Giving workers the opportunity to profit-share and use their voice can benefit companies as a whole
Pete Stavros – Financial Times – August 1/22

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My story used to be a familiar one. I'm a first-generation college graduate from a hardworking, blue-collar family. My parents scrimped and saved and made a small real estate investment. While we lived day to day on my Dad's construction job wages, owning an appreciating asset brought us into the middle class. Today, not enough families enjoy the upward mobility that mine did.

Property ownership is one of the few ways of climbing the economic ranks. But with real wages largely stagnant since the 1970s, many people have no savings to invest. Another way to get hold of appreciating assets is by being given stocks in the company where you work, but that is a perk typically reserved for only the most senior employees.

As a result, working class families are locked out of these types of ownership. US Federal Reserve economic data shows that the bottom 50 per cent of earners own only 5 per cent of assets and 1 per cent of stocks. As asset prices continue to rise, the divide widens.

This divide is about more than just money. Gallup surveys show that only 20 per cent of the global workforce is constructively engaged at work, and engagement scores tend to be worse for employees on hourly wages.

I saw this first-hand with my father. He felt no connection with his employer. If he worked too fast, his hours declined and his pay cheque diminished. He talked about the need to "work steady" — not too fast, but not too slow. His opinions and input were disregarded. He dreamt of profit-sharing and having a voice in the company.

As an investor working with a variety of companies and management teams, I've had the opportunity to experiment with bridging this divide through broad-based equity ownership and employee engagement programmes over the past 12 years. The results have been beyond encouraging.

To take one example, manufacturer Ingersoll Rand shared ownership with all of its 16,000 employees across more than 80 countries. Over time, the company's quit rate has dropped from 20 per cent to below 3 per cent. Employee engagement scores from internal company data rocketed from the 20th percentile to the 90th percentile. And non-employee shareholders made substantial gains from the strong performance that came with an enhanced corporate culture.

A few weeks ago, we analysed our work with CHI Overhead Doors, a manufacturer of garage doors. When we sold the business, ownership cheques to workers ranged from $20,000 for a new joiner to more than $800,000 for the most-tenured hourly employees and truck drivers. Productivity exploded over our seven years of ownership, with profit increasing fourfold and margins nearly doubling. Building an ownership culture brought big shared rewards.

Many other investors are also working to broaden ownership of their companies. Insight Global, a staffing company owned by Harvest Partners and Leonard Green, gave each of its 4,500 employees a pathway to ownership: the quit rate fell from 45 per cent in 2017 to 14 per cent today. Similar results have been seen at SRS, a roofing products distributor owned by Berkshire Partners and Leonard Green. Ownership was broadened, employee engagement improved and the quit rate declined by three quarters.

To be clear, it's not just about sharing ownership — changing the culture is much harder than that. You have to treat employees like owners. Set goals and talk about progress often. Share information transparently. Ensure there is a strong understanding of stock and its potential value. And ownership cannot be in exchange for wages or other benefits — this is not about shifting risk on to the workforce.

If shared ownership helps workers and shareholders alike, why isn't it more common? Deploying this model requires a concerted effort, and it takes a long time to see results. The outcomes for Ingersoll Rand took place over nine years. There are also often deeply held misconceptions about the workforce. That they'll never understand equity. That they won't value it. They can't move the needle on performance, so why do they need stock?

These misconceptions are wrong. Ownership Works, which helps companies implement such broad-based equity programmes, shows there is a way to make the strategy effective.

Whether you are a corporate leader, an investor or a board member, shared ownership is something to consider. No silver bullet solution exists to our workplace challenges but providing employees with a stake in their companies has impacts that go far beyond the workforce.