Making Your Workers Your Partners

By Sam Vaknin, Ph.D.

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There is an inherent conflict between owners and managers of companies. The former want, for instance, to minimize costs - the latter to draw huge salaries as long as they are in power (who knows what will transpire tomorrow). For companies traded in the stock exchanges, the former wish to maximize the value of the stocks (short term), the latter might have a longer term view of things. In the USA, shareholders place emphasis on the appreciation of the stocks (the result of quarterly and annual profit figures). This leaves little room for technological innovation, investment in research and development and in infrastructure. The theory is that workers who are also own stocks will avoid these cancerous conflicts which, at times, bring companies to ruin and, in many cases, dilapidate them financially and technologically. Whether reality leaves up to theory, is an altogether different question to which we will dedicate a separate article.

A stock option is the right to purchase (or sell - but this is not applicable in our case) a stock at a specified price (=strike price) on or before a given date. Stock options are either not traded (in the case of private firms) or traded in a stock exchange (in the case of public firms whose shares are traded in a stock exchange).

Stock options have many uses: they are popular investments and speculative vehicles in many markets in the West, they are a way to hedge (to insure) stock positions (in the case of put options which allow you to sell your stocks at a pre-fixed price). With very minor investment and very little risk (one can lose only the money invested in buying the option) - huge profits can be realized.

Creative owners and shareholders began to use stock options to provide their workers with an incentive to work for the company and only for the company. Normally such perks were reserved to the senior managers who were thought indispensable. Later, as companies realized that their main asset were their employees, all the workers began to enjoy similar opportunities. Under an incentive stock option scheme, an employee is given by the company (as part of his compensation package) an option to purchase its shares at a certain price (at or below market price at the time that the option was granted) for a given number of years. Profits derived from such options now constitute the main part of the compensation of the top managers of the Fortune 500 in the USA and the habit is catching on even with more conservative Europe.

A Stock Option Plan is an organized program for employees of a corporation allowing them to buy its shares. Sometimes the employer gives the employees subsidized loans to enable them to invest in the shares or even matches their purchases: for every share bought by the employee, the employer will give him another free of charge. In many companies, employees are offered the opportunity to buy the shares of the company at a discount (which constitutes an immediate profit). Dividends that the workers receive on the shares that they hold can be reinvested by them in additional shares of the firm (some firms do it for them automatically and without or with reduced brokerage commissions). Many companies have wage "set-aside" programs: employees regularly use a part of their wages to purchase the shares of the company at the prices which prevail at the time of purchase. Another well known form is the Employee Stock Ownership Plan (ESOP) whereby employees regularly accumulate shares and may ultimately assume control of the company.

Let us study in depth a few of these schemes:

It all began with Ronald Reagan. His administration passed in Congress the Economic Recovery Tax Act (ERTA - 1981) under which certain kinds of stock options ("qualifying options") were declared tax-free at the date that they were granted and at the date that they were exercised. Profits on shares sold after being held at least two years from the date that they were granted or one year from the date that they were transferred to an employee were subjected to preferential (lower rate) capital gains tax. A new class of stock options was thus invented: the "Qualifying Stock Option". Such an option was legally regarded as a privilege granted to an employee of the company that allowed him to purchase, for a special price, shares of its capital stock (subject to conditions of the Internal Revenue - the American income tax - code). To qualify, the option plan must be approved by the shareholders, the options must not be transferable (i.e., cannot be sold in the stock exchange or privately - at least for a certain period of time). Additional conditions: the exercise price must not be less than the market price of the shares at the time that the options were issued and that the employee who receives the stock options (the grantee) may not own stock representing more than 10% of the company's voting power unless the option price equals 110% of the market price and the option is not exercisable for more than five years following its grant. No income tax is payable by the employee either at the time of the grant or at the time that he converts the option to shares (which he can sell at the stock exchange at a profit) - the exercise. If the market price falls below the option price, another option, with a lower exercise price can be issued. There is a 100,000 USD per employee limit on the value of the stock covered by options that can be exercised in any one calendar year.

This law - designed to encourage closer bondage between workers and their workplaces and to boost stock ownership - led to the creation of Employee Stock Ownership Plans (ESOPs). Those are programs which encourage employees to purchase stock in their company. Employees may participate in the management of the company. In certain cases - for instance, when the company needs rescuing - they can even take control (without losing their rights). Employees may offer wage concessions or other concessions regarding the work rules in return for ownership privileges - but only if otherwise a company is liable to be closed down ("marginal facility").

How much of its stock should a company offer to its workers and in which manner?

There are no rules (except that ownership and control need not be transferred). A few of the methods:

The company offers packages of shares cum options of different sizes and the employees bid for them in open tender

The company sells its shares to the employees on an equal basis (all the members of the senior management, for instance, have the right to buy the same number of shares) - and the workers are then allowed to trade the shares between them

The company could give one or more of the current shareholders the right to offer his shares to the employees or to a specific group of them.

The money generated by the conversion of the stock options (when an employee exercises his right and buys shares) usually goes to the company. The company sets aside in its books a number of shares sufficient to meet the demand which will be generated by the conversion of all the stock options. If necessary, the company will issue new shares to meet such a demand. Rarely, the stock options are converted into shares already held by other shareholders.

In one of the next articles we will deal with the (surprisingly) dubious efficacy of stock option plans.

Sam Vaknin is the author of "Malignant Self Love - Narcissism Revisited" and "After the Rain - How the West Lost the East". He is a columnist in "Central Europe Review", United Press International (UPI) and ebookweb.org and the editor of mental health and Central East Europe categories in The Open Directory, Suite101 and searcheurope.com. Until recently, he served as the Economic Advisor to the Government of Macedonia.
His web site: http://samvak.tripod.com

Don't Compare Partners by Rinatta Paries

Have you ever found yourself comparing your current partner to someone from your past, and finding your current partner lacking? Worse yet, have you found yourself telling your current partner he or she is being compared to someone in your past and falls short?

What is it we are really after when comparing current and former partners? Do we want our current partners to be just like our exes? Probably not, or we would still be in those relationships. I think when we are making a comparison, we are really after something else. My hunch is what most of us really want is to have our current partners meet some specific needs and desires in the same, natural way as our past partners did.

Unfortunately, when we make this comparison between partners and then tell our partner about it, he or she will probably not take the feedback well. In fact, your partner will be very likely to feel angry, resentful, and to make sure not to do what you want.

How can you, then, get what you want in a more effective way than causing resentment and anger in your partner? How can you have your needs and desires satisfied? It's simple, really. Just ask. But be sure to ask without making your partner wrong for not already having met your needs.

Let's look at an example. Let's say you are not getting enough romance in your current relationship, but had gotten plenty of it in your past relationship, and liked it that way.

If you were comparing your current partner to your ex, you might say things like, "Why aren't you more like X? He (or she) was so romantic. I would get flowers and cards from him all of the time." Or, you might say, "She was much more interested in romance and intimacy than you are." Then you might finish with, "You are just not like him (or her)," with a negative connotation in your voice.

As I said, after this kind of encounter, it's unlikely you will experience romantic gestures from your current partner, even if he or she originally had a desire to be romantic.

Asking for your needs to be met looks very different than comparing partners and making your current partner wrong.

You may say something like, "You know, I really like and appreciate romantic gestures. Flowers or cards would make me feel loved and appreciated. Physical intimacy would make me feel loved and connected to you. I would like more of these from you. Can you do that for me?"

With an approach like this, you are much more likely to get what you want.

So stop comparing and start asking!

Your Relationship Coach,
Rinatta Paries
www.WhatItTakes.com

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Having coined the phrase "relationship coach," Master Certified Coach Rinatta Paries works with singles to help them attract their ideal relationship, and helps couples create more love and fulfillment in their existing relationships. Visit her web site at www.WhatItTakes.com or e-mail her at coach@WhatItTakes.com.