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Towards a labour-owned economy in the United States*

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The socio-economic picture of the contemporary United States suggests a growing set of contradictions and diminished expectations. Some of the symptoms of the current malaise include the following problems.

1. Narrow parameters of wealth: Some 25 million citizens are living in "official poverty". This is approximately 10 per cent of the total population. Among the elderly, the percentage jumps to 25 per cent. With regard to the distribution of wealth, 6 per cent of the people in the United States own 50 per cent of all assets in the country (including 72 per cent of all stock).

2. Monolithic growth: The largest 200 US corporations have increased their impact on the economy, growing in the past several decades from controlling 50 per cent of all manufacturing assets to over 60 per cent today. In only six years, 110 of Fortune Magazine's top 500 companies disappeared, taken over along with other firms by conglomerates at the rate of 3,500 per year. It is estimated that consumers pay a heavy bill owing to monopolistic marketing controls, bureaucratic rigidities, and top-heavy and centralised administrations not always responsive to economic realities.

3. Ecological destruction: Environmental deterioration is taking several forms in today's United States. On the one hand are the factories unintentionally spewing out waste materials into the air, rivers and lakes with the accompanying annual costs of billions to the public for controls and reclamation of the environment. On the other hand is the polluting of the earth due to the marketing of dangerous products.

4. Scarcity of resources: Instead of unlimited national resources, America is currently encountering the prospects of a deteriorating eco-system and a rapidly depleting supply of necessary raw materials. Along with the rest of the world there is a beginning awareness that most non-renewable resources may

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well be exhausted within the next 100 years. In particular, the energy crisis and resultant cost increases are benumbing a public which in the past has always had enough.

5. Industrial climate: Some 6 million people are victims of unemployment, with disadvantaged categories (such as minority youth) suffering from a percent jobless rate of some 30 per cent. Not only are new jobs not being created, but plant closings have deprived thousands of workers of a job. Particularly hard-hit have been the Northeast and Great Lakes regions of the country, which have suffered the loss of over 1.5 million jobs and a reduction of 13 per cent of total manufacturing work. Entire communities have suffered the loss of their tax base and related decline in business dependent upon now closed industries.

6. Labour relations: The labour movement appears to be suffering a loss of influence in corporate America. Unionised companies of the north have moved to a relatively union-free sunbelt in the south. Recent initiatives to reform US labour law have been defeated in Congress. This has contributed to a certain polarisation in labour relations and a hardening of attitudes between unions and employers.

7. Declining productivity: Productive output in industry has been gradually diminishing for the past decade, and today the United States ranks as one of the least productive of the industrialised nations. Problems are manifest in the alienation of employees who work in traditional factory environments and on assembly lines. There has been a corresponding reduction of the traditional American work ethic. Absenteeism is double that which experts see as an acceptable level, averaging 4.2 per cent over the last ten years. Complaints of product quality are increasing which has led to major inroads by foreign competition.

Impetus for change

The preceding description characterises a series of dilemma facing the United States today. The changes being wrought in and upon the United States are political, economic and sociological in nature. With the poor performance of major social institutions in society and the resulting hardship, experienced individually and collectively, a fundamental problem becomes not only one of growth, but raises the question of survival itself. As it becomes more difficult for industries to obtain the massive infusions of capital with which to increase, or at least maintain, current levels of production and productivity, the issue of alternatives to the over-riding mainstream capitalist-orientation of the past must be considered. This is particularly the case when the unavailability of sufficient capital is juxtaposed upon other realities of the market place—raw materials shortages, problems of technological know-how, scarcity of reasonably priced labour—all of which problems have been much easier to meet in the past.

Essentially, the situation somewhat dimly outlined above contains an implicit critique of the American economy and provides the context for a dis-
cussion of an emerging phenomenon in US industry today: the rise of the worker-owned firm. Such a movement, although still of limited significance, seems to be one model of response to the growing demand for greater participation in one form or another by employees in the organisations they serve. Early programmes signalling this interest have consisted of “human relations” approaches, organisational development strategies and, more recently, quality of work schemes to humanise the factory and achieve a better integration of personal objectives and organisational goals. Most recently one has observed the resurgence of industrial democracy strategies such as labour/management committees and other forms of joint responsibility and co-operative decision-making.

The notion of employee ownership is potentially the most fundamental level of change in industrial relations, as workers come to own a stake in the enterprise in which they perform their labour. Optimists view this development as early evidence of a coming Second Industrial Revolution, this time not consisting of machines and technology, but one which is characterised by participation and ownership of the means of production. The fundamental thesis is that employee control of the processes and outcomes of productive effort will redirect the thrust of traditional corporate priorities away from simply profit maximisation, towards the fulfilment of large societal needs. At its most value-laden extreme, the promise of self-determination is a more democratic and responsible social justice in America. Such a move is perceived by some to embody a shift from maximising individual competitiveness and a quest for personal gain at the expense of others, toward a “positive sum game” logic in which everyone can obtain a bigger piece of the pie. It is argued that worker-ownership experiments can restructure the shop floor and guide the flow of capital, technology, and human resources into more creative systems of self-management—characterised by careful planning, a long-range view, co-operation and collective interests, small-scale economies—all of which combine in a better distribution of the rewards of the society.

It should be made explicit at the outset that the bulk of discussions about worker-ownership in the US are not couched in the ideals of socialism. Rather, the rhetoric is one of early American values such as being one’s own boss, self-reliance, democracy, and decentralisation. In fact, there seems to be a rather innate appeal in the notion of an employee-owned firm. A Hart Associates poll of a national sample in 1975 revealed that two of every three Americans would prefer working for “a company in which the stock is owned by the employees who appoint their own management to run the company’s operations”. While 66 per cent opted for such an ideal, 20 per cent chose the current mode of industrial ownership and management practices, and only 8 per cent preferred a government-owned approach. The majority also believe that if “the people [who] worked in the companies selected the management, set the policies, and shared the profits”, it would result in improved economic conditions in the United States.1

The mechanisms by which employees come to obtain ownership of a business include: taking over a plant closing due to bankruptcy or relocation;
exercising stock options as part of a benefits programme intended to interest and reward employees; the selling of a firm to the employees by a retiring entrepreneur; and the emergence of new collectives which are operated as worker-run enterprises.

An important issue in industrial organisations is that of distributing the fruits of capital investment and labour. The mechanisms for allocating rewards for productive effort in the United States have included various types of incentive systems. These are based on the premise that workers will be more efficient and quality conscious if they obtain additional wages for extra effort or care. A more fundamental assumption is that such programmes are too transitory, and that what is really needed to cement performance with reward is not simply a bonus, but a vested ownership in the business. Such a notion is not only advanced for its pragmatism in affecting productivity, but is often articulated as an ethical mandate of humanistic values—that is, if members of an organisation contribute to production, they likewise ought to own shares in that system of production.

Beyond ideology and the practical concern of productivity, the issue of worker-ownership in America appears to have become a matter of politics in recent years. To illustrate, in 1976 the powerful Joint Economic Committee of the United States Congress advocated the broadening of ownership for not only employees, but indeed US citizens across the country, and the middle and lower income groups in particular. The Committee attempted to make this priority a part of national policy along with full employment. An understanding of this commitment is enhanced by the fact that such a proposal fused the objectives of both left and right-wing political biases: for liberals, it embodied the principle of a more equitable distribution of wealth; and for conservatives it was seen as a means to increased growth, because shared ownership implied an increase in employees' incentive to produce.

Another dimension underlying the importance of worker-owned business emerges from data on financial investment patterns in the US New York Stock Exchange. The data indicate a drop of one-fifth during the first half of the past decade in the number of Americans owning corporate stock (from 30.8 to 25.2 million). Also, the average age of those investing in the stock market climbed from 48 to 53 years, suggesting that younger people simply do not see stock ownership as a viable means of increasing their assets. Concerning this narrowing of capitalism, Gowan has observed the incongruity that:

If we define capitalists as those individuals who received at least half of their income from capital ownership, less than 50 per cent of Americans are capitalists. Moreover 83 out of every 100 Americans own no capital at all.

While there has been a certain tradition of “workers’ capitalism” in United States history, it has been more mythology than reality. In fact, one study of the past reveals the existence of only 389 firms which were largely worker-owned in the United States during a 150-year span of history from 1790 to 1940. While a number of mechanisms have been established for broadening the property base (Homestead Act, Federal Deposit Insurance Corporation, credit unions, and small business assistance programmes), the impact has been rather meagre until recently.
A recent Institute for Social Research study located the existence of 472 contemporary firms where there exists some form of employee ownership, ranging from those with a small percentage of a company's equity owned by workers to others fully owned by employees. The estimates of additional firms which may exist in the United States range from another 500 to 2,500 companies.

Approaches to worker ownership

The cluster of approaches to US employee ownership are varied, each characterised by its own unique method for distributing stock and differing also in the extent of workers' control. Perhaps the most widely used American programme is that linked to profit-sharing. This plan, used to some degree by one-third of all US companies, is operated by the placing of a portion of company profits in a fund which is subsequently paid to employees in the form of benefits, retirement income, and stocks. While the attaining of full ownership is limited in most profit-sharing schemes, the point that a company such as the gigantic Sears Roebuck with 400,000 employees is 20 per cent owned by those employees is worth acknowledging.

Another system by which a firm may become worker-owned is direct purchase. This approach, in part related to the creation of employee trusts in the 1920s, consists of either instalment buying of securities or a simple, outright buying of a whole company. The latter is a rather difficult strategy to execute. It most often occurs with relatively small businesses from which the original owner wants to retire, or enter another market. In such cases, in order to save their jobs, employees put up a substantial amount of their own capital to purchase the enterprise. Attempts to obtain bank financing in such cases is often difficult as financial institutions are reluctant to take risks on projects of a "questionable" nature. An alternative is the gradual transfer of stock to employees over time while the business continues to operate.

A classic case of direct worker purchase is that of the Vermont Asbestos Group (VAG), a mining operation in the northeast United States. In 1974 GAF Corporation determined that anti-pollution regulations and declining profits warranted the closing of the mine. Since some 200 employees would lose their jobs, workers decided to attempt a direct purchase. After lengthy efforts, they raised $100,000 and with the assistance of the Small Business Administration (a United States government institution) and bank loans totalling $2.15 million, were able to buy the company, install the necessary pollution control equipment, and stay in business. Instead of being unemployed or turning back to farming, employees witnessed an enormous increase in the value of their stock. They elected a majority of the board of directors, while the day-to-day management continued with the same supervisors as before. According to more recent data, employees have grown dissatisfied with management and the direction of the company, many have lately sold their stock. While VAG exemplified the process of direct purchase, it also illustrates the vulnerability of worker-ownership plans to only short-term success.
ting or retiring. While this is a slow method of obtaining ownership over a number of years, some cases are already documented of individual employees leaving a firm with hundreds of thousands of dollars.

ESOPs become an even more unique means of financing company growth in that contributions to the trust are tax deductible. So the company can deduct both the principal and the interest on the loan, rather than the interest only. Simultaneously, it provides an employee benefit plan with the same dollars so that workers eventually become owners. And, in contrast to pension funds, employee stock ownership trusts are the only type of trust in the United States which can legally invest a large amount of funds in a single company’s securities under the provisions of the 1975 ERISA legislation.

While ESOPs are emerging as a new alternative for broadening the distribution of equity in America, critics suggest that the plan is often merely established in lieu of other forms of employee benefits (such as pension funds) and as such is not really something of significance. Stern and Comstock note that some corporations have initiated ESOPs as a means to counter union-organising efforts by offering the ownership plan an attractive benefit to employees. Trade unions in general have tended to oppose the ESOP due to the risks involved, should the company not be profitable, and fears of co-optation of workers by management.

An illustration of how an ESOP functions in the purchase of a company is that of a subsidiary of the W.T. Grant Co. When the Grant Corporation declared bankruptcy in 1976, workers at Jones and Presnell attempted to go it alone by buying the company. An ESOP was established and a $3.5 million bank loan was obtained for the purchase from W.T. Grant. Employee-owners also took a voluntary wage cut during the first year to ensure their company’s success.

Another philosophical and organisational approach to employee ownership in America is that of co-operatives which emphasise democratic practices and a process of self-management. Ellerman traces the evolution of union-owned worker co-ops among iron molders in Boston during the mid-1850s. These were designed to transform workers into being their “own masters” and abolishing the wage system. Early religious groups, such as the Mormons, established rather intricate networks of co-operative systems of production. At various points in the nineteenth century, workers’ co-ops have existed around the country in such industries as printing, cabinet-making, tailoring, glasswork, and so on.

Today those alternatives to traditional capitalism include new business collectives, co-ops formed by employees when plant closings are announced, and worker/community-owned firms. In contrast to previously discussed employee-owned structures that often leave the role of management intact, co-operatives invert the operation of the organisation so that decision-making flows from the bottom up instead of from the top down. In co-ops, workers are the managers. The specific decision-making scheme may vary from once-a-year voting for a board to the election of floor supervisors from among the rank and file. Self-determination operates to design the work environment,
the production processes, and a system of rewards so that they are congruent with human needs.

Clearly, the most widespread form of co-operative work systems in America is that of collectives. A collective may be defined as a:
worker-managed, worker-controlled project which attempts to function non-hierarchically and tries to make decisions by consensus — a work group in which all workers have equal input in the running of the group. The means of production of the collective (tools, equipment, etc.), are common property of the collective...\textsuperscript{14}

There are thousands of such organisations across the country today, many of which are linked to university systems in college towns while others have sprung from major metropolitan areas. Collectives are frequently non-profit organisations or those in which profit as such is not a determinant consideration. Hundreds sell food, books, clothing and records. Others repair cars, provide health care, offer legal services, and provide child-care facilities. There are printing shops, crafts dealers, and skilled trades labouring in such areas as metalworking and carpentry. Brous\textsuperscript{15} describes a number of collectives such as Viva Tech, a handful of technicians who bonded together in northern New York State to produce photographic development equipment. Each worker-owner contributed what he or she could for the formation of capital at the outset. However, every member of the collective has equal voting power and decisions are made jointly.

It is this shared decision-making which has become a central feature of the collective organisation. As Shaviro suggests:

The glory of co-operation, or of "owning the system"... is not the product, but the process; it is not the decisions themselves but the act of deciding. It is participation, involvement, and close human relationships...\textsuperscript{16}

By confronting unresponsive institutions through a radical network of community-oriented services and goods, collective owners operate from a politics of rejection. To quote Zwerdling’s account of a worker in a good store collective in Washington DC: "Selling food isn’t our goal... It’s just a pretext for building living and breathing models of revolutionary change"\textsuperscript{17}.

While a main strength of collective co-ops is the provision of non-profit goods, a sense of community commitment and social responsibility, and a shared ideology of democratic participation, there are also pitfalls. The longevity of collectives is estimated to be only a few years, with problems of inadequate cash flow as a major cause of their failing. Ideology is not a substitute for necessary capital, and there is a genuine need in the collective movement for better in-house expertise in running a business as well as for training programmes in financial management and fund-raising strategy formation.

Co-operatives which are worker and/or community-owned comprise another type of ownership structure. As discussed earlier, company shares are the property of employees, as in the case of ESOPs, but the egalitarianism of one person/one vote suggest that co-ops are underlaid with a set of values that go beyond simple ownership.

The obtaining of the enterprise by employees for purposes of establishing a co-op may occur in several ways. One is that of starting from scratch, as
illustrated by perhaps the oldest continuing industrial co-operatives in the
United States—the plywood industry. Berman reports the existence of a
number of firms which were begun by lumber workers and other skilled
tradesmen who pooled their resources and built mills to perform their work.
The first workshop, Olympia Veneer, was launched almost 60 years ago, and
during the intervening time, perhaps 30 similar worker-controlled mills have
been established.

In most plywood cases, each member owns one share of stock and earns
the same wages as the rest of the membership. A board of directors is elected
by the workers which sets policies and handles typical decisions regarding
budgets, forecasts, and so on. All share equally in the annual profits from the
business. Additionally, each is guaranteed a job, so that in times of slow
down, instead of people being laid off, employees often vote a temporary cut
in pay to maintain the security and survival of the group. Dollar results for the
members are as impressive as is the process of self-management. Individual
share values which were originally purchased for typical amounts of $1,000-
$5,000 are now worth $20,000-$200,000. Co-op plywood mills tend to be
about 30 per cent more productive than the rest of the industry and average
approximately a 25 per cent higher salary for their worker-owners. Another means for initiating a co-op is accomplished through some form
of worker takeover of an existing business. A well known non-US sample
is that of Triumph Motorcycle Works in England. There the goal of a
co-operative was attained after 18 months of “illegal” occupation by
employees. A similar process occurred in the French Lipwatch Factory and
numerous Italian plants where workers ended up as co-operative members of
their own firms. Such experiences were often short-lived. With respect to the
United States, however, such cases appear not to have occurred, at least in
recent years. A more “usual” form of a takeover is illustrated in Brower’s
report of the staff actions of the old Phoenix newspaper in Cambridge (Mas-
achusetts). When the company became defunct in the early 1970s, the
employees determined to publish a weekly paper of their own, the Real Paper.
Each worker received 100 shares of stock for starting up, and each member of
the co-op had one vote. However, the realities of heavy competition and a
shortage of capital combined forces to compromise the continuance of the
Real Paper in its co-operative form.

A third means by which a worker-owned firm comes into existence can be
described as the “manna from heaven” phenomenon. Its simplest form is that
of the benefactor who bequeathes his firm, built up over the years, to the
employees. Usually such cases consist of rather small family businesses.

One “manna from heaven” example is that of International Group Plans
(IGP), a $60 million insurance company in Washington DC. Its founder and
owner began the firm in 1964, and after nearly a decade of traditional busi-
ness, he surprised employees by declaring that he was turning half of the com-
pany over to the workers through a trust. A few months later employees’ par-
ticipation came in the election of half of the board of directors and, subse-
sequently, the creation of a series of democratic decision-making committees
by which workers managed the business. However, the granting of self-determination from above is certainly a rare occasion.

A variation on this theme of co-op formation is what Zwerdling\(^2\) refers to as "democracy by dictate". An example is drawn from the founding of Cooperativa Central, a 75-family clustering of Hispanic farmworkers in California. In this case, the start up was initiated by a $1 million grant from the US Government Office of Economic Opportunity. Additional loans were obtained, a strawberry farm was purchased, and all the other legal requirements were met by a handful of organisers and then mandated to the labourers and their families. Cooperativa Central is now a thriving $2 million strawberry and vegetable farm, democratically owned and managed by workers whose average income is over $25,000.

### The viability of US worker-ownership

As a response to increasing problems and contradictions in a society based on traditional owner-manager-worker dichotomies, America is currently experiencing a small but important upsurge in industrial democracy and workers’ control. The diagram suggests the historical evolution of this ongoing shift in decision-making power and control of capital.

<table>
<thead>
<tr>
<th>1850</th>
<th>1870</th>
<th>1900</th>
<th>1930</th>
<th>1950</th>
<th>1960</th>
<th>1970</th>
<th>1975</th>
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<tr>
<td>Short-lived rise of crafts co-ops in New England</td>
<td>Formation of plywood co-ops in northwest</td>
<td>Rise of counter-culture collectives, producer and consumer co-ops</td>
<td>ESOP legislation passed into law</td>
<td>Evolution of various profit-sharing schemes</td>
<td>Birth of agricultural co-operatives in mid-western farmlands</td>
<td>Development of pension fund plans in industry</td>
<td>Emergence of industrial worker ownership in response to plant shutdowns</td>
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Much of the research data assessing new forms of employee ownership tend to be rather positive with regard to human as well as market results. However, while workers’ control advocates claim that the interests of business and the needs of people are compatible, others suggest a fundamental conflict between the two. The struggle to cope with these forces is a key task in co-operative enterprises. For example, Briscoe\(^2\) points out that the dilemma is handled by some co-operativists who become "traders"—they are concerned with bread-and-butter issues of survival and will do whatever is required to run an efficient business. At the other extreme are the "idealists" who strive to uphold the ideological purity of the collective goal, regardless of the needs of the business.
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With regard to a firm's hard requirements for survival, the Institute for Social Research study reports that in a 98-company sample, employee-owned businesses tended to be 1.5 times as profitable as comparable firms. The researchers are quick to point out that the data consist of correlations only, and not causes. Yet the study also asserts that the "single most important correlate of profitability... is the per cent of the company's equity owned by non-managerial employees". Support for a causal inference increases in the light of additional data. In a single plant studied in the same report, for instance, managers interviewed imputed increased satisfaction, productivity and profits to their worker-ownership plans. During 1970-75 the plant had operated in the red, and it was only after workers took it over that the profit picture improved. Grievances and waste were significantly reduced after the takeover, and the return rate of products from dissatisfied customers declined.

Turning to the human side of worker-ownership, there is evidence of high satisfaction with such programmes as the ESOP. On a scale of one-to-three, managers of 98 plants reported an average of 2.8 in terms of their personal satisfaction with the plan. They perceived workers' satisfaction as extremely high likewise. In terms of organisational functioning, three-fourths of those interviewed in a single plant reported that morale was higher than previously and that people were optimistic about the company's future. Half noted better relations between management and labour. Some 45 per cent felt employee attitudes towards their managers were improved (more respect, better communication, etc.) and correspondingly, half of the workers reported better attitudes on the part of management towards the hourly workforce.

A major difference in perceptions was that while a third of management felt workers had more decision-making power, few workers agreed. In fact, only 18 per cent reported having more of a voice in the company, and 68 per cent said there was no change from the previous ownership. Only half of the ESOPs studied by the Institute for Social Research allow significant employee input into decision-making, and only 27 per cent are permitted to vote their stock. Earlier-discussed cases, such as Vermont Asbestos, have suffered somewhat due to worker disenchantment with the extent to which they are consulted by their supervisors. Having a voice but no real influence is not sufficient, it appears, for employees who want to shape their own world.

However, one study articulates the view that not all workers desire to make decisions. Hammer advances three reasons why employee-owners are often not interested in enlarging their share of influence: reluctance due to lack of past experience, the inertia embedded in the status quo, and their clinging to the historical roles of work organisations—namely, that managers manage and workers work. Hammer's study of a worker-owned factory did find that employees wanted to increase their sphere of influence in traditional worker areas such as wages, hours, and benefits. Yet in the plant being studied, at least, they wanted to leave to management the responsibilities of the day-to-day running of the business, purchasing new equipment, and executing strategic management planning.
Barriers to further economic democratisation and control

Many social observers of the United States would not be overly impressed with the upsurge of interest in workers' control during the past decade. They would certainly not see it as the wave of the future. At present, it seems like a mix of successes and difficulties and an experimental phenomenon. But one has a sense that the growing interest of employees in seeking ownership as a means to job security in an era of inflation and scarce resources has a potential significance beyond the cases which have occurred thus far.

In order for self-determination schemes to take deeper root in American industry, however, a number of constraints need to be overcome.

Increasing worker understanding

Whyte has identified several common beliefs about US business which, while they are pervasive, do not necessarily stand the test of reality. While it is generally believed that big business is efficient, conglomerates are often too big and too distant to exercise effective and efficient management. Whyte reports the case of Saratoga Knitting Mills which, while a mere subsidiary of the huge Cluett-Peabody Company, watched its business drop from $72 million to $20 million in sales, with the sustaining of an $11 million loss. As the corporation abandoned Saratoga for not performing, workers succeeded in buying it through an ESOP, and were surprisingly able to turn it into a profitable business within the first year after obtaining control.

Stokes's assessment of conditions under which employee ownership succeeds declares:

In most cases, where workers have successfully become small capitalists, they have done so to protect their livelihoods. They have spun off new worker-owned enterprises to expand employment in their regions and to solidify their own gain.

He argues that attempts to engage US workers in co-operative takeovers for ideological reasons are likely to fail. Part of what is needed to enhance the probability of success is consciousness-raising of workers' power and possibilities, and the education of workers with respect to the issues of profit, economic restructuring, and other business and economic matters.

Financial support

Another barrier which has militated against the development of employee-owned enterprises has been the lack of governmental support systems. Most collectives and co-ops have succeeded in spite of, rather than because of, public assistance. Yet the scattered experience of such enterprises has done much to preserve and/or generate new jobs, a public policy objective. The Senate Select Committee on Small Business estimates that employee takeovers have saved between 50,000-100,000 jobs in the past decade, a figure which compares very favourably with government-funded public works jobs. In this vein, the Institute for Social Research report uses employee ownership as a twofold concept of cure and prevention. While observing that either form of treatment will cost a given amount, the report says that:
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A firm in which the threat of unemployment is imminent might be bought by employees as a way of saving their jobs. We have examples in our data of this form of "cure". On the other hand, a healthy firm might move into employee ownership as a way of strengthening its performance so that the loss of jobs will not be threatened in the first place. 31

It should be pointed out that there have been governmental resources for prevention in the past. The Federal Housing Authority, Small Business Administration and Economic Development Administration have made loans to assist employee organizations in buying businesses, but the total only numbers 13 actual cases of assistance in the past ten years. Thus, in most situations, the plants either close down first, or workers arrange for financial assistance through conventional means.

Other sources of funds to which recourse may be had include the Department of Agriculture which financed 1,100 workers in buying out their employer, Bates Fabrics, in Maine. The Department of Housing and Urban Development has set aside several hundred million dollars to help generate jobs and industry in urban areas. The Community Services Administration supports 40 community development corporations (CDCs) around the United States with $40 million to invest in local enterprises of importance to the community.

Moreover, Congress has begun to envision the potential value of employee ownership. In 1980 the National Consumer Co-operative Bank was established with a pool of $400 million, 10 per cent of which was reserved for producer co-ops. Also, certain members of Congress have sponsored a bill mandating the Economic Development Administration to channel $100 million (1 per cent of the annual amount spent on unemployment compensation) as loan funds for employee groups seeking to purchase firms that would otherwise relocate or go out of business.

It appears that the Government has one of two options to choose from in responding to industrial shut-downs: (1) it can do nothing, let the business close, and then pay the substantial sums required in unemployment payments, welfare, retraining, food stamps, and bear the other social and welfare costs of a shutdown; or (2) it can lend funds to an employee group to take over the enterprise with a reasonable degree of confidence that the money will be returned. Industrial redevelopment and the making of worker-owned firms into economically viable businesses seems consistent with the ideals of free enterprise, grass roots self-reliance, and well within governmental policy objectives. Plant shutdowns raise serious questions of social responsibility. Legislation to encourage companies to behave in ways more congruent with over-riding social values is now being studied, and some 17 states are attempting to write into law restrictions regarding economic dislocation.

If and as a firm is able to justify closing, legislation needs to be pushed which would require a time-table for such action. Lead time would be provided so as to permit families seeking to leave the area to search for other opportunities. It would also allow employees wishing to purchase the company opportunities to have a feasibility study performed, design a campaign
for fund raising, and to prepare sound management plans and strategies for a smooth transition to worker-ownership.

Technical assistance

Workers typically have a good practical understanding of the industry in which they work. However, traditional management practices have often been rather exclusionary with respect to sharing information on the state of the business, new marketing opportunities, and the realities of profits and production. Therefore, as further opportunities arise for employees to buy out a given enterprise, it would be desirable for workers to have access to resources which offer professional expertise. Those resources, which could be public or private, should offer technical and financial assistance to groups attempting to implement collaborative structures of ownership and participation in new or existing businesses. Finally, the research data from such disciplines as sociology and organisational behaviour may provide a theoretical grounding useful in increasing the probabilities of success in employee ownership attempts.

Expanded role of unions

In surveying 49 large US unions, Stern and O'Brien32 found that many labour leaders perceive worker ownership to be a detrimental factor to the tradition of collective bargaining. While the paradigm of labour relations in America is certainly in contrast to the co-determination processes of Europe, the active support of unions and the union movement could make a substantial difference in the development of worker-owned enterprises. Events such as the entry of the President of the United Automobile Workers to the Board of Directors at Chrysler Corporation appear to indicate that the seeds of change have been planted. Organised labour needs to shift from a stance of disdain, or even suspicion, to a position of viewing worker ownership as a legitimate alternative to corporate bureaucracy. Employee ownership, instead of destroying the need for a union, may be the very mechanism for a revitalisation of organised labour in the United States.

Public action

A final constraint upon the evolution of worker-ownership is the apathy and lack of awareness of the citizenry at large. Economic democracy cannot come into being without broadly based and effectively voiced political support. What is needed is the coalescence of diverse interest groups in the community in attempting social action—to raise funds, lay plans, lobby the legislature, and so on. Macro-level social change by a community is important insurance in avoiding the pitfalls and fulfilling the promises of worker-ownership.

Conclusion

The context of this article is cast in the notion that labour-owned enterprises may contribute to the development of a new system of productive rela-
tions in the United States. It is consistent with the perspective of Catalano, who advocates the need for a new economics beyond the competitive nature of the private sector, and likewise beyond the bureaucratic entanglements of the public domain. That which is emerging in the United States in recent years may be linked with the rise of a new Third System, an Alternative Sector which is neither public nor private. The potential vision of a more operational economic pluralism in the United States prompts support for multiple strategies to achieve that end. Whether the form of such action involves the channelling of billion dollar pension funds, the establishing of an Employee Stock Ownership Plan in a medium-sized factory, or the launching of a new workers' co-operative, the campaign on all fronts may contribute to further control by people over their own economic and political fate.

Notes

1 J. Rifkin: Own your own job (New York, Bantam, 1977), pp. 122-123.
4 D. Jones: The economics and industrial relations of producer cooperatives in the United States, 1790-1940 (n.d.).
10 R.N. Stern and P. Comstock: Employee stock ownership plans (ESOPs); benefits for whom? (Key Issues Series, No. 23) New York State School of Industrial and Labor Relations (Ithaca, Cornell University, 1978), p. 49.

21 Zwerdling, op. cit., p. 103.


23 Institute for Social Research, op. cit., p. 23.

24 ibid., p. 3.


26 ibid., pp. 27-38.


30 Select Committee on Small Business, op. cit., p. 19.

31 Institute for Social Research, op. cit., p. 38.
