

U.S. Sen. Baldwin: Reintroduces legislation to rein in stock buybacks and give workers a voice on corporate boards

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Big corporations were given huge, permanent tax breaks and in 2018 they announced more than \$1 trillion in stock buybacks, largely benefiting corporate executives and wealthy shareholders

Reward Work Act would allow workers to directly elect one-third of their company's board

WASHINGTON, D.C. – Today, U.S. Senator Tammy Baldwin reintroduced legislation to rein in corporate stock buybacks and empower workers to have a say in how their company's profits are spent.

The *Reward Work Act* would ban open-market stock buybacks that overwhelmingly benefit executives and activist hedge funds at the expense of workers and retirement savers. It would also empower workers by requiring public companies to allow workers to directly elect one-third of their company's board of directors.

“Corporate profits should be shared with the workers who actually create them. It’s just wrong for big corporations to pocket massive, permanent tax breaks and reward the wealth of top executives with more stock buybacks, while closing facilities and laying off workers,” **said Senator Baldwin.** “We need to start rewarding hard work, and not just wealth. The explosion of corporate stock

buybacks is driving wealth inequality and my legislation reins them in so that we can start investing in stronger, long-term economic growth. If we give workers a voice by providing them a seat at the table on corporate boards, we can help create shared economic prosperity in our country.”

On Tuesday, Senator Baldwin [released a staff report](#) on the economic benefits of the *Reward Work Act* and [hosted a hearing where Americans gave testimony](#) about the impact of corporate stock buybacks on the economy and the benefits of empowering workers to serve on corporate boards.

“For over three decades, I have studied the financialization of the business corporation. I can only describe what I have seen as ‘the looting of the American corporation.’ Aggressive shareholders and many executives only have an interest in taking money out of a corporation, instead of investing in it. Workers and taxpayers are at the back of the line when it comes to deciding how to spend a company’s profits. Top priority has gone to stock buybacks that give manipulative boosts to the company’s stock price. These unwarranted distributions to shareholders stifle investment in innovation, and they drive inequality by keeping wages low and work unstable while enriching the wealthiest,” **said William Lazonick, professor of economics at the University of Massachusetts Lowell, president of the Academic Industry Research Network and author of *Profits without Prosperity*.** “Senator Baldwin has consistently led on this issue in the Senate. Her reintroduced legislation attempts to reverse the harms of corporate America’s buyback obsession. This legislation will realign incentives in our productive enterprises to ensure that those who truly create value—workers in particular—get to share in the profits they have created.”

“Now that the Republican corporate tax cut bill has been in effect for more than a year, we’ve seen corporations like AT&T and Wells Fargo pocketing massive tax breaks and enriching CEOs and wealthy shareholders through stock buybacks — while lowering workers’ wages and cutting and offshoring jobs,” **said Shane Larson, director of legislation, politics and international affairs at Communications Workers of America (CWA).** “CWA members are proud to support the *Reward Work Act*, which would help address one of the most harmful parts of the tax bill and encourage companies to invest in their workers instead of just filling the pockets of the 1%.”

There is a growing trend of corporations using their massive, permanent tax breaks for stock buybacks – choosing to reward wealthy shareholders and CEOs instead of

the workers who create profit and grow the company. In 2018 alone, corporations announced a record-breaking \$1.1 trillion on stock buybacks. Many of the corporations who spent billions to buy back their own stock also announced factory and store closures and laid off workers.

Specifically, the *Reward Work Act* would repeal the Securities and Exchange Commission (SEC) Rule 10b-18 and end corporations' ability to buy back their stock on the open market. Finalized in 1982, Rule 10b-18 shields companies from manipulation charges when buying back their stock on the open market. In 1981, the S&P 500 spent approximately two percent of its profits on buybacks. In 2017, those same companies spent 59 percent on buybacks. Now that 82 percent of executive pay comes from stock, corporate leaders now have a direct incentive to boost prices.

The *Reward Work Act* also proposes reforming corporate governance to empower workers. According to Baldwin's staff report, higher levels of mandated worker participation in corporate board-level decision-making leads to better performance on indicators that yield broad economic prosperity. Nations with more worker empowerment have higher wages and higher real wage growth than the United States. And firms with worker empowerment produce nine percent higher returns for shareholders and undertake twice the amount of investment as firms that do not have workers on boards.

Baldwin's *Reward Work Act* is cosponsored in the Senate by Senators Kirstin Gillibrand (D-NY), Bernie Sanders (I-VT) and Elizabeth Warren (D-MA). The legislation is supported by the AFL-CIO, Americans for Financial Reform, Take on Wall Street, Public Citizen, and United for Respect.

The full staff report is available [here](#). The full text of the legislation is available [here](#).