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Giving workers a piece of the action

by FRANK STRONACH

Do Canadian workers have the right to get a share of the profits they help generate?

I would argue that they do, and what's more, I believe that profit sharing should be one of the cornerstone principles in a new Canadian Economic Charter of Rights and Responsibilities.

Profit sharing is one of seven key economic charter principles I highlighted in last week's column. It would require all large companies in Canada with more than 300 employees to share annual profits with their workers.

At Magna International Inc., the Canadian auto parts company I founded, profit sharing was a core principle in the economic charter of rights that we enshrined in our governing Corporate Constitution. The economic rights contained in the Corporate Constitution made every employee a partner in profitability.

Because our employees knew they would get a portion of the profits we generated, they put their heart and soul into making quality products at a competitive price. With profit sharing in place, revenue and profits skyrocketed in the years that followed and placed Magna on the path of phenomenal growth and expansion.

Harvard Business School labelled our profit sharing philosophy, ?Magna's success formula?. And that formula was based on the belief that all of the company's key stakeholders should share in the success of the business ? or what we described as ?getting a piece of the action.?

When Magna celebrated its 50th anniversary in 2007, the company had shared more than $1 billion in profits with employees ? and it has shared hundreds of millions more since then.

I believe we should implement the same profit-sharing principle on a national scale through a Canadian Economic Charter of Rights & Responsibilities.

A company can't make a profit without the hard work, creativity and resourcefulness of its employees. And when companies are making record profits, they should have to share some of those profits with their employees.

Sharing profits with workers would not only benefit employees, but it would also benefit companies and governments. Companies would see an increase in productivity and generate higher profits. Employees would get to pocket more money. And governments would bring in more tax revenue.

We would end up creating a system where wealth is distributed more evenly and fairly throughout the economy, rather than remaining concentrated in the hands of a relatively few wealthy individuals. One thing is for certain: if we fail to find a way to allow workers to participate in sharing some of the profits they produce, our living standards will continue to erode.

Creating an economic right of sharing profits with workers would basically be a recognition that our economy is driven by three forces: smart managers, hard-working employees, and investors.

All three have the right to share in the profits of the business.

With profit sharing as a core right in a new economic charter, more Canadian workers would begin to reap the benefits of having a financial stake in their place of employment, and Canadian businesses would become much more productive and competitive.

That's a win-win scenario that's difficult to ignore.

If you would like to learn more about how a Canadian Economic Charter of Rights can improve Canadian living standards, please email info@economiccharter.ca.