Title	**Sharing Ownership in the Workplace**
Author	Raymond Rusell
Source	State university of New York Press
Pub Date	1985
Brief Introduction	**Introduction** As this book goes to press, hardly a week goes by without news about some form of employee ownership appearing in some prominent portion of the American press. There are frequent articles about workers buying out closing plants, unions granting wage concessions in exchange for their employer's stock, and corporations using employee stock ownership as a new form of takeover defense. Employee ownership is now so popular that several airlines have recently begun to advertise the fact that they are at least partially employee-owned, and one of them has gone so far as to boast that it is now the most employee-owned. These recently spreading forms of employee ownership will be discussed in this work, but not until its final chapter. The earlier chapters will instead be devoted to making a series of points that should help make the significance of these recent developments much easier to understand. Perhaps the most important of these points is that encouraging employees to share in the ownership of their workplaces is not a new idea. Economic reorganizations of this sort have been advocated repeatedly since the nineteenth century, and have already taken a bewildering diversity of forms. Thus much of this book will be devoted to sorting out the results of these various past experiments, in order to assess their relevance for the events that are taking place now. The point of these analyses will be to ask whether we are now merely repeating mistakes of the past, or are instead really embarked upon something new. This effort to gain a historical perspective on the phenomenon of employee ownership will quickly lead into one of this book's major themes. In the past, labor-owned institutions of many varieties have shown repeated tendencies to revert back into conventional organizational forms. Among the advocates of these institutions, this phenomenon is often referred to as the problem of the "degeneration" of democratic firms. This book devotes a great deal of attention to this topic, because an understanding of

it is crucial for assessing the prospects of the new generation of employee-owned firms that is in the process of emerging today. If employee-owned workplaces are inevitably destined to transform themselves back into conventional organizational forms, then it seems futile to try to create these firms at all. If these degenerative processes can be avoided, on the other hand, then it is also important to know how this can best be done.

This phenomenon of degeneration and the search for ways to prevent it lend special significance to the case studies that are presented in the three central chapters of this book. These chapters describe three populations of organizations located in the United States that are at least to some extent employee-owned, and in which at least some organizations have retained their employee-owned structures for more than fifty years. The fact that these organizations have such long histories allows them to serve two purposes at once. First, they provide opportunities to identify the most prominent causes that promote degeneration in firms of this sort. Second, the fact that these organizations have preserved their structures for so long makes them very promising sources of ideas about how these degenerative tendencies can best be held in check.

These common themes serve as the major rationale for the case studies presented in the central portion of this book, and will hopefully help to defend them against two criticisms that I can anticipate all too well. One likely objection is that the organizations described in Chapters 3, 4, and 5 are too different from each other to be referred to by the common label "employee-owned." Some of these organizations are cooperatives, some are partnerships, others are corporations whose stock is worker-owned. Describing all of these organizations as "employee-owned" or "worker-owned" thus contradicts the usage of a number of scholars who have attempted to maintain a firm demarcation between producers' cooperatives and corporations whose stock is worker-owned. The effort to preserve this distinction had already broken down, however, long before this book went to press. In this book, for example, the reader will encounter cooperatives in which memberships are bought and sold as readily as any corporate shares, and worker-owned corporations that faithfully adhere to the cooperative principle of one member, one vote. Thus this book will join Woodworth (1981), Rothschild-Whitt (1983), and Toscano (1983) in treating employee-owned corporations and producers' cooperatives as two alternate variants of worker- or employee-owned firms, rather than as totally incomparable organizational forms.

A second major criticism that is likely to be made of these analyses is that these organizations are not sufficiently employee-owned to suit some readers' tastes. All of these organizations make use of nonowner labor, and in some of them less than a majority of the labor force participates in the ownership of the firm. Readers are particularly likely to balk at my labelling of accounting firms and law partnerships as employee-owned firms. I

would nevertheless defend this usage on both definitional and heuristic grounds. Definitionally, all of the organizations described in these chapters are employee-owned in the sense that only people who work in them are normally permitted to participate in their ownership, and also in the sense that a relatively large portion of the labor force shares in the ownership of these firms. More important than this purely definitional matter, however, is the issue of what there is to be learned from these firms. The fact that these firms employ nonowner labor should not come as a surprise; as will be discussed at length later on, the employment of nonowner labor is relatively easy to explain. But we know far less about the reasons that cause some organizations to decide that all or even a part of their labor force should be included in the ownership of the firm. So when any organizations determine that a significant portion of their labor force ought also to be owners, that fact is quite relevant to the subject matter of this work, and may also provide some important insights into both the degeneration and stability of more thoroughly employee-owned firms.

more thoroughly employee owned firms.

Since I have defined the subject matter of this work quite broadly, I have been forced to deal with an equally broad range of theory as well. Theorists as diverse as Karl Marx, Max Weber, Sidney and Beatrice Webb, Louis Kelso, and Peter Drucker have all had relevant things to say about the future of ownership, and their views are therefore discussed at appropriate places in the text. I would like to acknowledge at the start, however, that this is a theoretically eclectic work, and the selection of theorists to be discussed here was not intended to imply allegiance to any particular school. I take issue with the thought of each of the theorists named above, for example, in at least some portion of this work.

One of the most fascinating things about the current spread of employee ownership, in fact, is the large body of social theory that it appears to contradict. Max Weber, for example, left no room for employee ownership in the bureaucracies that he predicted would continue to dominate the world. For Weber, the rational allocation of both labor and capital required a strict separation of each. In one of his most thorough definitions of bureaucratic organization, Weber even explicitly stipulated that work within such structures is "entirely separated from ownership" (Weber, 1946:334). Efforts to allow workers to share in the ownership of their workplaces may appear superficially to provide more support for the prophecies of Karl Marx; but as should become clearer below, most of the forms of employee ownership discussed in this work are definitely not what Marx had in mind.

Before completing this introduction, I would like to express my gratitude to a number of people who made various important contributions to the completion of this work. My heaviest debt is to Stewart E. Perry. Stewart first sparked my interest in employee ownership when he hired me to work with him on his study of worker-owned scavenger companies in 1973. Much of both the theoretical and empirical content of this book was first roughed out while I was working with Stewart on that project. In later years, Stewart also helped to support my research on taxi cooperatives, and has become a close colleague and friend.

When I first went to work for Stewart in 1973, another member of the project team was Barry A. Stein. Some papers by and discussions with Barry did more than any other single source to clarify the meaning of ownership for me. It is largely ideas that I took from Barry that provide the major organizing principle behind Chapters 2 through 5 of this book.

Shortly after I began working with Stewart, Arthur Hochner joined the project. Thereafter, Art and I worked side by side on the study, interviewing scavengers together, reading and commenting on each other's papers, and co-authoring several reports. Charles Vidich, Jerry Sanders, Joseph Dewhirst, Ned French, John Havens, Dennis Redfield, and Stanley Reichgott also participated in this research for shorter periods of time. It was Charles Vidich who first pointed out to me that the taxi industry has given rise to numerous cooperatives, and who first suggested that I should study them.

Much of the content of this book is the result of large numbers of conversations with scavengers, taxi drivers, professionals, and scholars. Since most of these interviews were conducted under a pledge of anonymity, I cannot name the individuals here, but my debt to them will be apparent from the many quotations in the text. To scholars with whom I discussed this research I made no such pledge, so for their suggestions and encouragement I would like to thank George Homans, Daniel Bell, Arnold Tannenbaum, Joyce Rothschild-Whitt, Jane Mansbridge, George Strauss, David Ellerman, Katrina Berman, Derek Jones, Paul Blumberg, Avner Ben-Ner, Veljko Rus, Menachem Rosner, Paul Derrick, Bernhard Wilpert, Michael Shalev, Corey Rosen, and Katherine Klein.

Much of the research reported here was supported by grants from the Center for Studies of Work and Mental Health of the National Institute of Mental Health. Since coming to the University of California campus in Riverside in 1979, I have also had the benefit of several research grants from the Academic Senate and the administration of the campus. My department chairman, Edgar Butler, has also done much to make sure that I would have both the time and the resources needed to complete this book. Mark Wanamaker, Mokerrom Hossain, and John Prince also contributed invaluable research assistance during the later stages of the preparation of this book.

I first developed the idea of turning all of this research into a book in consultation with Magali Sarfatti Larson and Fred Block. I very much doubt that I could have completed the book without their warm encouragement. Magali and Fred also read and commented on long sections of the manuscript, and called attention to weaknesses in my arguments that I have subsequently done my best to correct. In September of 1983, Judith Blau assumed the formal responsibility for editing the manuscript, and has contributed the advice and encouragement that were needed to bring this study to an end.

Unlike many recent authors, I have no personal computer to thank for helping me to draft this manuscript. Every word of this work was written out by hand, and was then laboriously typed in the old-fashioned way. In the early phases of this research most of this typing was performed by Kate Bramer, Susan Tritto, Laura Bachman, and Clara Dean. In the later phases I did have the use of a Lexitron word processor, which was expertly operated by Nancy Rettig, Marilyn Dick, and Susan Rivera. None of this typing under the constant pressure of deadlines could possibly have gone as smoothly as it did without the supporting efforts of Wanda Clark, Marge Souder, and Paul Otjen.

Riverside, California
May 1984