




In The Company of Owners

Professor Joseph Blasi
Rutgers University – US



In The Company of Owners

- **Professor Joseph Blasi**
 - Professor – School of Management and Labor, Rutgers University
 - Co-Principal Investigator on multi-year Shared Capitalism at National Bureau of Economic Research
 - Author of 11 Books
 - *Most recently In the Company of Owners* – one of Business Week's 10 best business books of 2003

2

The Values I Never Knew I Had

- Estimate of the interest that I may pay on my summer house even though I don't own a summer house
- Estimate of the cost of medicine I might take throughout the year
- Estimate of my expenses on the number of business trips that I could possibly take over the next year
- An estimate of my local taxes before my town decides what the new tax rate will be
- An estimate of the telephone calls I expect to make over the next year

3

The Benjamin Tucker Voyage of 1851

- Captain, 1/18 or 5.6%
- 1st Mate, 1/27 or 3.7%
- 2nd mate, 1/38 or 2.6%
- 2nd Mate, 1/38 or 2.6%
- 3rd Mate, 1/64 or 1.6%
- 3rd Mate, 1/64 or 1.6%
- Cooper, 1/60 or 1.7%
- 4th Mate, 1/65 or 1.5%
- Steward, 1/100 or 1%
- Cook, 1/130 or 0.8%
- Seaman 1/160 or 0.62%*
- Blacksmith, 1/175 or 0.6%
- Carpenter, 1/175 or 0.6%
- Greenhands, 1/200 or 0.5%*
- Boys, 1/250 or 0.4%*

Sources: For the Benjamin Tucker story: Wages, Risk, and Profits in the Whaling Industry, Elmo P. Hohman The Quarterly Journal of Economics, Vol. 40, No. 4, (Aug., 1926), pp. 644-671. For the lays from the ship's detailed record books: Paul Cyr, Archivist, New Bedford whaling Archives, New Bedford Public Library, February 2002.

*These lays from Hohman.

4

Sharing of Profits Between The Whaling Crew and The Owners: An Estimate

- | | |
|---|--|
| <ul style="list-style-type: none"> • Net Proceeds of the Voyage • Gross value of the cargo: \$47,682.7 • Charges for pilotage, wharfage, gauging, commissions on the sale and • Handling of the cargo, coopering, and the expenses of the watchmen: -
<u>\$2,362.73</u> • Net proceeds of the voyage: \$45,320 | <ul style="list-style-type: none"> • Profit Sharing To The Crew* • 1 captain: \$2537.92 • 1 first mate: \$1631.52 • 2 second mates: \$2536.64 or \$1178.32 each • 2 third mates: \$1450.24 or \$725.12 each • 1 fourth mate: \$679.80 • 1 steward; \$453.29* • 1 cook: \$362.56* • 9 seamen: \$2528.86 or \$280.98 each • 8 craftsmen: \$2175.36 or \$271.92 each • 10 greenhands: \$2266. or \$226.60 each • 1 boy:
<u>\$181.28</u> • TOTAL profit sharing: \$ 16,803.74 |
|---|--|

Profit sharing as a percent of total net proceeds: 37%
 Profit for the owner of the vessel as a percent of total net revenue: + 63%
100%

5

Shared Capitalism In The U.S. High Tech 100

	Stock	Options	Total Equity
Top Five	10%	4%	14%
CEO	7%	2%	9%
Other Four	3%	2%	5%
All Non Exec Employees	2%	17%	19%

The High Tech 100: 200,000 employees in 100 companies doing Internet software/services ranked by market value on the NASDAQ

6

Shared Capitalism In The U.S. Biotech Top Ten

- 14%** - Average employee equity for non-executives
- 77%** - Share of all company stock options in hands on non-exec employees
- 95%** - Share of 2002 stock option profits going to non-exec employees
- 81%** - Share of 2002 stock options granted to non-exec employees
- \$1.1 Billion** - Total 2002 stock option profits of non-exec employees as a group
- 0.72%** - Non-exec employees 2002 option profits as % of market value

The Biotech 10: 26,489 total Employees in ten companies with US\$156 Billion in market value representing 36% of the NASDAQ Biotechnology Index

7

Profit Sharing For Chief Executive Officers of the U.S.'s 2000 Largest Corporations

Profit sharing ranges from 79% to 104% of salary each year including bonus and Long term Incentive Plans.

As A Percent of The Ceo's Salary

	Mean (Median)
Average	89% (69%)
1993	79% (57%)
1994	80% (60%)
1995	80% (60%)
1996	97% (70%)
1997	104% (77%)
1998	98% (72%)
1999	101% (74%)
2000	100% (70%)
2001	87% (69%)
2002	99% (67%)

The percent of CEOs getting profit sharing every year is close to 90% on average.

Source: Analysis of Standard & Poors Execucomp's entire universe by Douglas Kruse and Joseph Blasi, 2002-2004. These numbers include all CEOs of the 2000 largest companies, both those who got profit sharing and those who did not get it.

8

Profit Sharing For Everybody Else

**Percent of U.S. Employees Who Received Profit Sharing Or
Gain Sharing In 2002:** **36%**

Median Amount: **\$1500**

Percent of their salary: **4%**

Source: Analysis by Profs. Douglas Kruse and Joseph Blasi of Rutgers University and Prof. Richard Freeman of Harvard University of the General Social Survey for 2002 based on a random sample of all U.S. employees. The General Social Survey was conducted by the National Opinion Research Center at the University of Chicago with support from the U.S. National Science Foundation. The data are public information and available for all researchers.

9

The Incomes of U.S. Employees Holding Stock Options

**79% of workers holding stock options have salaries less
than \$75,000 a year**

% of employees holding stock options with this salary

<\$15,000.	6.7%
\$15-30,000.	20.6%
\$30-50,000.	29%
\$50-75,000.	23.2%
>\$75,000.	20.6%

Source: Analysis by Profs. Douglas Kruse and Joseph Blasi of Rutgers University and Prof. Richard Freeman of Harvard University of the General Social Survey for 2002 based on a random sample of all U.S. employees. The General Social Survey was conducted by the National Opinion Research Center at the University of Chicago with support from the U.S. National Science Foundation. The data are public information and available for all researchers.

10

The Economic Class of Workers Holding Stock Options

94% of workers with options are not in the upper class

**% of workers with stock options
in this class**

Upper class	6%
Middle class	48%
Working class	45%
Lower class	2%

Source: Analysis by Profs. Douglas Kruse and Joseph Blasi of Rutgers University and Prof. Richard Freeman of Harvard University of the General Social Survey for 2002 based on a random sample of all U.S. employees. The General Social Survey was conducted by the National Opinion Research Center at the University of Chicago with support from the U.S. National Science Foundation. The data are public information and available for all researchers.

11

Workers Holding Stock Options By Occupation

% of workers holding stock options in this occupation

Service workers	4%
Blue collar workers	10%
White collar workers	17%
Professional workers	17%
Management support	23%
Management	15%

Source: Analysis by Profs. Douglas Kruse and Joseph Blasi of Rutgers University and Prof. Richard Freeman of Harvard University of the General Social Survey for 2002 based on a random sample of all U.S. employees. Management support includes accountants, underwriters, financial and other analysts, HR staff, purchasing, buyers, business and promotion employees, construction inspectors, compliance officers and other inspectors.

12

Direct Employee Ownership In The U.S.

TOTAL PRIVATE SECTOR EMPLOYEES:	109 MILLION
% HOLDING COMPANY STOCK:	21 %
# HOLDING COMPANY STOCK:	23 MILLION
NUMBER IN EMPLOYEE STOCK PURCHASE PLANS:	15 MILLION
MEDIAN FINANCIAL STAKE US\$:	\$10,000
MEDIAN PERCENT OF SALARY:	21 %

Source: Analysis by Profs. Douglas Kruse and Joseph Blasi of Rutgers University and Prof. Richard Freeman of Harvard University of the General Social Survey for 2002 based on a random sample of all U.S. employees. ^Management support includes accountants, underwriters, financial and other analysts, HR staff, purchasing, buyers, business and promotion employees, construction inspectors, compliance officers and other inspectors.

13

Research Results

Description of Study

- About 500 Companies
- Controlling for Size, Capital Intensity, Industry
- Comparing Performance to Non-Broad-based Companies Before and After Creation of the Broad-based Stock Option Plan.

Productivity

- 8% Higher Productivity Levels After the Creation of the Broad-based Stock Option Plan from 1995 to 1997.

Total Shareholder Return

- Cumulative Average Total Shareholder Return from 1992 – 1997.

	Average	Median
Broad-based	303%	164%
Not Broad-based – Entire Market	193%	82%
Not Broad-based – 500 Largest	275%	152%

Source: Blasi, Kruse, Sesil, Kroumova 2000

14



Ten Ideas For The Future

- #1 THE IMPORTANCE OF RESEARCH**
- #2 CAPITAL INCOME versus WAGE INCOME**
- #3 SOCIAL CAPITAL**
- #4 GOVERNMENT OWNERSHIP POLICY**
- #5 BUDGET DEFICITS AND SHARED CAPITALISM**



15



Ten Ideas For The Future

- #6 THE CORPORATE INCENTIVE PIE**
- #7 CORPORATE GOVERNANCE**
- #8 STRATEGIC PEOPLE MANAGEMENT**
- #9 THE KNOWLEDGE CORPORATION**
- #10 BROADENING ACCESS TO PRESTIGE, POWER, AND REWARDS**



16



Questions?

Thank You

Joseph Blasi

Contact - jrbru@hotmail.com



17