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Problems of Expanding the Participation of Employees in the Purchase of Share Capital

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Abstract

This article analyzes the development of the sale of shares of joint-stock enterprises to employees. The first attempts are made to sell share capital to workers, the role of share capital purchases and its impact on social protection of the population and employment are noted. Within the framework of the experience of market developed countries, the formation of share capital is analyzed, and the sale of a part of it to employees and the pursuit of an active policy in life, the so-called plans for the participation of a part of those employed in useful labor in the property of the company for 70-80 years of the 20th century, it is noted that the study and implementation of the sale of shares to workers facilitated the adoption of extended steps on the establishment and expansion of joint stock companies of the domestic economy, which contributed to the increase in labor productivity. The article also notes that state support for this policy has a positive effect on the increase in the property of the employed, and this process will progress.

Keywords*: fund, joint stock company, share capital, corporation, technology, capital, financial resources.*

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At present, in the economics literature and in the textbooks, materials covering the development of stock funds of employees in developed countries can be found. This phenomenon is most widespread in the United States. It should be noted with regret that the rapid growth of workers' equity funds in the United States in the 1980s has not yet been sufficiently studied by domestic economists. As a result, a very superficial understanding of this deeply contradictory process remains.

At the same time, in the 70s and 80s in the United States, shares were being actively sold to workers and it could be argued that the relevant enterprises are in the collective, group ownership of the direct producers themselves. That workers were the real owners of the means of production. These and other questions require lethal study, taking into account the nature of the development of forms of ownership in our republic.

The creation of equity funds for the sale of shares of enterprises to workers has been carried out for more than a century. The first attempts to investigate this process were made back in the 1920s[1]. Until 1919, only 89 companies in the United States sold part of their share capital to workers. By 1927, about 800 thousand of them became holders of shares, the total amount of which was $ 1 billion, or 1% of the total share capital of corporations [2] .

Even then, American entrepreneurs envisioned that workers' equity funds could lead to a revision of traditional ideas about the worker-capitalist relationship. So R. Foster and E. Dietel pointed out: "The direct role of the purchase of a part of capital is that the employed become themselves, albeit to a lesser extent, capitalists with the right to receive part of the profit in proportion to their share in the total capital" [3].

For many decades, the purchase of equity capital by workers was carried out on a small scale and, in fact, did not play a serious role in the social protection of the population and employment of capitalist countries. The situation changed dramatically in the 70s and 80s, when capitalism entered a new innovative stage, characterized by the widespread use of progressive technologies. In the United States, the so-called Employee Stock Ownership Plans (ESOP) began to be actively pursued. The purpose of these plans is to create a special financial mechanism for the purchase by workers of the share capital of companies. [4].

The bank then and to this day lends to the implementation of the ESOP plan. Now funds from the ESOP fund go to the owners of the company, in exchange, it transfers the corresponding amount of share capital to a special fund, which is managed by a specially appointed manager representing the interests of the workers. The company makes annual payments to the ESOP fund from its income, and this entire amount is not taxable. The fund pays off the debt to the bank.

The 70s and 80s saw a rapid growth in the number of companies implementing ESOP plans. This is confirmed by the data in Table 1.

Companies with ESOP plans (in thousands)

Table 1. The number of companies implementing ESOP plans.

	1977 year	1979 year	1981 year	1983 year	1985 year
Companies with ESOP plans (thousand)	1.0	3.0	4.0	5.0	6.0
Number of employees participating in the acquisition of share capital (mil.)	2.0	4.0	6.0	8.0	10.0

Source: Business Week 1985 April 15 P.59

In the mid-1990s, more than 10 million American workers, or about a quarter of those employed in US corporations, were involved in the implementation of ESOP plans. More than 10 thousand American companies have such plans, and in 1.5 thousand of them workers own more than half of the share capital.

So, the process under consideration covered not only small and medium-sized companies, but also large ones. Among them are GC Penny (117 thousand employees), Texaco (54 thousand), Whitman (33 thousand), Procter and Gamble (73 thousand) and others. Lockheed announced the sale of 17% of its capital to workers. With the help of a large government loan, the Chrysler Corporation was partially bought out by the workers. It is quite clear, - writes Business Week, - that the sale of property to the occupied is no longer a castle in the air, built in the heads of several dreamers. The largest law firms, consulting firms, commercial banks, insurance companies and investment banks all praise the advantages of ESOP companies over their clients. "[5].

The main supporters of the participation of workers in the share capital were the American scientists L. Kelso and M. Adler, who created the theory of the "capitalist revolution" "[6]. The essence of the theory was that the main vice of capitalism is not private ownership of the means of production, but a high degree of its concentration. Moreover, along with the developing process of socialization of labor, the role of the state in regulating the income of workers and their employment in useful labor is increasing. Strengthening the power of the state inevitably leads to the limitation and elimination of all democracy and political freedoms. According to the logic of the theory of "capitalist revolution", real democracy is possible only in conditions of private ownership of the means of production. However, it is unevenly distributed among all employees. According to L. Kelso and M. Adler, it is necessary to widely spread property among employees, which will provide each person with freedom and the necessary level of well-being.

According to L. Kelso and M. Adler, freedom is possessed by the one who has property for the production of means of subsistence. For example, in a slave-owning society, a slave belonged to his master, producing all material goods for him. The latter was absolutely free. The authors of the theory of the "capitalist revolution" were convinced that with innovative development, an increasing part of the wealth produced is determined by the material component of the productive forces. And soon the moment may come when the main work for a person will be performed by machines. Having received a share of these machines in ownership, each will attract wage labor that produces the means of subsistence. “Let's imagine,” wrote L. Kelso and M. Aller, “a society in which machines undertake almost all mechanical work, sufficient to ensure all the benefits of civilized existence. Let us further imagine that in such a society, each person or family owns part of the means of production in private property. In such an automated industrial society, each person as the owner of machines will be in the same position as the slave owner in a slave society. And as a capitalist such a person will be economically free, free from exploitation by others, free from deprivation and want, from hard physical labor. "

L. Kelso and M. Adler believe that private property can provide prosperity to everyone. But the main task is not the redistribution of property, but its increase. Explaining the purpose of the proposed measures, the authors pointed out that it is not at all the socialization of capital ownership that is needed to save the economy. "... Unprecedented economic growth and restoration of the integrity of private property of business, which will create a market model of ownership (our emphasis). The financing of the corporation in this case, they believe, can be directed simultaneously at creating a large number of private owners and increasing the newly formed capital. "

As a lawyer in San Francisco, L. Kelso acted not only as a theorist, but also as a practitioner, he founded an investment firm. Using the financing mechanism, he had invented, L. Kelso helped the West Coast employees buy it out. Thus was born a financial plan for the acquisition of the property by the employed of their company, which later became known as ESOP.

However, some economists were critical of L. Kelso's ideas. "As for the various utopias about the transfer of property - says P. Samuelson - which make it possible to mobilize new bank loans with low interest rates and bring public benefit - this is an illusion." He thinks that bank loans used for ESOP plans, even under favorable tax conditions, could well be applied more productively in other areas.

Despite a number of difficulties in creating property of employees, the ideas of L. Kelso and M. Adler began to be widely introduced into economic practice. American economists predicted that in the early 1990s, more than 20% of firms with 500 or more employees would be wholly or partially owned by workers.

Of course, the creation and expansion of workers' equity funds increased labor productivity, and hence the profitability and competitiveness of firms. It is for the maximum use of human capabilities that conditions are needed. When an employee is a co-owner of an enterprise, when he feels that he is working for himself. The need for a certain transformation of property relations increases with the development of innovative products, the introduction of new technologies. It is important to develop a "sense of ownership" in workers who will be dealing with robots. According to the results of a survey of employees of industrial joint-stock companies in the city of Samarkand, the following most important reasons for adopting the plans were named:

- ✓ provision of additional income for employees (75% of those surveyed);
- ✓ increase in labor productivity (41%);`
- ✓ the benefits of tax incentives (66%);
- ✓ obtaining funds for the development of the company (43%);
- ✓ expanding the market for shareholders (22%);
- ✓ weakening of the influence of trade unions (14%).

There are many examples of workers buying out businesses to prevent job losses. According to available estimates, in the 70s alone, at least 50 thousand jobs were saved in this way, the same number in the first half of the 80s. By buying out their factories from 1970 to 1985, 350,000

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American workers escaped layoffs.

In the broader aspect of social protection problems, this reason turned out to be far from decisive in the creation of workers' equity funds. American corporations sold part of the share capital to workers, primarily because it gives an economic effect, namely, an increase in labor productivity. American economists M. Conte and A. Tannenbaum conducted a study of labor productivity and profitability of companies back in the 70s. It turned out that those of them, where part of the share capital belonged to the workers, were 1.5-1.7 times more profitable than the usual ones. Based on these research results, it can be recognized that representative material can confirm these conclusions. However, this position is expressed in the fact that although the results are tentative, but the profitability of companies in one form or another may be related to the ownership of employees.

Calculations made by us jointly with joint-stock companies of the city of Samarkand, for example: OJSC "Silk" with a share of employees' shares in the authorized capital of 25%. OJSC "8 Marta" employees in the authorized capital of more than 25% and OJSC "Kinap" employees in the authorized capital of more than 25%, already quite International scientific and practical conference - December 19, 2008 definitely indicate that the subjects under consideration are on average at least 1.5 times more profitable than usual ... They came to the same conclusions after studying more than 10 firms with property of the employed. Indeed, many enterprises, partially or wholly owned by the employed, show a rapid increase in labor productivity and confidence in the future, since they increase workers' satisfaction with their work, create incentives that activate a person's innovative ability.

The closest relationship between the acquisition of working capital and the growth of profitability is observed in those enterprises where this share exceeds 50%. In those cases, where more than half of the share capital is owned by workers, it grows 2-4 times faster than in ordinary firms. However, it is noted that it is not the nominal sale of enterprise property itself that leads to an increase in profitability and labor productivity, but the creation of a mechanism for the sale of acquired property. And the main thing is to attract employees to the management of enterprises.

All motivation comes down to receiving ordinary dividends on their share of shares, which, as experience shows, is far from sufficient. “If we think that it is possible to raise labor productivity by transferring a share of capital to workers, then this is wrong,” says D. Vittori, head of the Avis Corporation. The main thing, in his opinion, is to ensure the participation of workers in the management of production. “The data show, writes the American economist K. Gann, that self-governing firms are significantly more efficient than traditional ones, even when the level of efficiency is measured by a small number of parameters. From a social and human point of view, self-governing firms have significant advantages over those firms whose structure reflects the class conflict of society. "

The main reason for the interest of a significant part of management in expanding equity funds is the possibility of increasing labor productivity and strengthening competitiveness firms. Some US economists believe that ESOP plans should be implemented if it is economically beneficial. “Chaos generally only happens,” writes D.O. Toole, “when the idea of working capitalism is carried out for purely ideological reasons ... "

The experience of spreading the property of the employed shows that democratization through corporatization of the production process, participation of workers in decision-making give positive results. The sale of property is only the material basis of this process. However, it turned out that it is precisely the provision of real control over production that is the most complex and controversial process. “Democracy seems to be relevant only in the sphere of political life. Relative freedom in the political sphere is in sharp contrast to the authoritarian principles of management in the economy ”, according to the American economists Z. Gamson and G. Levin. In their opinion, the issue of giving workers a real voice in determining the strategy of firms and current production affairs will seriously constrain the development of employee ownership. Indeed, in a number of cases, even in enterprises nominally owned by workers, the suspension or dismissal of workers may unexpectedly occur. For example, South Bend Lase was a very thriving business in the mid-1970s and 1980s, where almost all of the share capital was owned by employees. But they went on strike, asking the question: "Who runs the company - we or the managers?" Moreover, in most cases, workers demanded not so much a fair distribution of profits, but real control of the employed over production. It is the loss of managerial control as the share of employees in equity capital grows that is the most controversial issue.

At first glance, one might be skeptical about the creation of employee equity funds. Since the funds create for enterprises only the opportunity to receive loans at low interest rates, reduce tax payments, increase the inflow of funds, expand pension funds or create a market for shareholders, without changing anything in control over production and employment.

Consequently, in most enterprises nominally owned by workers, real control remains in the hands of management. In this regard, the right to property means, first of all, the right to manage, and then receive the corresponding part of the income and provide employment. Therefore, it would be fair if managers had much more property rights than shareholders. Touching upon this issue, G. Levin notes that "workers 'property in such cases does not yet mean workers' control over production." For participation in property to strengthen positions should not serve as a basis for enriching management. However, there are many reasons for the reluctance of a significant proportion of managers to admit workers to management. This is due to the fact that in companies fully or partially owned by employees, management finds itself in a new role, for which it is not always ready. It belongs to him to determine whether or not there will be real participation of workers in the management of production? On the one hand, this gives a tangible economic effect, and on the other, it changes the place of management in management, requires the modernization of all its work.

The problem of the relationship between workers and management at the present time entered the agenda not only to ensure the growth of labor incomes of employed people, but also to create new jobs, to contribute to ensuring them social protection. Economists consider it extremely important from the point of view of the prospects for the development of the national economy. "If we want to become competitive in the global economy, - points out the representative of the international scientific and practical conference - December 19, 2008 US Department of Labor S. Schlossberg, - we must solve the problem of opposing interests of workers and management"

It is characteristic that the practice of selling part of the share capital to workers shows that this problem is far from the only obstacle distribution of the property of the employed. There are other serious reasons that make it difficult to provide new jobs.

Joint-stock firm of workers' ownership of companies requires an appropriate mechanism to prevent all concentration in the hands of a small number of individuals. Experience shows that it

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is very difficult to create such a mechanism. American economists L. French and I. Rosenstein in 1981. investigated one of the firms involved in the installation of air conditioners and heating systems. The capital was acquired by them in accordance with the level of wages and length of service. In fact, this led to the fact that of the 600 employed, 330 at the time of the study held 90% of the total share capital, and 30% of them owned over 60% of the firm's capital.

The concentration of equity capital in the hands of the employees of the firm, of course, impairs the ability to financial maneuver, in difficult times this could lead to bankruptcy. In many cases, employer-owned firms have recourse to outside investors, which has a negative effect on keeping equity in the hands of their employees. It is assumed that a similar danger is characteristic of cooperatives. D. Jones, for example, says: “Firms run by workers tend to allow outside investors. Even when a firm is doing well, this phenomenon provides two incentives to move away from the cooperative form. For, the desire to participate in a profitable business, on the one hand, attracts an increasing number of investors, which dissolves the share of workers in the capital of the enterprise, and on the other hand, the workers themselves can have much more income after retirement if they sell their share of capital outside the company at a higher price. Further, with the growth of the share capital, the young workers who come to the enterprise will be increasingly unable to acquire a corresponding share for themselves, as a result of which the very idea of working property is destroyed. "

In our opinion, the most serious obstacle to the further spread of employee shareholding is that the very participation in the management of enterprises requires the workers to completely a lot of training level and deep knowledge. In essence, it does not come automatically together with the sale of part of the share capital. “Under normal conditions,” notes G. Levin, “workers cannot have such an experience that enables them to manage in a production democracy.” If the quality of the labor force is low, the enterprise becomes uncompetitive, i.e. bankrupt. For example, the American company IJP in 1972 transferred to its employees 50% of the share capital (without the right to sell), which gave them the right to elect half of the board of directors. Of course, the managers were fired at the same time [7]. Those who "had their own opinion" led to an increase in wages and other social benefits. In such a situation, the company's management deteriorated sharply, which led to an increase in staff turnover, absenteeism, etc. In such conditions, the uncertainties that arose led to an increase in production costs, a drop in the competitiveness of products, and they had to return to the old scheme without the ownership of the employed.

It is equally important to note that corporatization of enterprises finds strong support from the government. The opinion was established that it is the decentralization of management and the dispersion of property that make it possible to avoid the centralization of capital. “To ensure real the opportunity for the majority of citizens to become owners of capital and expanding the sources of financing for corporations expanding ownership of capital should be an important goal of national policy”. The debate in the economic literature on this issue continues to this day[8].

State support for this policy has a beneficial effect on an increase in the property of the employed and this process, in our opinion, will progress. It will only be possible to fully evaluate it in the future. But already the present allows us to say that the contradictory distribution of joint-stock ownership allows fundamental problems of the labor market, although it indicates its significant adaptive capabilities.

In the problem under consideration, it seems important to keep in mind:

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with the development of the joint-stock form, including the emergence of cooperative enterprises of the workers themselves, in which the workers as an association are owners of capital in relation to themselves, that is, they use the means of production to use their own labor. Thus, solving the problems of social protection of themselves, they will pay attention to the creation of new jobs.

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