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Five Ideas for a Pro-worker, Pro-employer Agenda

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INTRODUCTION

In the aftermath of President Donald Trump's election and inauguration, former Democratic presidential candidate Sen. Bernie Sanders urged Democrats to remake themselves as warriors in opposition to big business as the strategy for winning back voters.

"We need to … make it crystal clear that the Democratic Party is going to take on Wall Street, it's going to take on the greed of the pharmaceutical industry, it's going to take on corporate America that is shutting down plants in this country and moving our jobs abroad," Sanders said on CNN in February 2017.[1]

Many progressives have taken that advice to heart. As in many past election cycles, corporate-bashing rhetoric has been the bread-and-butter of many progressive candidates and their supporters pressing for greater governmental intervention on issues such as corporate governance, wages, and worker benefits.

The grassroots group "Justice Democrats," for instance, is so far endorsing 52 candidates they say "represent people, not corporations,"[2] while "putting Main Street before Wall Street"[3] has become a reliable campaign trope. Other activist organizations are rallying their constituencies against "powerful CEOs" who have been "rigging the economy against working families for decades."[4]

These instincts are understandable, given the many ways the nation's current prosperity seems to be bypassing average Americans. Corporate earnings have hit their highest mark since 2011,[5] yet wage growth has been sluggish.[6] Newly mandated disclosures reveal eye-popping disparities between CEO and worker salaries – one study finds the median CEO now makes 140 times as much as the median employee.[7] Many Americans – particularly "gig" workers – seem cast adrift on the economy, with less access to traditional employer-sponsored benefits such as health care and retirement.

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But, as a comprehensive economic message and agenda, "fighting big business" unfortunately won't lead to the kinds of policies workers need.

As a political message, overly anti-business rhetoric leaves progressives vulnerable to attack as "anti-jobs" as well – a label that Democrats are already at pains to shed. Hostility to business also implies a reliance on heavy-handed, statist solutions at a time when trust in government is at historic lows. Despite the visceral appeal to Democratic arch-partisans, attacks on business still have limited allure for the broader public, which remains skeptical of government's ability to intervene in the private sector successfully. Moreover, liberals cannot plausibly portray themselves as champions of job creation if they also condemn job creators, which is the perennial conundrum that business-bashing rhetoric creates.

"Fighting big business" is also substantively too limiting. To be sure, companies that actively betray their workers' interests deserve a forceful response from both society and progressives.

Nevertheless, any battle between business and government is ultimately a war of attrition, with workers as pawns and, eventually, its casualties.

Rather, workers need government and the private sector working together to deliver the full range of supports and opportunities they deserve. Government cannot hope to replace the private economy's resources or creativity and should instead seek to harness those assets to workers' benefit.

The right way to further the cause of worker well-being is to offer an agenda that aligns the interests of workers and employers and shows how government can promote worker well-being without sacrificing economic growth. This "pro-worker, pro-employer" agenda should reward the companies doing right by their workers, leverage private-sector resources to improve workers' welfare, and eliminate regulatory and other obstacles to these innovations. And, while government should set a high bar for its expectations from the private sector, it should also acknowledge the realities of global competition and the very real pressures businesses face.

Five ideas for a pro-worker, pro-employer policy agenda:

- Promote bottom-up creativity over top-down mandates
- Support stakeholders over shareholders
- Share ownership, not just profits
- Build trampolines, not just nets
- Advocate skills, not just education

THE LIMITS OF ANTI-BUSINESS RHETORIC

Democrats face deep deficits in their perceived ability to create jobs and grow the economy, which is one reason to be wary of anti-business rhetoric.

Among white working-class voters, for instance, pollsters Pete Brodnitz and Jill Normington found in a July 2017 survey that Republicans enjoyed a 19-point advantage over Democrats on the question of who "will do more to ensure that people are rewarded for hard work" and a whopping 35-point advantage on who "will help improve the economy and create jobs."[8] Likewise, online focus groups conducted in 2017 by Third Way among so-called "Obama-Trump" voters and persuadable millennial and minority voters found that both groups "intuitively viewed Democrats as anti-business, which in their minds meant anti-jobs as well."[9] Attacking private-sector employers can only serve to reinforce these handicaps among these key demographics.

Public enthusiasm for governmental interference in the economy is also lukewarm at best, which is another reason to avoid defaulting to "big government" solutions.

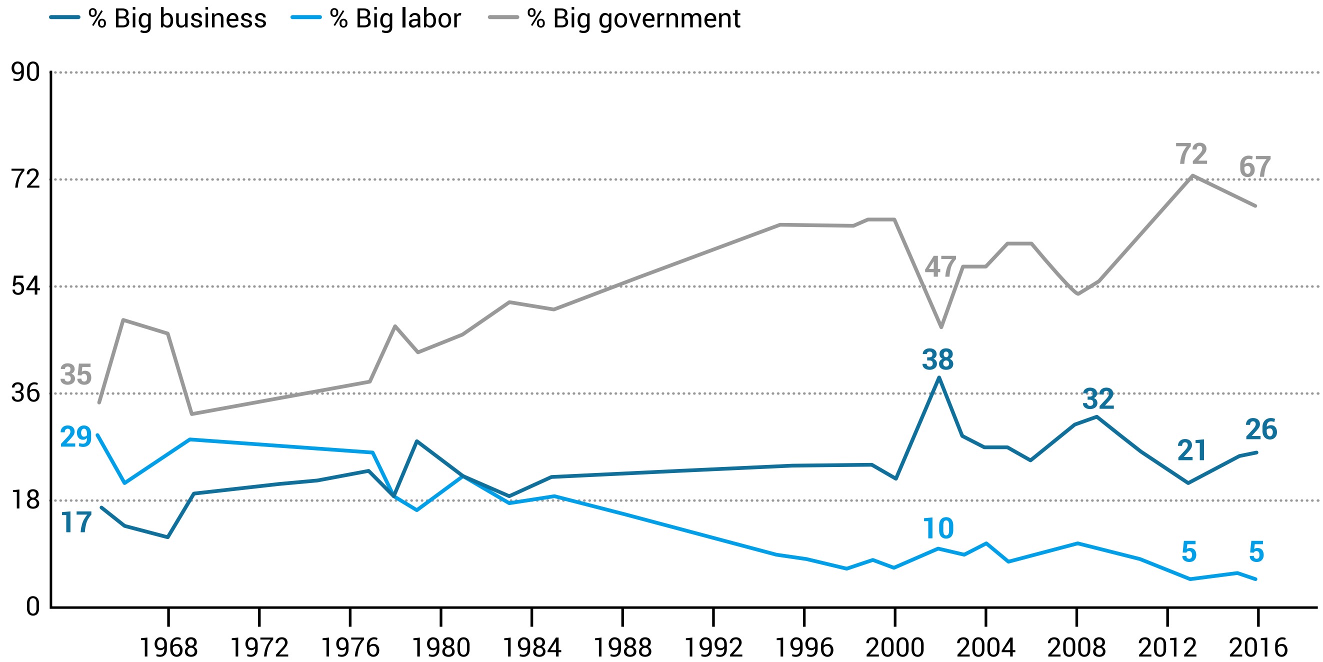
On the question of CEO pay, for instance, a 2016 Stanford Business School survey found that, while 70 percent of Americans "strongly believe… that CEO compensation is a problem,"[10] the public is also deeply ambivalent about how to fix it. Just 49 percent of Americans believe government "should do something to change current CEO pay practices," while the majority either oppose government action or have no opinion. Of those who want intervention, 28 percent favor higher taxes on CEO salaries, while only 17 percent would set a limit on CEO pay.

More broadly, just 28 percent of Americans in a post-election Allstate-Atlantic Media Heartland Monitor Poll said government "must play an active role in regulating the economy." More people – 32 percent – said government is "not the solution for our current economic problems" but "is, in fact, the problem."[11]

One possible explanation for these findings is that, as much as Americans might dislike big business, they dislike big government more. Since 1965, Gallup has asked Americans what they perceive to be "the biggest threat to the country in the future – big business, big labor or big government." Of these three options, Americans have consistently chosen "big government," including most recently just after President Donald Trump's election. In December 2016, 67 percent of Americans named "big government" as the biggest threat to the country, according to Gallup, including a slight majority of Democrats (51 percent) and two-thirds of Independents. In contrast, just 26 percent said the biggest threat is "big business." And, while Democrats are more likely to see big business as a threat, the share who do so – 43 percent – is still lower than the share who feel most threatened by government.[12]

FIGURE 1: Americans' Perceptions of the Biggest Threat Facing the Country

In your opinion, which of the following will be the biggest threat to the country in the future – big business, big labor or big government?



Source: Gallup

FIVE IDEAS FOR A PRO-WORKER, PRO-EMPLOYER AGENDA

Workers deserve a bigger share of the prosperity they are helping to create, and companies should be made to feel greater pressure to do right by their employees. And any wrongdoing, of course, merits swift and appropriate punishment. At the same time, advancing workers' interests shouldn't be a zero-sum exercise where workers win only if businesses somehow lose.

The better approach is an agenda that puts business on the same side as workers, with governmental encouragement and support.

For example, companies that set a positive standard should be recognized and rewarded for their efforts, including through policy incentives that encourage the widespread adoption of model practices. Needless regulatory barriers that stifle innovation or discourage companies from trying to do the right thing should be eliminated. And, rather than serving principally as a cudgel to punish companies guilty of disinvesting in their workforce, government should be looking for ways to help both companies and workers prosper in the face of global competition.

The following five strategies fit this approach:

1. Promoting bottom-up creativity over top-down mandates

Instead of defaulting to prescriptive mandates that invite opposition or circumvention, policymakers should look to eliminate regulatory and legal obstacles to innovation in workforce investment – either by employers or by states and localities.

One way to do this, for example, is to provide regulatory protection for promising innovations. For instance, under the Obama Administration, the Department of Labor (DOL) issued regulatory guidance creating a "safe harbor" for certain state-sponsored retirement savings plans so they would not run afoul of the Employee Retirement Income Security Act (ERISA).[13]

The regulatory clarity afforded by this rule encouraged the creation of state-run retirement plans that small businesses could offer as a benefit to their employees at little or no cost and without concerns over ERISA compliance. By the time of the rule's repeal, seven states – California, Connecticut, Illinois, Maryland, New Jersey, Oregon, and Washington – had passed legislation authorizing the creation of these plans, with Oregon leading the way under State Treasurer Tobias Read. As of January 2018, only a few months after its launch in 2017, the "OregonSaves" plan had already registered about 300 employers covering more than 19,000 employees.[14] (Unfortunately, the Trump Administration and the GOP-led Congress has since rescinded the DOL rule protecting these plans,[15] which advocates say will have a chilling effect on future states' efforts.)

A second approach is to provide legislative sanction for creative approaches devised by industry. One such example is New York State's "Black Car Fund," created by statute in 1999 as a way to deliver workers compensation benefits to Black Car and limousine drivers, who are otherwise independent contractors not entitled to these benefits. Before the Fund's creation, according to a summary by the Aspen Institute, "there were regular legal battles over the employment classification of drivers," including over access to workers comp.[16] By making drivers "employees" of the Fund for workers compensation purposes, the statute neatly ended these legal uncertainties while creating an innovative, industry-supported model for providing traditional employer-sponsored benefits to "gig economy" workers. Today, the Black Car Fund covers more than 70,000 drivers in the state and has expanded its offerings to include a $50,000 death benefit as well as training programs.[17]

2. Supporting stakeholders over shareholders

Another way to promote market-friendly innovations benefitting workers is to promote new models of corporate governance that put workers' interests on par with that of shareholders. One such model that PPI has embraced is the "benefit corporation," a relatively new model of corporate legal status for so-called "double bottom line" companies that commit themselves to pursuing broader social goals as well as shareholder profit.[18] The benefit corporation model pushes against the prevailing corporate culture of "shareholder primacy," both by shielding companies from shareholder liability if they don't put profits first and by helping businesses attract the growing ranks of socially conscious investors interested in societal as well as financial returns. Since 2010, 32 states (including Delaware) have passed benefit corporation statutes, and the companies claiming this status have included such well-known brands as Warby Parker and Etsy.

As PPI has proposed, one way to promote the spread of this model is to offer a preferential tax rate to benefit corporations (and companies that fit the benefit corporation ethos without legal status), provided that these businesses provide sufficient evidence of their investments on workers' behalf.

3. Sharing ownership, not just profits

A third strategy to ensure that workers get a fairer share of the returns in an enterprise is to give them a stake in the business. A prescriptive way to do this would be through mandatory profit-sharing, which some countries impose. France, for instance, requires all companies with 50 or more employees to establish a profit-sharing plan that distributes returns according to a set formula.[19] A better approach, which gives workers a stake in management as well as profits, is to encourage employee ownership through mechanisms such as an employee stock ownership plan (ESOP).

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According to the National Center for Employee Ownership (NCEO), roughly 7,000 U.S. companies, comprising about 9 percent of the private-sector workforce, offer an ESOP to their employees.[20] While many of these companies are small businesses, they also include such large firms as the grocery store chain Publix and the makers of Clif Bars.

Champions of this model cite growing evidence of ESOP benefits, both for workers and the companies that employ them. For instance, a 2017 Zogby survey of workers in ESOP companies, commissioned by the Employee-Owned S Corporations of America (ESCA), found that "employee-owners" feel more financially secure than employees in other firms, less worried about having enough money for retirement, and more confident in their ability to handle unexpected expenses and pay down their debts.[21] Employee-owners are also justified in this confidence – research by NCEO finds that employee-owned firms pay higher wages and are less likely to lay people off. Workers also typically accrue double the amount of retirement savings as other workers.[22] Companies say they benefit as well. Another 2017 survey of S Corporation ESOPs found that the rate of job growth at these firms was more than four times that of the private sector as a whole.[23] Anecdotally, ESOP firms also report greater employee engagement and retention and higher productivity, which in turn result in stronger revenues.

One obstacle to growing the number of ESOPs is the cost of financing the conversion of a company to employee ownership. Typically, a newly-established ESOP will borrow cash to buy a company on behalf of its employees, but access to capital can be a barrier, as can access to the technical knowledge necessary to create an ESOP. In May, Sen. Kirsten Gillibrand (D-NY) introduced the "Main Street Employee Ownership Act," which would help small businesses overcome these obstacles. Among other things, the proposal would give the Small Business Administration (SBA) more authority to help businesses establish ESOPs and find financing.[24] Gillibrand's proposal is one of several aimed at encouraging the proliferation of ESOPs as well as other models of employee ownership, such as worker cooperatives.

4. Building trampolines, not just nets

A paramount concern for policymakers is how to help the workers who've been left behind by the current recovery, or whose fortunes have been crippled by technological change and globalization.

These workers deserve a robust safety net; they also deserve a hand up back into the workforce. Rather than accept a relatively limited view of workers' capacity to rejoin the private sector (an assumption embedded in proposals such as universal basic income and a federal jobs guarantee), policymakers should adopt approaches reflecting faith in workers' creativity, resilience and self-efficacy.

The first step is to reform the programs aimed at providing emergency help to displaced workers. Current efforts, such as Trade Adjustment Assistance (TAA), are not only cumbersome and ineffective but fail to reach many of the workers who need help. TAA, for instance, is narrowly targeted to workers "certified" to have lost their jobs because of trade and is terrifically bureaucratically complex. Among other hurdles, workers must petition for benefits as a group and endure a process that took 118 days on average in 2016.[25] Perhaps as a result, studies find that most trade-displaced workers end up relying on Social Security or disability benefits, rather than back in the workforce as intended by TAA. Brookings Institution scholars Mark Muro and Joseph Parilla argue that the federal government's other adjustment programs – such as the Defense Industry Adjustment program for workers affected by base closures and weapons systems cancellations – are also just as "disjointed" and "reactive" as TAA.[26] These programs' narrow focus also ignore what is likely to be a far greater source of displacement than trade or base closures: automation.

A better approach is to replace the current patchwork of narrowly targeted adjustment programs, unemployment insurance, and training and employment programs with a comprehensive adjustment program closely tied to industry needs so displaced workers can be redeployed quickly – and "skills gaps" become obsolete. Muro and Parilla, for instance, smartly propose a "universal basic adjustment benefit," which would provide a basic package of short-term assistance to all displaced workers, regardless of how they lose their jobs.

In addition to more effective short-term aid, better long-term assistance can also help Americans build their resilience in a changing economy. One strategy, for instance, is to help Americans accrue assets that can tide them through an emergency or career transition. As David Stoesz suggests in a proposal published by PPI,[27] so-called "American Development Accounts" could allow Americans to save tax-free for a variety of asset-building purposes, such as paying for higher education and acquiring skills but also for launching a new business.

Another strategy to help workers retool quickly, which PPI has endorsed, is to expand the federal Pell Grant program to high-quality, short-term occupational credentialing programs.[28] Ending the current "college-only" limitation on Pell funding would enable older and displaced workers who cannot afford the time or money for a two-year or four-year degree to earn a marketable, industry-recognized credential in a relatively short period of time and with less expense. Examples of the kinds of high-quality credentials that could qualify for this support include certifications in IT, advanced manufacturing and emerging fields such as "mechatronics," which combine mechanical and electrical knowledge. Expanding federal financial support for high-demand credentials would also help industries fill the need for skilled workers in a number of fields, including especially "middle-skill" jobs that require post-secondary education but not a four-year degree. According to the

National Skills Coalition, while as many as 53 percent of jobs are middle-skill jobs, just 43 percent of workers are trained to that level.[29]

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5. Advocating skills, not just education

While many progressives have endorsed "free college" as a way to help ensure middle-class upward mobility, a better approach is to advocate access to the skills that employers actually need.

One way to do this, mentioned above, is to expand Pell Grant funding for high-quality occupational credentialing programs. More broadly, progressives should push for reforms in higher education that will provide students with marketable skills at the lowest possible cost. Among the strategies for achieving this is to advance new models of financing and delivering higher education that not only reduce student debt but ensure that students have the right skills when they graduate. One potential approach, for instance, is to expand the nation's network of "work colleges," where every student gains valuable work experience and graduates with little or no debt. Another possibility is to promote innovative financing mechanisms such as "income share agreements," under which students make tuition repayments based on what they earn. Proponents of these arrangements argue that schools have greater incentive to ensure that students land jobs when they graduate, so they can collect on these commitments.

THE TRUE VILLAIN: RIGHT-WING POLICIES THAT CRIPPLE THE MIDDLE CLASS

Market-friendliness and progressivity are not mutually exclusive aims. Indeed, in many of the countries that progressives most admire for pro-worker policies – such as Germany and Sweden – government policies are also considerably more pro-industrial than they are in the United States (maybe even uncomfortably so).

Rather than expending energy on the corporate bogeyman, progressives should focus their ire on what should be the real target: right-wing, anti-worker policies that are destructive to the fortunes of working Americans. President Donald Trump's tax cuts, for instance, delivered only marginal benefits to ordinary Americans while blowing a crater in the federal budget and providing grotesquely undeserved windfalls to the wealthiest Americans. He has also upended important relationships with the nation's largest trading partners, creating damaging levels of uncertainty for American businesses. Trump has moreover reversed numerous pro-worker Obama-era regulations on issues such as overtime pay and protections for transgender workers while also assiduously working to undermine the Affordable Care Act,[30] which has been a boon for both workers and businesses.

Progressives can defeat the specter of Trumpism only if they advance an optimistic vision for the economy that promises Americans meaningful opportunities for work and upward mobility. But to do this also means shedding the baggage of a party brand seen as antithetical to economic growth. By embracing an agenda that's both pro-worker and pro-employer, progressives can redefine public perceptions of what they stand for, articulate a new role for government that will win public support, and benefit American workers to boot.

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Founded in 1989, PPI started as the intellectual home of the New Democrats and earned a reputation as President Bill Clinton's "idea mill." Many of its mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics.

Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Americans with the skills and assets that social mobility in the knowledge economy requires; modernizing an overly bureaucratic and centralized public sector; and defending liberal democracy in a dangerous world.

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