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The case for giving Singapore workers a stake in the companies they help build

Geopolitical shocks, AI-driven restructuring and a more volatile global economy will test Singapore's ability to "protect every worker" unless the toolkit evolves beyond traditional levers such as housing, CPF top-ups and progressive taxes. One tool that is gaining renewed attention overseas is shared capitalism, the writers say. PHOTO: ST FILE

Rising incomes have not closed the wealth divide. Employee ownership and profit-sharing may offer new opportunities for inclusive growth.

Wilson Goh and Wong Kang Li

When the local supermarket chain Sheng Siong posts record earnings, its success is felt far beyond the boardroom. A significant portion of its profits is shared with its staff, boosting the take-home pay of cashiers and store assistants.

Some of Singapore's blue-chip companies, such as DBS, have also used employee share plans to give staff a stake in the firm alongside their salaries.

These practices hint at a bigger possibility in Singapore: What if more workers had a direct share in the business they help to build besides just collecting a wage?

That question is worth considering as we look to address one sobering reality in the latest paper on income growth, inequality and social mobility released by the Ministry of Finance (MOF) in February.

Real household incomes have risen across the board, and income inequality has inched down to its lowest level in decades. But wealth remains far more concentrated than income, with a large share of household assets held by a small slice at the top.

At the May Day Rally, Prime Minister and Minister for Finance Lawrence Wong struck a note of "quiet confidence", pledging that while "we may not be able to protect every job, we will protect every worker".

If the last 60 years were about turning workers into home owners, the next 60 years may have to focus on something harder, which is to help more Singaporeans become co-owners of the economic pie itself.

THE WEALTH GAP BEHIND THE INCOME STORY

Singapore's "asset-based welfare" model leans heavily on two pillars: public housing, which has given most citizens a substantial asset, and the Central Provident Fund (CPF) system, which compels disciplined saving for retirement and home ownership. Both underpin social mobility and resilience.

But geopolitical shocks, AI-driven restructuring and a more volatile global economy will test our ability to "protect every worker" unless we evolve the toolkit beyond traditional levers such as housing, CPF top-ups and progressive taxes.

One such tool that is gaining renewed attention overseas is shared capitalism.

This may seem like an oxymoron, but the idea is simple. Instead of only receiving wages, workers also get a stake in the enterprises they help build, through broad-based employee share ownership, profit-sharing, gainsharing bonuses or community-owned businesses.

When the company does well, workers benefit not only through bonuses but also through an accumulation of capital.

WHAT THE EVIDENCE SHOWS

This is not a utopian thought experiment. In the United States and parts of Europe, employee ownership and profit-sharing have been studied for decades.

A large body of research, synthesised in the volume Shared Capitalism At Work, edited by Douglas Kruse and colleagues, finds that when employees hold meaningful ownership stakes or a share in profits, combined with good workplace practices, firms tend to see higher productivity, stronger survival and lower turnover.

Workers report better pay, benefits, job security and have more say in workplace decisions. Importantly, for the inequality debate, these gains do not, would not, and should not, replace the need for fair basic wages.

A 2022 review by the IZA World of Labor reaches the same conclusion: Employee ownership "generally increases firm performance and worker outcomes", especially when coupled with employee participation.

US studies of employee stock ownership plans (ESOPs) find that such workers tend to build larger retirement balances and more wealth than comparable workers without such stakes.

While the overall impact on national wealth inequality is modest at the current scale, the direction is clearly equalising. Simulations suggest a broader roll-out could shift a non-trivial share of corporate wealth towards ordinary workers.

Singapore cannot simply import US ESOPs. Our social insurance system, tax base and corporate landscape are very different. But the underlying economic logic travels well. When employees are in some sense "working for themselves", they have a stronger reason to stay, share information, solve problems and innovate.

Firms become more resilient, and workers who build up capital alongside wages are less vulnerable to shocks.

THREE AVENUES FOR SINGAPORE

There are a few pathways for this model.

The first lies in our businesses. Small and medium-sized enterprises employ around 70 per cent of our workforce, yet broad-based employee share plans here are mostly limited to senior management or high-growth tech firms.

The Government could nudge a shift to broaden tax incentives or grants, for instance, by tying them to schemes that offer all employees, not just executives, a share in profits or a modest equity stake, with safeguards against over-concentration in any single firm.

For owner-managed SMEs facing succession, Singapore can experiment with trust structures that help employees gradually buy out retiring founders, adapting thinking from ESOP conversions overseas but calibrated to our legal and financial context.

The second avenue is closer to home, literally.

At the Institute of Policy Studies Policy Lab, we have been piloting a community business incubator to nurture enterprises that are co-owned by residents and designed to meet local needs.

In one neighbourhood, residents proposed a small eatery that would offer healthy, affordable meals to young people and older adults, while providing supervision for children of working parents. In another, residents discussed a repair and recycling hub to reduce waste and create part-time jobs.

In these models, profits are reinvested locally, and ownership, and therefore wealth, remains within the community.

When local people have "skin in the game", they are more willing to patronise, volunteer and adapt the business to changing needs. In fact, Singapore has its own long history of such member-owned enterprises. Cooperatives were first established here in 1925 to help low-wage workers and today, they operate in areas ranging from eldercare to financial services.

International experience suggests this can be more than a feel-good gesture. Britain's Plunkett Foundation reports that community-owned shops and pubs in rural areas have five-year survival rates far higher than typical small firms.

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During the 2026 debate on ministries' budgets, Minister of State for Culture, Community and Youth and Manpower Dinesh Vasu Dash highlighted the Government's commitment to work with cooperatives to keep them relevant to "the evolving needs of our people", including a new fund of $30 million over 10 years to help them transform and build capabilities.

Modern community-owned enterprises could dovetail with the Government's push for more place-based social services that are designed and delivered with the specific needs of each neighbourhood in mind. This provides residents a direct role not only as service users but also as co-owners and co-producers.

The third avenue is to embed shared capitalism within our existing strengths. Singapore's tripartite model already brings together government, unions and employers, and underpins collective wage agreements, skills upgrading and workplace transformation.

Shared ownership and profit-sharing could be incorporated into these conversations as another lever for inclusive growth, with unions helping to ensure that schemes are genuinely broad-based and transparent, and that workers receive the training and information needed to exercise their new rights.

This speaks to research showing that financial participation works best when it is accompanied by real voice and high-performance work practices.

RISKS AND HOW TO DESIGN AROUND THEM

Of course, shared capitalism is no magic wand. Critics caution that employees can end up overly exposed to their employer's fortunes, with both their jobs and their savings tied to a single company.

At current scale, employee-owned firms remain a small slice of most economies, so the aggregate impact on inequality is limited. There are also governance risks: Without good design, "ownership" can remain on paper while decisions stay firmly in the hands of a few.

These concerns are real. The response is not to reject shared capitalism outright, but to design it carefully as part of a diversified portfolio.

CPF savings and home equity already provide a base of relatively stable wealth; employee and community ownership can add a layer of upside, especially for those who own little beyond their HDB flat. Regulatory guidelines can limit overconcentration in company stock and require clear communication of risks and rights.

Most importantly, we can consider what Singapore does best: Start small, evaluate rigorously and scale only what works.

The MOF paper reminds us that while Singapore has done better than many advanced economies in containing income inequality, the pressures of ageing, technological change and slower growth will test our social compact.

In such a world, asking citizens to keep trusting the system while telling them that capital gains will flow mostly to a narrow group at the top is unlikely to be sustainable.

Shared capitalism does not overturn our pro-growth, market-oriented model. But by modestly broadening the range of those who own the fruits of that growth, in workplaces and neighbourhoods, it can help ensure that the Singapore story of mobility and fairness does not become a tale told only in the past tense.

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