in 4. Women are either the sole earner, primary earner, or coearner in nearly two-thirds of families with children (Chang 2015; Hegewisch, Phil, and Williams-Baron 2018). Although women's workforce participation has increased and women play a more vital role in the financial well-being of their households, neither work nor family structures have kept pace with these changes. Sixty-one percent of caregivers nationwide are women (Women's Institute for a Secure Retirement 2015). Women who have primary caregiving responsibilities are often at risk of losing their jobs when a family crisis arises. They often work part-time to ensure flexibility around family needs, and they earn less for full-time work because of occupational gender segregation and lower pay for "women's work" in fields such as home care, teaching, and the service industry. Data also indicate that women are often paid less for comparable work (Auspurg, Hinz, and Sauer 2017; *Economist* 2017; Family Caregiver Alliance, n.d.).

Frontline workers in these caregiving and service fields are critically important for the immediate care of young children, older adults, people with disabilities, and those with illnesses. Their good care produces indirect impacts on the rest of the workforce's ability to operate seamlessly. However, employees' physical and emotional labor in these fields is undervalued and undercompensated. Characterized by irregular work schedules, the field of caregiving limits earnings and benefits, inhibiting employees' abilities to plan and contribute to meet personal and family needs. Irregular work is a reflection of undervaluing the employee as a regular contributor to a work setting as well as for the other roles and responsibilities that employees hold outside the workplace.

Underpaid and low-wage workers who do not feel valued through their compensation leave their jobs with greater frequency. Voluntary turnover has a negative impact on the morale of remaining employees, on their productivity, and on company revenue. Recruiting and training a new employee requires staff time and money. For example, the average cost to replace an employee is 16 percent of the job's annual salary for high-turnover, low-paying jobs (under $30,000 a year), making the cost to replace a $10-an-hour retail employee $3,328. It costs 20 percent of a job's annual salary for mid-range positions (those paying $30,000–$50,000 a year), making the cost to replace a $40,000 manager $8,000 (Boushey and Glynn 2012). For the employee, transitions mean continuously starting over and having limited advancement opportunities. This often creates stress and health problems. The Bureau of Labor Statistics (2018) reports that turnover is highest in industries such as trade and utilities, construction, retail, customer service, hospitality, and service, with some variation by wage and role of employee. Instead of investing dollars in training replacement workers, firms would be better off investing their funds and energies in the current workforce, thus helping to retain and build workers' skills, which affects employees' professional and personal health and contributes to the firm's bottom line. Conversely, when employees' skills are underutilized and their skill training is limited or stopped, the firms, the employees, and the economy suffer.

Employees often have unique skill sets beyond their job descriptions—skills that, if employees were given the opportunity to display them, they could utilize to improve their job performance, drive innovation, and reduce business costs (Pendleton and Robinson 2011). When leadership does not take advantage of existing or potential skills, the firm is undervaluing its employees and leaving value within the organization on the table. Increasingly, this is a public policy concern. Workforce development dollars can contribute to building a stable workforce that will have career advancement opportunities, become self-sufficient, and contribute to the overall health of the economy. When skills are underutilized and skill training is limited or stopped, the firms, the employees, and the economy suffer.

WHAT IS SHARED CAPITAL?

In an environment in which work structures shift and many workers remain undervalued, "shared capital" firms—those in which all employees hold some percentage of ownership—provide employees a variety of opportunities both to be valued and to provide value to the firm in unique ways. The shared capital model, when compared to traditionally organized firms, appears to strengthen business profits and operations, increase the mutuality of interests, share financial wealth more broadly, and create a more productive and invested workforce (Kruse, Freeman, and Blasi 2011; Employee Ownership Foundation 2014). Shared capital firms take the form of employee-owned companies with employee stock ownership plans (ESOPs), cooperatives, and profit-sharing plans. The U.S. tax system legislatively supports ESOPs, providing opportunities to shift relations between business, capital, and ownership structures, and potentially to shift how we think about and invest in workforce development. Participatory shared capital firms contribute to broad-based workforce development and to asset development among working poor and middle-income workers—building the combination of financial, human, and social capital that constitutes wealth. Table 7.1 lists companies that are at least 50 percent employee owned, demonstrating their wide representation across sectors and the nation (National Center for Employee Ownership [NCEO] 2017a).

A recent study conducted by the NCEO suggests that employee ownership interventions at the workplace can contribute to the goal of rebuilding the middle class. The NCEO took its data from the National

Table 7.1 Illustrations of ESOP Sector Variations and Employment Levels

Company	State	Plan	Start date	Business	Employees
Publix Super Markets	FL	ESOP & Stock Purchase	1974	Supermarkets	188,000
Penmac	MO	ESOP	2010	Staffing	24,470
Amsted Industries	IL	ESOP	1986	Industrial components	18,000
Lifetouch	MN	ESOP	1977	Photography	15,440
Parsons	CA	ESOP	1974	Engineering & construction	15,000
HDR, Inc.	NE	ESOP	1996	Architecture & engineering	10,500
EmpRes Healthcare Management	WA	ESOP	2009	Post-acute long-term care	10,000
W.L. Gore & Associates	DE	ESOP	1974	Manufacturing	10,000
Austin Industries	TX	ESOP	1986	Construction	9,000
Davey Tree Expert[a]	OH	401(k)SOP & ESOP	1979	Tree & environmental services	9,000
Schreiber Foods	WI	ESOP	1998	Dairy company	7,000

[a]100 percent employee-owned.
SOURCE: National Center for Employee Ownership (2017a).

Longitudinal Surveys, which were collected on a cohort of workers aged 28–34. The data compare workers with employee ownership to those who are without this workplace structure. The study finds that the employee ownership group attained 92 percent higher median household wealth, 33 percent higher income through wages, and 53 percent longer median job tenure. Employee owners who were not college graduates had 83 percent greater median household wealth, employee owners of color had 30 percent higher income from wages, and employee owners in general were 3.6 times more likely to secure tuition reimbursement from their employers (NCEO 2017b).

WORKFORCE DEVELOPMENT AND SHARED CAPITAL FIRMS: A MULTIDISCIPLINARY APPROACH

Shared capital firms help us take a multidisciplinary approach to reducing wealth inequality and economic insecurity and revaluing the workforce. Three areas of work intersect to inform these issues: 1) asset building, 2) labor and employment relations, and 3) workforce development.

The asset field focuses on wealth inequality and poverty through the premise that income alone will not move people out of poverty.[1] The field emphasizes the importance of access to financial capital and savings opportunities (with limited focus on ownership of capital) and on improving skills and the knowledge to enable career advancement and empowerment. The goal is to create structured opportunities that enable working people to advance, despite the obstacles of a fissured and global economy. Shared capital values low- and moderate-income/skill employees and engages them in ways that can reduce wealth gaps and move employees out of poverty and precarity (Birkenmaier et al. 2016; Duran, Brooks, and Medina 2013).

Labor and employment relations research increasingly focuses on examining macro shifts, such as the role of private-equity ownership and management, and their impacts on issues of inequality (Applebaum, Batt, and Clark 2013). At a more micro level, a challenge for organizations and human resources with regard to workforce development is the free rider dilemma: If an employer invests in an employee's human capital development, can the employer retain and leverage that investment when the employee becomes more valuable in a competitive marketplace? Despite evidence that links good-quality jobs ("quality" includes the opportunity for workforce development) to better firm performance, employers overall look for individuals to self-invest in education while on the job, or they seek to hire those who have already self-invested (Kalleberg 2013). By increasing the value of workforce skill and transferring knowledge from the firm to the individual worker or the public sector, shared capital workplaces have less risk in this arena. They experience less turnover and greater employee commitment.

Current workforce development policy ties economic success to the knowledge economy and elevates the relationship between work and learning. Simultaneously, workforce development practices remain dominated by training—not learning—and often function within a transactional supply-and-demand framework. Opportunities to reduce wealth inequality are limited because traditional training-based solutions no longer fit the changing structure of work and worksite practices. Furthermore, the increased demand for credentials creates barriers to advancement and extends the time frame for lower-income and lower-skilled workers to achieve certifications required for job advancement or retention, even though they often have the requisite skills for advancement. Shared capital as part of a workforce development strategy downplays the focus on individual deficiencies and skill gaps, and it highlights the role of work structures, capital ownership, and continuous learning (Guery 2011; Knight 2014). Focusing on the ties between workforce development and ownership is critical to unbundling the sources of the problems and their solutions.

NEW APPROACHES TO EMPLOYMENT CAPITAL CREATION

The chapters in this section document how shifts in the structure of work (such as shared capital) intersect with workforce development, to understand how investments in both create asset-building opportunities for traditionally undervalued employees. From these perspectives, workforce development comprises the investments in education, skills, opportunities, engagement, workplace knowledge, and infrastructures that enable employees to build wealth and economic security. The workforce brings value to the workplace through expertise, attention, participation, and engagement, and receives value from the firm that is both psychological and monetary: the firm is a good place to work, and employees gain wealth through profit sharing and share in the gains of the firm. These chapters help us to

- understand how and to what extent shared capital firms may contribute to revaluing the workforce by producing public goods—such as reduced poverty, wealth inequality and economic precarity—through workforce development;
- identify opportunities to expand successful practices in workforce development and asset building through a focus on leveraging and valuing the workforce in shared capital firms; and
- conceptualize new linkages between public-sector investments in workforce development by linking organizational structures, workforce development, and asset building.

Each of the following chapters focuses on different intersections of workforce development investments and shared capital. They illustrate how this marriage of interests and investments renews the value of the workforce at work in producing important public goods.

Melissa Hoover examines the importance of skill building and education for ownership for incumbent workers to enable firm buyouts from retiring owners, thus helping keep work and ownership within communities. Workforce development for and within employee ownership is a critical economic development strategy, as it saves jobs, anchors businesses for worker and community benefit, and addresses workplace inequality at its root.

Susan Crandall and Catherine Gall argue that profit sharing creates a structure that values employees for their existing skills and enables them to have greater advancement and skill development within the context of the workplace, providing benefits to low-wage workers, slowing the use of contingent work, and improving business outcomes. They provide an example of public workforce investment in a profit-sharing firm and takes a close look at Open Book Management, which values employee input.

Daphne Berry, Joy Leopold, and Anna Mahathey examine how shared capitalism benefits women and low-wage workers through training, education, and leadership development. They help specify the workforce development education and skills that improve firm and workforce assets and well-being.

In a final piece, I write about employment capital and examine how workforce investments in employee ownership can accelerate the wealth building and stability of lower-skill and low-income employees.

Collectively, these chapters demonstrate how public investments in workforce development might expand beyond traditional approaches to include ownership education and development, helping to produce greater job stability, security, and mobility. Reconnecting education and skills training to the growth and development of firms and the economic stability of regions combines the interests of the public and private in new ways. A strong workforce is a valued, educated, and engaged workforce. Shared capital firms provide a unique way to recognize and leverage the value of the workforce, to strengthen employees, employers, and the broader economy. As the chapters suggest, shared firms could grow, do more, and go farther through new partnerships with and investments from the nation's workforce development system.

Notes

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1. See https://inequality.org/facts/wealth-inequality; https://iasp.brandeis.edu.

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