Firm Foundations for Democracy?
Ownership, Control, and Worker Power in Advanced Capitalism*

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June 16, 2013

*First draft for 2013 Beyster Symposium. Please do not cite without permission.

On December 3, 2008, shortly after the onset of the global financial crisis, the management of Chicago-based Republic Windows and Doors announced that it could no longer pay its loans and would be shutting its operations. The company's 260 workers were fired, told that they would not be compensated for accrued leave, and advised that they would lose their health insurance coverage within two days.

What happened next became national news. Republic workers, members of the United Electrical, Radio, and Machine Workers of America (UE), staged an occupation, demanding compensation and the opportunity to keep the factory open under new ownership. Within a week, the company's creditors had set up a fund to provide workers with severance, back pay, and two months of health insurance. By February 2009, California-based Serious Materials announced that it would be taking over the company.

Three years later, in February 2012, Serious announced that it would be shuttering the factory. This time workers decided to take matters into their own hands, negotiating with owners to buy the factory's equipment themselves. By May 2012, they reopened as new ERA, a worker cooperative that aspires to a flat compensation structure and equal decision-making rights for all its members.

The road since then has been riddled with challenges. With Serious having hired back only a small fraction of the company's original workforce, the cooperative is down to 24 worker-owners. And, beyond the seed capital it secured in collaboration with the Working World, a non-profit organization that incubates cooperative enterprise, New Era has been unable to obtain the additional funding needed to ensure it continued viability. As of May 2013, the company's future remains uncertain.

My aim in opening with this story is not to assess whether, by various metrics, the workers at New Era have been successful in what they set out to accomplish. For my purposes, it is an entry point into a larger conversation about the way which we structure our economic life within firms, the organizational settings that most working adult experience on a more or less a daily basis. To what extent do workers exert control within the workplace, and exercise voice in how the income generated by firms is distributed? And do they have ownership—not just in an affective sense, but in terms of share holdings or membership rights?

The financial crisis opened up widespread discussion about prevailing modes of economic organization. But, for the most part, this discussion has been quite narrowly bounded, oscillating between two familiar poles. Either government is interfering too much, its role in managing the economy requiring retrenchment. Or it is doing too little, needing to resume the tasks of technocratic supervision to which it devoted itself during the bygone post-War era. Generally neglected is a serious consideration of how the organizations in which most of us spend our working lives might be reorganized, and the role that actors in government and other segments of society might have to play in such efforts (Rahman 2011).

This paper tries to contribute to such a conversation by offering a macro-comparative backdrop. How do varying national institutional systems promote differing roles for workers vis-à-vis the ownership and control structures of firms? What are the limits to this range of variation? How can we draw upon this existing variety of institutional practice in thinking about the way forward, and in what ways might we need to turn our sights in new directions?

The paper is organized in the following way. Section 1 lays some theoretical background, starting out by briefly tracing the emergence of three sets of actors in firm-level systems of corporate governance: worker, owners, and managers. From here, it identifies four perspectives on firm governance that assign ownership and control rights in different ways among these actors. Building on this foundation, it then discusses three organizational forms: unions, employee ownership arrangements, and worker cooperatives. The aim is to consider the way in these different types of organizations extend ownership and/or control rights to workers, and to situate each of them with respect to the various perspectives on firm governance.

Section 2 looks at worker control mechanism and employee ownership arrangements in two countries, the US and Germany, which are often taken as paradigm cases of different national varieties of capitalism. The goal here is to try and understand differences in ownership and control patterns in relation to these varying institutional systems. The section begins by sketching the two models, before showing how they have been transformed over the course of two historical periods: the post-War era of embedded liberalism, and more recent decades of neoliberalism.

Section 3 widens the comparison to other economically advanced countries. First, it considers to what degree the US and German cases are indicative of broader differences between liberal and coordinated varieties of capitalism in the areas of worker control and employee ownership. Then, it delves into two more country cases, focusing on the Meidner plan for wage-earner funds in Sweden, and worker cooperatives in Italy. These brief treatments bring into focus national systems in which different worker ownership and control arrangements have reached the height of their prominence, helping to sharpen our grasp of the range of experience within advanced capitalism: the differences that exist, but also the limits to this variation.

Finally, Section 4 concludes the paper. A discussion as broad as this one naturally leaves many issues unresolved, posing questions for further inquiry as much as it provides answers. The final section identifies three sets of issues that, in my judgment, warrant further attention.

1_Firm Governance and Worker Power

1.1_Three Key Actors within Firms

This paper is about the power and voice—or lack thereof—that workers wield within firms. The position of workers and the category of labor have to be understood relationally. A first step in doing so is to identify the principal sets of actors with whom workers bargain and interact. This lays the groundwork for thinking about the position of workers within different theories of firm governance, and the types of organizational and institutional setups through which these perspectives find expression.

Contemporary problems of worker participation in firms are rooted in capitalism's foundational distinction between capital and labor. The emergence of capitalism in England and elsewhere entailed a series of contested historical processes whereby workers were separated from their traditional means of subsistence, coming to rely on wage labor to earn a living (Brenner 1977). This commodification of labor remains a constant feature of capitalism, even if it varies substantially in nature and degree across and time and place (Block 2001, Esping-Andersen 1990, Polanyi 1944).[1] For Smith and the liberal tradition, this development represented a major advance, replacing pre-capitalist relations of coercion with freedom of contract (Smith 1980). According to a tradition inaugurated by Marx, it ushered in another form of compulsion, since workers were forced to sell their labor power in order to survive (Marx 2004).

Both Smith and Marx agreed, however, that capitalism brought with it tremendous development in productive capabilities.[2] This was achieved as the owners of capital deployed "free" labor in ever more profitable configurations. And an important part of this process was the development of more intricate divisions of labor which narrowed the range of tasks which workers performed, constricting the span of their control. Smith, while recognizing the strains that such modes of organization could generate, focused ultimately on their role in raising productivity. Marx, while addressing these leaps in productivity as well as profits, dwelt more than Smith on the alienation and immiseration that accompanied these transformations.

The relationship between capital and labor continues to animate capitalism's evolving dynamics. But another important part of the story has to do with a split that has emerged within the category of capital. As processes of economic production grew in scale in complexity, owners hired managers to oversee their enterprises. These shifts in technologies of economic production have themselves been conditioned in important ways not just by a desire to enhance efficiency (Chandler 1977), but by efforts to impose control over potentially unruly workers (Marglin 1996).

[1] Footnote on slavery.
[2] Footnote on their differences.

There is a basic tension underlying this control dynamic. Owners delegate authority as a means of imposing tighter control over the day-to-day functioning of their firms, including the activities of workers. But, in the same stroke, they abdicate control without being certain that managers will act in their best interests. Some have argued that the divisions between owners and managers are largely illusory (Zeitlin 1974), and it is true that the degree to which their interests diverge can sometimes be overstated. But, as we will see below, the alignment of owners with managers does vary in important ways across different settings, with significant implications for the status of workers (Gourevitch and Shinn 2005, Jacoby 2008).

These, then, are the key sets of actors as we think the authority relations within firms: owners, managers, and workers. Important differences exist within each of these categories. The owners of capital may be the company founders with a controlling stake, or they may be minority owners holding a few shares. The managerial category ranges from top executives to middle- and low-level managers, with the latter often wielding authority within a very narrow band. Workers may have skills and experience that endow them with significant bargaining power, or they may be considered expendable. Such nuances will enter into the discussion below. But, starting with broad categories usefully enables us to create a stylized portrait of how authority relations within firms are structured, and to mark out in broad strokes different notions of how these relationships can be organized.[3]

1.2_Four Perspectives on Firm Governance

How and by whom should firms be governed? Consider first the "managerial" view. This perspective recognizes the property claims of owners over their investments. But, it holds that top managers are positioned to exercise control over the firm's capital and labor resources most efficiently (see Table 1), such that greater managerial discretion will yield stronger firm performance. This view is well-exemplified by Chandler (1977), who traces the historical

[3] Of course, there is also a broader context within which firms operate, and other players including government actors, consumers, and various interest groups within society also play an important role in shaping dynamics internal to the firm.

processes through which managerial functions gradually and fitfully became uncoupled from ownership, a development that he looks upon favorably. Often rising through the ranks of the firm, these managers have an intimate knowledge of the business and the competitive conditions under which it operates, enabling them to orchestrate effectively the "planning and carrying out of growth" (Chandler 1977).

A second approach is the "shareholder" view. This perspective keys on the dilemma alluded to above that owners face in relation to managers. It asserts the rights of owners to exert ultimate control over the firm's activities, even if immediate control remains in the hands of managers (see Table 1). Berle and Means (1932), observing the increased dispersion of ownership in the 20th century, express serious misgivings about what they see as a growing lack of managerial accountability. Extending this line of argument, Jensen and Meckling (1976) argue that the "agency" of managers should be constrained. While managers and workers as well as creditors are all guaranteed fixed payments, the returns to owners/shareholders vary depending on the performance of the firm. They bear the most risk and thus deserve to be the "residual claimants," which means that measures should be put in place to ensure that managers (the "agents") will seek to maximize the returns accruing to owners/shareholders (their "principals").

A third perspective argues that the property rights of owners should be weighed against the rights and claims of others, while also taking the discussion beyond the owner-manager relationship. Berle and Means provide a bridge to this "stakeholder" view of the firm. Even as they lament the assertion of managerial authority at the expense of shareholders, they argue that shareholders in widely held companies tend to be far removed from any active role in exercising stewardship over their assets. As such, the claims of shareholders need to be balanced against those of others who have a stake in the firm's activities, including workers and the surrounding community (see Table 1).

Blair (1995) focuses attention on the stakeholding claims of workers. She argues that workers, especially those with highly firm-specific skills, are also confronted with significant risks. They cannot readily move from firm to another without incurring major losses in income and job security, which means that they too can legitimately be regarded as residual claimants. This is one of many ways in which the stakeholding claims for workers can be justified. Regardless, the common conclusions which tend to be drawn by those subscribing to a stakeholder view are that workers should have a voice in how firms are organized, and the ability to negotiate a fair share of the income that firms generate.

Finally, a fourth set of perspectives challenge more directly the property claims of owners and control rights of managers, seeking to shift ultimate authority to workers (see Table 1). For Marx, the claims of both owners and managers are inherently illegitimate in that they are premised on exploitation, the extraction of surplus based on the labor performed by workers. The private property relations that underlie this system should thus be replaced by collective ownership (Marx 2004). Others have argued the point that workers should exert authority over firms on somewhat different grounds, appealing to a right to democratic self-government that should extend into the sphere of work, thereby abolishing the employee-employer relationship—i.e., the phenomenon of "working for someone else."[4] According to this "democratic" view, an ownership logic premised on unequal shares should be supplanted by a membership logic based on equal votes (Dahl 1986, Ellerman 1990).

1.3_Unions

In the economically advanced world, as elsewhere, unions have emerged as the primary institutionalized means by which workers have come to exert a measure of control within firms. Through processes of collective bargaining, they shape the distribution of income within firms and in the labor market more broadly. Unions can also afford workers a measure of control over

[4] Ellerman (1990) argues that worker self-government does not imply an end to private property, if private property is construed not as an individual domain but a sphere separate from government control. There are others, however, who see the end of private property as a necessary condition for the establishment of full-fledged economic democracy at the micro and macro levels (see, e.g., Wood 1995).

the labor process, ranging from work rules at the level of daily tasks to voice in establishment-level organization of work to representation in firm-wide decision-making (Freeman and Medoff 1985).

Labor movements have often aspired towards radical democracy in the workplace. In the early part of the 20th century, for example, the Industrial Workers of the World (a.k.a., the "Wobblies") organized in the US and other countries in support of worker self-management (Dubofsky and McCartin 2000). By the mid-20th century, however, unions had largely congealed into a form more in line with the stakeholder view of the firm: Labor stakes its claim to a role in shaping how work is configured and how the income of the firm is distributed, but it remains a junior partner to capital, leaving the latter's ultimate property claims more or less uncontested. For some, this is essentially a story of cooptation, one in which the egalitarian and radically democratic impulses of labor movement become domesticated (Panitch 1976). Others are more apt to focus on the power that organized labor builds for workers even in this highly managed incarnation (Korpi 1983).

From the standpoint of both the managerial and shareholder perspectives, unions are generally regarded as a hindrance. They make demands that often conflict with managerial prerogatives. And they stake claims to the firm's resources that are out of step with the interests of shareholders/owners in maximizing their own returns. Granted, there are circumstances under which the owners and managers of capital can come to see substantial common ground with organized labor in promoting steady growth and profitability (Estevez-Abe, Iversen and Soskice 2001, Swenson 1991). But, these are best understood as situations in which capital has adapted itself to labor's relative strength, rather that supporting the development of labor's empowered role from the outset (Korpi 2006, Wright 2010).[5]

[5] Briefly address the larger debate concerning the origins of cooperation between capital and labor in coordinated countries.

More broadly, a longstanding criticism of unions has to do with their perceived effects on non-members. According to this argument, even if unions are good for their members, they tend to protect these “insiders” at the expense of “outsiders”. “Above-market” wages for union members mean that there is less work to go around, resulting in higher rates of unemployment (Lindbeck and Snower 1988). The within-country and cross-national evidence on this question suggests that the postulated disemployment effects of unionization tend to be overstated and overgeneralized. Looking at the economically advanced world, for example, there is no general link between unions and other protective labor market institutions, on the one hand, and unemployment rates, on the other (Baker et al. 2005).[6]

This line of criticism concerning the effects of unions on “employment performance” is generally lodged from market liberal quarters. But, on the surface at least, it bears some affinities to criticisms from a more leftward direction that take unions to task for the ways in which they consign certain types of workers to “outsider” status. One important difference is that the latter line of criticism considers not just problems of unemployment but conditions *in* employment. And, rather than seeing the absence of unions as the answer, it is more likely to advocate for organizations that are more inclusive of outsiders, including those who have faced marginalization based on factors such as race, gender, and citizenship.

Related to this theme of inclusion, another criticism of unions that has clear connections to the radical democratic view of the firm has to do with the degree to which ordinary worker-members have a voice. While unions are formed in principle to advance the collective interests of workers, to what extent do gaps emerge between union leaders and their members that are all too reminiscent of the divide between management and labor (Edelstein and Warner 1979)? Certainly, not all union members will be equally inclined to participate in the life of the organization. But the democratic critique asks whether there are mechanisms in place for

[6] Insert footnote explaining Baker et al’s findings—i.e., differences between Nordic and Continental countries.

members to voice their concerns and demand accountability from their leaders—both at the firm level, and, when union structures extend across multiple firms, perhaps encompassing entire sectors or industries, at these higher levels of aggregation.

1.4_Employee Ownership

If unions are the primary means which workers exert a measure of control within firms, what about ownership? As the discussion below will show, organized labor has not succeeded in large-scale efforts to transform the ownership structure of firms. But, particularly in the US and certain other countries, recent decades have the seen the spread of arrangements that do transfer ownership to a broad base of workers, usually at the initiation of managers and/or owners (Kruse, Freeman and Blasi 2010, Rothschild and Russell 1986).

This development has unfolded at the intersection of two broader trends. One is the spread of "financial participation" schemes that, in various ways, link employee compensation to the performance of firms or work teams (Pendleton and Poutsma 2012). The second is the spread of individual share ownership to broader segments of the population, a process that has been spurred in large part by growing pensions fund investments in stock markets (Jacoby 2008). While addressing these broader developments at certain points, the primary interest in the present discussion is on those forms of financial participation that enable workers to claim ownership stakes in their own firms.

The phenomenon of employee ownership challenges prevailing perspectives on corporate governance since it blurs the distinction between their foundational categories. If workers are also owners, what does that mean for the basic distinction between capital and labor? In thinking about this question, it is important to keep the shift that employee ownership represents in perspective. In most cases, workers holding shares in the companies where they work do not become majority owners. Even if they do, they often do not have corresponding control rights. The manner in which the varying perspectives on firm governance will tend to regard employee ownership depend and these and other conditions under which it is established.

From the perspective of managerial and shareholder views of the firm, employee ownership arrangements can be a useful device for incentivizing workers to take an enhanced interest in firm performance. If the firm does better, the value of shares will increase, which should elicit greater effort and commitment from worker-shareholders.[7] But the managerial view in particular does not look favorably upon extending full voting rights based on the shares that workers own, since this may be a means by which worker-shareholders can resist managerial directives (Blasi 1988).

Employee ownership bears an ambivalent relationship with the stakeholder perspective. On the one hand, employee ownership can be another means by which worker-owners stake their claims to fair compensation. And, importantly, while traditional collective bargaining focuses on setting the wage rate, employee ownership can play an important role in spreading wealth to workers (Buchele et al. 2010).[8] On the other hand, by blurring the distinction between capital and labor, employee ownership may undermine the position from which workers have defended their interests—a worry that has been expressed by union officials in many different settings (Blasi 1988, van der Zwan 2012). Related to this is the concern that increased share ownership may come at the expense of workers' wages (Kruse, Freeman and Blasi 2008).[9]

From the standpoint of radical democratic view of the firm, the fact that employee ownership often comes without full or even partial voting rights is problematic. In this

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[7] It is important to note that, especially in situations of more dispersed ownership, the picture can become more complicated. Employees and minority shareholders may see common interests in demanding greater accountability from managers (even if the tension between high wages and higher shareholder returns makes this a tenuous and limited coalition). More will be said concerning such dynamics below.
[8] Recent evidence within the US suggests that employee ownership can play a role in equalizing wealth, albeit in a limited sense. There are disparities in share ownership among employees in different income brackets. But these disparities are lower that than the gaps that exist in share ownership more generally. Thus, expanding employee ownership (relative to share ownership in general) along the lines of current patterns would result in continued gaps in shareholding wealth, but the overall disparities in shareholding wealth would be smaller than they are now (Blasi et al xx).
[9] Evidence for the US shows that, while shares may substitute for wages in some instances, this is not the general pattern (Blasi et al xx).

situation, workers are faced with the risks of ownership without enjoying meaningful control. Moreover, as noted above, even full voting rights based on own ownership shares are ultimately inadequate from a radical democratic perspective, since this would create inequalities in voice based on disparities in share holdings. Instead the goal should be to institutionalize a membership logic (Ellerman 1990), which has been done in only a small minority of companies with broad-based employee ownership plans (Murphy 2005).[10]

Like disemployment effects in the case of unions, the problem of risk is a common concern with employee ownership. To what extent do employees who own shares in their company face undiversified risk that may place their economic security in jeopardy? The available evidence suggests that certain forms of stock ownership tend to be better than others on this score. In the case of employee stock ownership plans (ESOPs) in the US, the risks that workers face are in relation to wealth they would not have had anyway, *ceteris paribus*, if an employee ownership scheme had not been in place. And, even when workers have large investments in their own companies, their investment portfolio can still be diversified enough to substantially mitigate this risk (Blasi, Kruse and Markowitz 2010).

1.5_Worker Cooperatives

If unions afford workers as a measure of control with firms, and employee ownership plans provide them with an ownership stake, worker cooperatives combine and expand both of these dimensions of worker involvement (Ellerman 1990, Pencavel 2012, Rothschild and Russell 1986, Wright 2010). A definitional statement on the website of the International Cooperative Alliance captures well the core features of worker cooperatives: “A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

[10] It is important to note that some espousing a democratic view are willing entertain scenarios in which voting rights are not apportioned according to one member, one note. Such deviations do not have to be based strictly on a reversion to a strict ownership logic. They may be based, for example, on different levels of time and effort that individuals devote to the firm.

In linking ownership and control through a membership logic, worker cooperatives embody the democratic perspective on firm governance (Ellerman 1990). Indeed, authority within many cooperatives is generally structured around the principle of one member, one vote. Starting from this basic principle, however, there are various forms that cooperative governance can take.[11] In some cases, members participate directly in making key decisions. In others, they may elect a board of directors to represent them. As cooperatives grow in size, perhaps including multiple establishments and lines of business, federal representational structures may be set in place (Wright 2010).

In taking on this democratic organizational form, worker cooperatives challenge to varying degrees the bureaucratic hierarchy found in conventional firms, which is something that the other major perspectives on firm governance generally presuppose (Rothschild-Whitt 1979). There are many cooperatives in which more traditional managerial structures have been established. But, even then, managers are subject to the ultimate authority of worker-members in a way that inverts the basic relation underlying the managerial vision. By operating on a one member, one vote basis, cooperatives also challenge a shareholder perspective that apportions representation based on capital shares, which, in conventional firms, are nearly always highly unequal and/or dispersed among a wide population of individuals without any other relation to the firm. Finally, in endowing workers with ownership as well as control rights, cooperatives fall beyond the purview of a stakeholder perspective which assumes that workers are advancing their claims to control from a structurally subordinate position.

Even as worker cooperatives are generally guided by a stated aim of democratic governance, a common concern is the trend over time towards "degeneration," a slide towards the hierarchy and inequality that characterize conventional firms (Pencavel 2012, Rothschild

[11] There are also cooperatives that depart from this principle—e.g., assigning voting power based on capital shares. And, as remarked upon below, many cooperatives have hired non-members without the intention of fully integrated them into the organization. Voting rights may also be structured according to contributions made by different individuals, not in terms of capital but other such as work time, and these kinds of arrangements are easier to reconcile with democratic principles.

and Russell 1986). One issue has to do with the manner in which members of cooperatives often hire non-members at lower wage rates, and without any intention of fully integrating them in the future, creating a situation of democracy for some premised on the exclusion of “others” (Ben-ner 1984). Another has to do with the difficulties of maintaining participatory structures of decision-making as cooperatives increase in size and the activities in which they engage grow in complexity. This latter issue is one that has been cited to help explain the very limited footprint of worker cooperatives in contemporary society, a topic that will be touched upon below.

2_Ownership and Control in Two Countries

In any given society, the kinds of control mechanisms and ownership arrangements described vary substantially across regions, industries, occupations, and other dimensions. Looking at industry differences, we would see union density tends to be higher in capital-intensive industries where skill requirements are high, the threat of capital flight is reduced, and the factory floor is fertile ground for collective engagement (Hirsch and Berger 1984). Employee ownership arrangements tend to be more prevalent in high-tech industries, which can be explained by the desire of employers to incentivize workers in settings where a high degree of innovation is required (Blasi, Kruse and Bernstein 2003). Worker cooperatives, though relatively rare, are more likely to emerge in industries where capital requirements are relatively low, and the type of labor demanded is homogeneous (Hansmann 1990).

Without entirely losing sight of these kinds of patterns, the aim here is to address the broad similarities and differences that exist across national systems. To begin with, the focus is on two cases, the US and Germany, which are often taken as paradigm cases of different models of capitalism in the economically advanced world (Albert 1993, Hall and Soskice 2001). How do worker control mechanisms and ownership arrangements vary across these countries? And how if at all have these patterns changed during the period of time since the end of the World War II? The comparative lens then widens to other economically advanced countries. Are the US and German models indicative of what is happening elsewhere? And, surveying this broad landscape, what do learn about differences in patterns of worker ownership and control as well as the limits to this range of variation?

2.1_ESOPs, Unions, and the US and the German Models

The US is widely recognized as a paradigmatic "liberal market economy," one in which economic relationship are largely mediated by the "free" market (Albert 1993, Hall and Soskice 2001).[12] Within the sphere of corporate governance, the US is often cited as an example of the shareholder model (Jacoby 2005). US companies rely more on equity financing than those in other countries, and institutional investors that buy and sell shares on behalf of large numbers of individuals have come to wield significant power in the marketplace (Davis and Steil 2001). Managers tend to be oriented towards boosting share prices, thereby maximizing the wealth of their "principals," the shareholders (Zorn et al. 2004).

Although the US is often coded as an example of shareholder capitalism, it is important that top managers wield significant power in their own right. The dispersion of ownership noted by Berle and Means has only increased over time, making it difficult for shareholders to monitor the activities of managers. Managers, for their part, are often able to handpick their boards of directors, the very people who are meant to act as shareholder representatives. And, it bears noting that this managerial class has benefited rather handsomely from the "disciplinary" measures aimed at aligning their interests with those of shareholders, with stock options and other such devices helping to fuel rates of executive compensation that far outstrip those seen in other countries (Bebchuk, Fried and Walker 2002).

The US is also marked by a prevalence of shareholding schemes that extend ownership not just to management or certain select groups, but to a broad base of employees. It is these arrangements—particularly employees stock ownership plans (a.k.a. ESOPs) designed for the purposes of extending ownership across the workforce—that are of particular interest in the

[12] Granted, as Block has argued, the free market is itself premised on strong state intervention. Moreover, there are important and hidden ways in which the state has intervened to promote economic development, as in the case of advances in information technology that came out of the government-funded military-industrial complex.

present discussion. Among firms with ESOPs, there are many in which employees hold a significant chunk of shares, as well as some in which firms are majority-owned by employees (Kruse, Freeman and Blasi 2010).[13]

The phenomenon of employee ownership fits with the large role of the stock market in the US economy. Just as shareholding in general is more widespread, so is employee shareholding in the companies where they work. But, importantly, employee stock ownership plans are also widespread in firms that do not trade their shares on the market. In line with the logic outlined above, another important dynamic is that employee ownership schemes are used in listed and unlisted firms alike as a means of incentivizing workers to take an enhanced interest in firm performance (Rothschild and Russell 1986).

In this context, employee ownership schemes in the US can also be seen as an alternative to the kinds of mechanisms that have fostered the commitment and involvement of workers in many other countries, namely unions and the web of institutions in which they are embedded. The relative weakness of unions and collective bargaining institutions in the US—both in the share of workers they cover, and the scope of their control rights (Thelen 2001)—has given owners and managers a degree of decision-making freedom that many of their counterparts in other countries no doubt envy. But it has also raised questions about how enhanced labor-management coordination can be achieved under conditions of heightened competition (O'Sullivan 2011), and employee ownership is one answer to which a sizable number of employers have turned (Rothschild and Russell 1986).

If the US is the icon of liberal capitalism, Germany is often taken as the paradigmatic "coordinated market economy" and a key example of stakeholder capitalism. As in all capitalist societies, markets occupy an important place in the Germany economy. But, more so than in a country such as the US, economic relationships are marked by long-term bargaining and coordination that occurs through highly institutionalized channels (Estevez-Abe, Iversen and

[13] Figure out exact current numbers.

Soskice 2001). Strong unions with relatively extensive control rights are an important part of this institutional complex, playing a key role in shaping the distribution of resources within (and across) firms and the ways in which their activities are organized (Thelen 2001).

The role of unions and the control they exert within the German system are linked in important ways with how ownership is structured. The Berle and Means storyline of increasingly dispersed ownership has played itself out to a much lesser degree in Germany than in the US (Gourevitch and Shinn 2005). And owners with a large and meaningful stakes—often the founders of companies—are more likely than a motley collection of minority shareholders to see common interests with workers as well as managers in maintaining stability over the long term. In this sense, the concentration of capital can be seen as creating the conditions under which labor has a credible and mutually interested partner with whom to bargain (Jacoby 2000).

The German system of corporate finance is another important factor that undergirds the ability of organized labor to stake its claims. It is generally the case that the growth of firms is financed out of retained earnings more than external sources, and this tendency is especially pronounced in the German context (O'Sullivan 2011). Even when German firms do turn to external financing, moreover, they are less likely than their American counterparts to tap into equity markets, relying to a great extent on banks. And German banks are well-known for the relatively stable, long-term relationships that they have cultivated with their corporate clients. In contrast to US shareholders seeking short-term returns, Germany's bank-based "patient" capital has long been recognized as a linchpin of the country's stakeholder model (Gerschenkron 1965).

While unions are relatively strong in Germany, the spread of employee ownership remains limited. In the US, employee ownership arrangements were seen as a substitute for unions in generating employee involvement and commitment. But, as detailed below, unions and, in particular, works councils have served this purpose for employers in the German context. Moreover, in line with their orientation around a stakeholder perspective, Germany's powerful unions have been involved in warding off the spread employee ownership, seeing it as a development that threatens to unhinge the platform from which organized labor has pursued its demands (van der Zwan 2012).

By way of summary, one could note that control mechanisms related to union and collective bargaining are stronger in Germany, while employee ownership arrangements are more extensive in the United States. But this snapshot misses important nuances in the two cases, partly because it fails to account for the important ways in which patterns of worker ownership and control have evolved over time in both of these societies. The remainder of this section takes up this issue of change over time, tracing—again in broad outlines—the shifts that have occurred during the post-War decades of "embedded liberalism" and the more recent period of "neoliberalism."

Addressing these dynamics takes the discussion within close proximity of a highly contentious debate that considers, at its core, whether change over time or differences across countries constitute the primary axis of variation in contemporary capitalism (Hall and Soskice 2001, Hall 2007, Harvey 2005, Pinto and Beckfield 2011, Streeck 2009). Without aiming to fully resolve this question as it relates to patterns of worker ownership and control, it will be useful to keep it running in the background.

2.2_Post-War Unionization and the Extension of Worker Control

In a tale that is well known, the post-World War II period began with a great compromise from which the era of "embedded liberalism" sprang forth (Ruggie 1982). Market-based capitalism would be preserved. But, in line with Keynesian principles, it would be subject to technocratic supervision aimed at heading off the kinds of destabilizing economic dynamics that had fuelled the onset of two devastating wars (Skidelsky 2010). For the present purposes, there are two key points that bear underscoring. First, buoyed by a spirit of compromise and riding on a tide of industrial expansion, organized labor grew in strength across the economically advanced world (Western 1997). Second, by way of a thicket of regulations at the national and international levels, finance was relatively hemmed in (Eichengreen 2008).

In West Germany following the War, a formidable labor movement that had been brutally repressed under the Nazis was demanding recognition and a prominent role in the country's reconstruction. The US government wanted to institutionalize a more free market oriented model. But, as in East Asia and other key fronts in the emerging Cold War, Washington partnered with the new German government to chart a middle way that would help to coopt those with potential communist sympathies (Lie 2000, O'Sullivan 2011). What emerged was the now-famed system of German "codetermination," which failed to meet the aspirations of more radical elements within the labor movement, but still established, at a national level, "the most extensive formal system of employee representation in the world" (Dore, Lazonick and O'Sullivan 1999: 108).

German co-determination comprises two basic features. First are the works councils, whereby every establishment with at least five employees is entitled to elect representatives who negotiate with management over how the workplace is organized (O'Sullivan 2011).[14] Rooted in the Bismarckian era of the late 19th century, works councils were originally developed with an eye toward dampening labor activism and promoting labor-management cooperation (Dore, Lazonick and O'Sullivan 1999), and this remains the source of a basic tension that underlies the relationship between unions and works councils. By the 1920s, legal supports for the development of works councils had been set in place (Dore, Lazonick and O'Sullivan 1999), and legislation in the early post-War period further bolstered their status, providing workers with rights to input in matters relating to working conditions, personnel management, and significant establishment-level decisions (O'Sullivan 2011).

The second key element of German co-determination is representation for workers on the supervisory boards of Germany companies, which, in principle at least, must approve the

[14] Make sure 5 is the correct number.

decisions of managerial boards.[15] A 1952 law mandated that all firms with more than 500 workers in the coal, iron, and steel industries would enjoy one-third representation on these supervisory boards (O'Sullivan 2011). Whereas works councils provided workers with establishment-level representation, seats on supervisory boards gave them a voice in firm-level strategic decisions. And, seats reserved for officials from the representative trade unions means that organized labor had channel for, for as O'Sullivan puts it, "contesting" managerial prerogatives.

Despite the historically rooted tensions between works council and unions, the two worked in a rather synergistic fashion during the post-War decades. Works councils largely attended to matters of workplace organization. Unions negotiated collective wage and benefit agreements that brought firms within a given industry under the same umbrella, and, where they had board-level representation, used it ensure that individual companies would fully comply with these broader settlements.

During the 1970s, there were further developments that bolstered these institutions. In return for wage concessions granted by unions amid the stagflation of the 1970s (Dore, Lazonick and O'Sullivan 1999), board-level representation was extended beyond the metal industries, and labor was given one-half of board seats in companies with more than 2000 workers, though a board chair elected by shareholders still cast the tiebreaking vote (Vitols, Hall and Soskice 2001).[16] Works councils, meanwhile, were granted greater autonomy—a development that could be seen as empowering workers at the local level, but one that would also, in the coming years, open the way for reemerging tensions between works councils and unions.

Germany's system of codetermination has profoundly shaped the way in which work is organized. It has helped to bridge the divide between management and labor, conception and

[15] German firms have a two-tier board system, with a supervisory board and a managerial board (xx).
[16] Note that, in metal industries, a neutral party casts the tiebreaking vote, and figure out when this rule was instituted.

execution, creating conditions under which labor, even while remaining a junior partner, has exerted considerable control over how resource distribution and the organization of economic processes (O'Sullivan 2011). In this sense, these institutional developments can be seen as substantially enhancing the degree to which German workers have been able to stake their claims for fair treatment.

It is important to acknowledge, however, that this relatively inclusive system of worker representation was itself premised upon significant exclusions within German society. For young German men who entered university or the nation's storied vocational training system (Soskice 1994), there was usually steady employment waiting for them at the end. But, women were largely shut out of many of these occupational tracks, with rates of employment that were and remain far lower than in the US and most other economically advanced countries (Kenworthy 2008). And guest workers from Turkey and other parts of the European periphery served as a reserve army of labor deployed to perform the most poorly paid and unprotected work—brought in when needed, and, in many cases, shipped back home when demand slackened (Streeck 2009).

The post-War decades also saw the power of organized labor grow substantially in the US (Western 1997). As in Germany and other economically advanced countries, the power of unions in this period was based in the booming industrial sector, with United Auto Workers and United Steel Workers Unions among those wielding the most power. By the 1960s, unions covered a third of the US workforce (Visser 2009), and, as elsewhere, they were foundational to the emergence of a growing middle class. As Jacoby (2008) suggests, the post-War decades were a period during which a case could be made that stakeholder capitalism was alive and well in the US.

In important ways, however, the role of organized labor in the US was significantly more circumscribed than in Germany. Union density was actually quite similar in the two countries. But, effective collective bargaining coverage was much more expansive in Germany since workers were covered as long as their firms belonged to the major employer associations, which most did (Pontusson 2005b, Visser 2009). There also was not in the US context anything approaching the German system of co-determination. Industrial union leaders did try at times to carve out more wide-ranging control rights. For example, in the late 1930s, Walter Reuther, President of the UAW, put forward a plan for union co-management in the auto industry. But this effort and others like it were summarily quashed by employers (O'Sullivan 2011).

What emerged in the US was a system of "job control unionism" that focused on work rules at the individual level (O'Sullivan 2011). Across the economically advanced world in the post-War decades, manufacturing plants were populated by workers performing highly routinized forms of labor, but this was especially true in the US (Braverman 1974). Unions in the US did achieve important successes in softening the application of Taylorist principles. Unlike in Germany, however, questions of firm strategy and the broader roles of labor and management in processes of production were largely left off the table (O'Sullivan 2011).

2.3_Financialization and the Expansion of Employee Ownership

If the post-War decades saw the advance of a stakeholder model in varying degrees and forms, recent decades have seen the growing assertion of the shareholder model. Finance played perhaps a more a muted role that it should have in my brief recounting of how organized labor rose in prominence in both Germany and the US in the post-War period. But, in part, this bracketing of finance reflects the nature of embedded liberalism. At both the national and international levels, there were institutions that placed finance in the service of the "real" economy (Unger 1998), such that it was constrained as a potentially destabilizing force from the standpoint of workers and organized labor.

This settlement was to change dramatically starting in the 1970s, as the institutions that disciplined finance began to unravel (Eichengreen 2008). In the US, institutional investors together with financial analysts and corporate takeover specialists combined to put agency theory in practice, and, by the 1980s, they had succeeding in shifting the orientation of corporate executives towards the boosting of stock prices (Zorn et al. 2004). The post-War decades had already brought shifts in the US towards a more financial orientation, in the sense that managers took a greater interest in measuring precisely the contribution of different divisions to the firm's bottom line (Fligstein 1993). But the increasing orientation to maximizing shareholder value took things a step further.

In this changed environment, managers gravitated away from an ethic of "retain and reinvest," whereby profits would be used to finance the firm's further growth, and towards an imperative of "downsize and distribute" that entailed streamlining production with the aim of maximizing shareholder returns. For workers, especially those in publicly traded industrial firms, this often translated into layoffs (Krippner 2005).[17] In this way, an increasing shareholder orientation fed into trends of deindustrialization, which, combined with a series of dramatic anti-labor interventions by Reagan in the 1980s, set in motion a steep and steady decline in unionization that continues to fuel trends of rising inequality (Blanchflower and Freeman 1993, Farber and Western 2002).

Still, the picture for organized labor in the US has not been entirely bleak. Like their counterparts in Germany, US unions perpetrated their own set of exclusions during the post-War period, among which was a generally hostile orientation towards low-wage immigrant labor. But recent decades have seen a shift in this stance, with immigrant workers at the forefront of union victories in low-productivity service industries that were traditionally regarded as difficult if not impossible to organize (Erickson et al. 2002). The strategies that have been adopted in these struggles have often diverged markedly from the "business" unionism that became institutionalized in the post-War decades, reflecting a "social movement" orientation that promotes greater member engagement, community involvement, and action in the streets (Turner and Hurd 2001). A number of organizers from these service sector unions have been

[17] And, if existing managers were not willing downsize, a wave of takeovers powered by institutional investors and leveraged buyout specialists often installed new managers who were.

dispatched to advise European colleagues have who have had a harder time organizing similar workers, which may point to a certain "strength" of organized labor's relative weakness in the US—amidst a more open institutional terrain, the ability to try new and creative approaches.

Among the new kinds of tactics used by the Service Employees International Union (SEIU) is engagement with major public pension funds when they have investments in properties where the union is trying to negotiate contracts. Indeed, despite the challenges posed by financialization, one way in which organized labor has tried to gain a foothold is by leveraging the trillions of pension fund dollars invested in stock markets, including by public and union-administered funds (Hebb 2001, Jacoby 2008). Unions have met with some success in using such an approach to pressure employers in organizing and bargaining campaigns. But they have also run up against serious limits to the degree that the interests of particular groups of workers in negotiating a fair contract diverge from those of broader shareholder populations in maximizing their returns (Jacoby 2008).

The road to increasing pension fund investments in the stock market was paved by the passage of the Employee Retirement Security Act (ERISA) in 1974, a landmark piece of legislation that also created legal rights for the formation of ESOPs. Conceived by businessman and economic thinker Louis Kelso as a way of spreading wealth to employees while transcending the conflict-ridden divide between capital and labor, ESOPs attracted important measures of support from different parts of the political spectrum. Kelso's plan was championed in Congress by Democratic Senator Russell Long, and, Reagan, just as staunchly as he opposed unions, expressed strong support for employee ownership while articulating his broader vision of the "ownership society" (Blasi 1988).

Unions, meanwhile, have generally been guarded if not suspicious in their orientation towards ESOPs. As Blasi has observed, the decline of unions in the US has been paralleled by the rise in employee ownership, with the number of workers holding stock in their companies now exceeding the number of union members.[18] There is no strong causal linkage between these trends. But Kelso was explicit in arguing that the spread of ESOPs, by negating the distinction between capital and labor, would render unions obsolete—a notion that certainly has not helped to win friends among organized labor. And, even if some union leaders might see potential for harnessing employee ownership for their purposes, the legal architecture surrounding ESOPs makes it extremely difficult for organized labor to parlay ownership into increased control rights (Blasi 1988).

The ultimate choice to form an ESOP rests with employers, which raises questions about why they choose to do so. In many cases, company founders have seen ESOPs as a way of transferring ownership while retaining the established managerial structure. During the corporate takeover wave of the 1980s, some managers established ESOPs as a means of inoculation, placing a bet that workers would side with them against outside investors (Blair 1995, Rothschild and Russell 1986). Also during this time, the divide separating management and labor came to be seen as a major impediment to the performance of US firms vis-à-vis their competitors in countries such as Germany and Japan (Piore and Sabel 1984). Employee ownership can be placed alongside the battery of "high-involvement" and "high-performance" work practices that were established in this context to promote greater employee commitment and labor management-cooperation (Lawler 1986).[19]

ESOPs have thus been established by many employers with the aim of fostering greater employee involvement and commitment. At the same time, employers—especially those in closely held companies—have been highly reluctant to relinquish substantial control rights. In the 1970s and 1980s, the ESOP Association, an organization representing employers with ESOPs, lobbied vigorously against the passing through of full voting rights based on employee shares. There are owners and managers who see employee ownership as a means to promoting

[18] Find current numbers.
[19] Interestingly, evidence on the role of employee ownership in enhancing firm performance as well employee wellbeing suggests that its success in doing so hinges on the presence of other high-involvement practices.

democratic control, and ESOPs that are structured accordingly. But these remain in the minority. And, within the larger community of those who favor ESOPs, a divide remains between those who see employee ownership primarily as means of creating positive incentives for employees through the sharing of wealth, and those who regard it as a potential building block of more full-bodied workplace democracy.

How do recent trends in Germany compare? The German response to heightened global competition in the 1970s and 1980s was to focus on further enhancing the productivity of higher skilled core workers, and the newly unified nation's economic crisis during the 1990s only heightened this dynamic (Palier and Thelen 2010). Even though Germany has been slower to deindustrialize than the US (Iversen and Wren 1998), manufacturing's share of employment has dropped more rapidly than its share of GDP, which reflects the efforts of employers to keep producing with a smaller workforce.

Amid these trends, the number of workers covered by collective bargaining agreements is still much higher in Germany than in the US, and the institutions of co-determination remain in place. But union density is dropping steadily, and, as increasing numbers of employers defect from the major employer associations, so is collective bargaining coverage (Streeck 2009). Both unions and works councils have been pushed into a defensive posture that involves protecting a shrinking core of insiders while pushing the costs of adjustment onto a group of outsiders, leading observers to characterize Germany as a prime case of "dualization" (Hassel 2007, Palier and Thelen 2010). And, importantly, the relationship between works councils and trade unions—more harmonious during the post-War decades—has been marked by growing antagonism. A strike action by the leading German union IG Metall met with a historic defeat in 2003 largely because the works councils opposed it (Streeck 2009).

Are these trends linked to a growing shareholder orientation in Germany society? It is important not to overstate the extent to which Germany has converged toward the Anglo-American model on this score. Debt-to-equity ratios still remain significantly higher on average in Germany than in the US, the ratio of stock market capitalization to GDP is far lower, and small- and medium-sized enterprises continue to obtain the vast bulk of their capital from local banks. But important changes are afoot, led my major players in the Germany economy. Deutsche Bank, long an example of German patient capital, has made moves to increase its short-term equity holdings, and Mercedes-Benz, the classic case of stakeholder capitalism at work, has moved aggressively to boost shareholder returns. And the mounting pressures facing unions and works councils at the negotiating table do stem at least in part from these shifting orientations among German banks and employers (Streeck 2009).

Despite these shifts, the more bounded role of finance in the Germany economy and the continuing role of unions and works councils in promoting worker involvement can help to explain why employee ownership remain more limited than in the US. There has been modest growth in worker stockholding, and employee shareholder associations (ESAs) have been established in a number of major companies in Germany by local activists. However, union leaders in Germany have generally not looked favorably on these developments. As Van der Zwan (2012) notes in an overview of ESAs in Germany, after visiting the AFL-CIO's Office of Investment, Antonius Engberding, a staff member of IG Metall, argue that unions should not actively pursue shareholder activism because it might create an "overrepresentation" of union interests, leading Germany employers to pull out of established collective bargaining institutions. In Engberding's estimation, shareholder activism had been pursued in the US only as a result of the weakness of the US labor movement.

In the wake the 2008 financial crisis, some German union leaders made gestures in support of employee ownership, seeing it as a way of helping firms to avoid bankruptcy (van der Zwan 2012). And, for unions in both Germany and the US, one important potential benefit of share ownership that has been reocognized is the role it can play in promoting increased transparency from management, which can be valuable in the context of collective bargaining

(Gourevitch and Shinn 2005, Höpner 2005). To date, however, the links between movements for "shareholder democracy" and those supporting "workplace democracy" remain limited.

3_The Range of Worker Power in Advanced Capitalism

3.1_Ownership and Control in Different Varieties of Capitalism

To recap, my brief overview of the German and US cases reveals two noteworthy and somewhat conflicting patterns. First, worker control mechanisms are more highly developed in Germany's more stakeholder-oriented system, while employee ownership is significantly more extensive in the more shareholder-oriented US. Second, worker control mechanisms have eroded in both societies as they have shifted away from a post-War settlement in which stakeholder capitalism was widely institutionalized, and the corresponding advance of shareholder capitalism has opened up new spaces of the spread of financial participation, including employee ownership. The particular trajectory of these shifts has differed substantially across the two societies. But the direction of change is similar.

How do we situate the US and Germany in relation to other countries in the economically advanced world? In its designation as a liberal market economy, the United States is grouped with other Anglo-American countries: Australia, Canada, Ireland, New Zealand, and the United Kingdom. Germany, as a coordinated market economy, is situated together with a wide-ranging group that includes Continental Europe and the Nordic countries (Hall and Soskice 2001).[20] But it is widely agreed that there are major dividing lines within this second category: Germany and other Continental countries tend to preserve clear status distinctions among different groups of workers, while those in the Nordic countries promote more encompassing forms of solidarity (Esping-Andersen 1990, Pontusson 2005b). And, for reasons that go beyond the present discussion, France and the Mediterranean countries do not fit comfortably within the coordinated category, often being treated as a residual category (Hall

[20] Japan is also often included in this category, even though its "group-based" mode of coordination differs from the industry-based coordination found in European coordinated market economies (Hall and Soskice 2001).

and Soskice 2001), or, in the case of the Mediterranean countries, a separate variety unto themselves (Amable 2003, Ferrera 1996).

Keeping in mind these broad distinctions, the following discussion considers to what extent the differences as well as common trends observed in the US and Germany are indicative of larger patterns in different clusters of countries within economically advanced world. It is impossible in a short space to address the important diversity of experience that exists within these categories. The aim is here is to provide a broad survey that might perhaps invite deeper inquiry into the patterns that are identified.

With regard to unions and the control dimension, Germany and the US are quite evocative of broader patterns, even if there are important nuances that require looking beyond these two cases. As in Germany and the US, differences in union density between Continental European and Anglo-American countries are not as large as the popular wisdom might lead one to expect. In fact, both the group averages and trajectories of decline look very similar. The Nordic countries, together with Belgium, stand alone as a bulwark against these broader trends, with high unionization rates that have largely remained steady (Pinto and Beckfield 2011, Pontusson 2005b).[21] Figure 1, which shows rates of unionization as of 2004 (the latest year for which the employee ownership data reported below is also available), gives a snapshot of how these countries diverge from the rest (Visser 2009).

The differences between liberal countries and the coordinated category as a whole do become more clear-cut when we turn to collective bargaining coverage. As in Germany, other coordinated market economies extend collective bargaining coverage to substantial segments of the workforce that are not unionized. And, while this wider coverage is eroding somewhat over time, Figure 2 shows that the proportion of workers represented by collective agreements is generally much higher in these countries as of 2004 (Visser 2009). Having said this, the gap that

[21] An important reason why Belgium looks like the Nordic countries in this respect is that it shared with them a union-administered "Ghent" system of unemployment insurance, which ensures that membership attrition due to unemployment is minimized (Western 1997).

is opening up between union and collective bargaining coverage in many Continental European societies is not without consequences. Declines in the share of workers who are actively engaged and represented in bargaining feeds into the rising dualization observed in Germany and many of its Continental neighbors (Pontusson 2009).

In the area of codetermination rights, Germany is the pioneer that many other countries have followed, particularly with respect to board-level employee representation (BLER) (Conchon 2011). As depicted in Figure 3, it is largely other coordinated countries that have established institutional supports for BLER and works councils.[22] But there are important differences in how BLER has been implemented. German union officials are represented to a degree not seen elsewhere, and Germany is also unique within the economically advanced world in granting parity representation to workers in firms meeting certain criteria (Conchon 2011, Kluge and Wilke 2007).[23] Moreover, in Germany as well as Austria and the Netherlands, BLER goes beyond consultation, granting workers a more determinative role than in other countries (Visser 2009). The Nordic countries have more limited control rights than in Germany, and workers tend to have less representation in firms with BLER. But, importantly, the number of employees required for a firm to extend BLER is set at a significantly lower threshold, which means that a larger share of workers have access to this form of representation (Conchon 2011).

Comparing patterns of employee ownership across countries is significantly more challenging due to data limitations. But descriptive data from the Cranfield Network on International Human Resources Management's (CRANET) 2004 survey can provide us with a preliminary sense of the basic picture (Pendleton and Poutsma 2012).[24] Figure 4 shows the

[22] The measure of co-determination rights is drawn from Jackson (2005), who assigns scores to countries based the strength of legal rights to board-level representation. The measure of representation by works councils is one that I constructed by averaging the values of two indicators from Jelle Visser's (2009) Institutional Characteristics of Trade Unions, Wage Setting, State Intervention, and Social Pacts (ICTWSS) dataset: one measuring the legal status of works councils, and another measuring the scope of their control rights.

[23] There are a number of Eastern European countries that do so.

[24] As far I am aware, the CRANET dataset is the only cross-nationally harmonized source that allows for comparison across a full range of economically countries. They are other sources including the European

proportion of firms in each country with broad-based employee share ownership, and, what emerges is a landscape that does show traces of the varieties of capitalism categories, though less so than in the case of the worker control mechanisms.[25] The US and the Anglo-American countries all have rates of broad-based employee ownership plans that exceed those seen in Germany and the other Continental European coordinated market economies, with the exception of Belgium. But France, Denmark, and Norway have higher rates than all the liberal countries except for Great Britain.[26]

Overall, unlike in the case of union density, the trend over time as seen over different waves of the CRANET survey is towards increased employee ownership (Pendleton and Poutsma 2012). Australia and the UK have seen a similar dynamic at play as in the US, with conservatives posing employee ownership as a potential replacement for unions. During the 1980s, Thatcher, paralleling Reagan, touted employee ownership with an eye toward, as Pendleton and Poutsma (2012: 357) put it, "promot[ing]...an enterprise culture and weakening trade unions." More recently, Nick Clegg and David Cameron, leaders of the center-right coalition government, have discussed employee ownership as a means of enhancing efficiency and spreading capital more broadly throughout society. Denmark and Norway, with high rates of employee ownership and strong worker control mechanisms, also emerge as interesting cases for further analysis. To date, however, there are not in evidence any significant moves to link ownership with control via established collective bargaining institutions.

What about the broader relationship between control mechanisms, on the one hand, and employee ownership, on the other? Is there an inverse correlation, as the comparison of the US and Germany would seem to suggest? Figure 5 plots the share of firms with broad-based employee ownership plans against union density. No linear relationship emerges. But there is

Company Survey and European Working Conditions that permit comparison of countries within Europe, but this leaves many of the major Anglo-American countries including the US.

[25] Just noting that I eyeballed these numbers from graph in the Pendleton and Poutsma paper.

[26] It is important to keep in mind that these are firm data rather than individual data, and, furthermore, that the

some meaningful clustering according the varieties of capitalism categories. In the top of the picture, we see the Nordic countries (plus Belgium), with their high union density and levels of employee ownership that span a wide spectrum. In the bottom center-right part of the part of the picture, we have the Anglo-American countries, with low union density and levels of employee ownership that exceed those seen among their Continental European counterparts. And, in the bottom left, then, we see a group of Continental coordinated market economies with low employee ownership and levels of union density that are remarkably similar to those in the Anglo-American world, even if collective bargaining coverage remains higher and co-determination rights are still stronger.

In thinking about what to make of this evolving landscape, it is important to go beyond a perspective that looks merely at the varying social and institutional configurations within these different societies. In Germany, for example, the growing shareholder orientation of many German companies stems at least in part from increasing investments by Anglo-American banks seeking additional investments outlets.[27] And a factor driving major German banks to grow increasingly impatient, seeking higher returns, is the desire to compete on a global scale with their counterparts in New York, London, and other financial centers. Thus, the pressures bearing down on organized labor in Germany, forcing increased concessions, and upsetting institutional balance set in place during the post-War decades, have to be placed in a broader global context.

Regional dynamics matter, too, especially in the European setting. Officially, the EU has supported both codetermination rights as well as financial participation (Kluge and Wilke 2007, Lowitzsch, Hashi and Woodward 2008) . But there are developments in EU company law that threaten to weaken BLER rights, including a provision that enables firms to register outside the country where they are operating as a way of circumventing the home country's codetermination

[27] Insert footnote on the difference between foreign investment in France (hedge funds) and Germany (pension funds)—i.e., importance of not painting with an overly broad brush.

rules. It is important not to overstate the impact of these provisions. But, there are companies in Germany and other countries that have made use of this provision, and, even if the phenomenon remains relatively marginal as of right now, it certainly has potential to transform the institutional edifice of codetermination over time (Conchon 2011).

3.2_The Swedish Meidner Plan

The preceding sketch provides a basic sense of the range of variation in employee ownership arrangements and worker control mechanisms within contemporary advanced capitalism. But, what if we are interested in looking more closely at the maximum level of national institutionalized power that workers have been able to achieve under advanced capitalism? As touched upon above, the power of organized labor—the main existing channel for the expression of worker control—is most expansive in the Nordic countries. And, as with the US for the liberal countries and Germany for Continental coordinated countries, Sweden is often taken as a representative case for this cluster of nations.[28] It also the country in which the power of organized labor has reached, most would agree, its greatest heights. Workers in certain firms may have stronger representation in Germany, but unions in Sweden are far more encompassing, and have been able to promote greater equality across the entire workforce (Esping-Andersen 1990).

My interest here is in probing the Swedish case for what it tells us not only about the power that workers and organized labor have been able to achieve, but the limits to this power. Within the field of comparative political economy, a well-refined intellectual apparatus has been mobilized to illuminate the many ways in which national varieties of capitalism differ (Hall and Soskice 2001), and my own analysis has relied heavily on this body of work. Less clear, however, are the features that these different societies hold in common (Pontusson 2005a, Streeck 2010). How, in other words, might we more sharply delineate the boundaries of this existing range of

[28] It is important to note Sweden is not immune to the pressures facing other countries, and the solidarism and equality for it is known is showing signs of fraying. Recent years have seen sharp increases in income inequality. And, early 2013 saw outbreaks of riots by immigrants protesting their living and working conditions.

variation? By briefly revisiting the intense debates about "wage earner" funds that occurred in Sweden during the 1970s and 1980s, my aim is to cast some light on these outer edges.

To set the context for this episode, we need to briefly consider the particular way in which the post-War institutional settlement took hold in Sweden. In the 1930 and 1940s, organized labor waged efforts to enhance worker control in the domain of production. After the end of World War II, however, unlike in Germany, unions largely abandoned this pursuit, focusing instead on promoting wage and income equality through collective bargaining (Pontusson 1987). The centerpiece of this national project was the "Rehn-Meidner" plan, named after Rudolf Meidner and Gosta Rehn, the two Swedish trade union-affiliated economists who drew it up. Under the plan, wage differentials across industries and occupations were compressed, and workers doing similar work were paid the same regardless of their firm's performance. This meant underperforming firms were squeezed while high-performing firms received "excess" profits, such that equality could be promoted at the same time that efficiency was enhanced (Hall 2007, Meidner 1981, Meidner 1992).

By the 1960s, however, it was becoming apparent to trade unionists that, as Meidner (1981: 308) put it, "the price of solidarity between workers is increasing inequality between workers and capitalists." Meidner formulated another plan that addressed what to do about this problem: On an annual basis, 20% of profits would be funneled into union-administered wage-earner funds that would invest in sustaining existing business and hatching new ones. These funds would be collectively owned and controlled rather workers having a claim on individual shares.[29] And, over a period of a few decades, property rights over existing firms would largely be transferred into the hands of workers and organized labor, affording them ownership and control over the Swedish economy (Meidner 1981, Pontusson 1987, Wright 2010).

[29] Worth noting here is the criticism the plan received for centralizing decision-making in the hands of union officials, and giving inadequate voice to workers at the local level. As the plan went through new iterations, mechanisms were put in in place that enhanced representation at the local and regional levels (Myrdal 1981).

Meidner initially articulated the plan that came to bear his name as an intellectual exercise. In doing so, he drew upon a blueprint for a similar plan that was devised in Germany (Meidner 1981) and subsequently discussed in a number of other countries (Pontusson and Kuruvilla 1991). It was only in Sweden, however, that a plan of this nature was seriously addressed at the commanding heights—lobbied for and against by the major groups representing business and labor, and debated by the leading parties during national elections. The opportunity came amid a broader movement to enlarge the base of power that unions had already consolidated in the post-War period. In 1976, a law was passed mandating a Swedish version of co-determination. The Swedish labor federation (LO) subsequently turned to wage-earner funds as a logical next step (Pontusson 1987).

How, then, did the politics play out? The LO made its case for the plan, focusing on how it would help to redistribute capital without explicitly addressing the way it would effectuate a transfer of property rights. And this was not just a framing put forward with eye toward the broader public audience. LO leaders saw the Meidner plan as a means of quelling growing restiveness among workers who felt they were not achieving their full earnings potential due to the maintenance of wage compression (Pontusson 1987).

Employers, represented by the Swedish Employers Association, were initially receptive to the idea of granting workers an ownership stake. But that was until they fully understood that the plan would bring about their eventual expropriation (Myrdal 1981). Upon realizing the true scope of the plan, employers mounted a campaign to defeat it that dwarfed organized labor's efforts, spending as much during the 1982 election season as all of the major political parties combined (Pontusson 1987).

Over time, Swedish Social Democratic Party, initially supportive, came to distance itself from the Meidner plan, seeing it as a political liability. The Swedish Confederation of Professional Employees (TCU) categorically withdrew its support by the early 1980s (Pontusson 1987). In 1983, legislation was passed that did establish wage-earner funds, but in a drastically scaled-back form that no longer entailed any major transfer of property. And, in 1990, the law was allowed to expire, with Swedish wage-earner funds officially transitioning into status as an historical relic (Pontusson and Kuruvilla 1991).

What, finally, can we take away from this story? Sweden is often described as a society in which organized labor dominates the scene (Gourevitch and Shinn 2005), and this may be true in a relative sense—relative, that is, to the experience in most other countries. But the rise and fall of the wage-earner funds as a topic of national discussion throws into sharp relief the point at which the efforts of Swedish unions to build additional power at a national level reached an impasse. And, by extension, it helps us to see limits to the influence that organized labor has been able to wield within the economically advanced world. Unions have achieved a great deal in promoting wage compression in Swedish society. They managed to add important control rights in the production arena during the 1970s. But, when they sought to link ownership and control rights in a way that would transform the basic relation between capital and labor, their efforts were forcefully turned back.

3.3_Worker Cooperatives in Italy

The Swedish case and the story of the Meidner plan help to reveal the outer limits of the ability of unions to consolidate ownership and control within firms and the economy more broadly. But what about worker cooperatives, organizations which, in principle at least, are premised on a combination of broad-based worker ownership and control? So far, worker coops have been absent from this macro-comparative overview. Operating at the interstices of contemporary capitalist economies, they touch the lives of fewer workers than either unions or employer-initiated share ownership schemes. For this reason, they are also far more difficult to track and compare across countries. But doing what we can to understand the conditions under which worker coops have achieved the upper boundary of their influence is important—again, for what it tells us about the advances that have made, as well as their limits.

Despite the present inability to precisely compare the prevalence of worker cooperatives across nations, it is generally agreed by those with knowledge on the subject that Italy is the country in which worker coops currently play the greatest role (Pencavel, Pistaferri and Schivardi 2006, Zamagni and Zamagni 2010). As of 2001, there were more than 50,000 coops in Italy employing nearly a million workers, which accounted for 1.2% of all enterprises and 5.8% of all workers (Zamagni and Zamagni 2010). This footprint is enormous when compared to most other countries. Equally striking, however, is the fact that these very modest numbers so far exceed those seen in any other nation within the economically advanced world.

Comprising a range of movements affiliated with different political factions, the worker cooperative sector is a long-standing fixture of Italian society that dates back to the mid-19th century. All of these movements faced harsh repression during the Fascist period. But, in 1947, as Italy was launching its post-War rebuilding effort, the new government implemented the "Basevi Law," which aided the subsequent regrowth and spread of coops by giving them favorable tax treatment. At the same time, political leaders were keen to ensure that cooperatives would, as Zamagni and Zamagni (2010:55) put it, "accept a niche role with respect to capitalistic and state-owned corporations." The latter were still seen as the main drivers of the country's economic competitiveness, such that it was important not to promote worker coops beyond a secondary status.

The role of the worker cooperative sector in Italy varies substantially by region. Indeed, just as transnational geographies such as the EU are crucial in understanding evolving patterns of ownership and control, a look at cooperatives in Italy illustrates the importance of being attentive to sub-national geographies as well. Particularly high concentrations of worker cooperatives are seen in North Central Italy, including Emilia Romagna (Logue 2006, Zamagni and Zamagni 2010)—a region renowned for its rich associational life, strong economic performance, and "good" government (Putnam and Leonardi 1993), even if the origins of these conditions and the causal relations linking them together are subject to debate (Boix and Posner 1996).

What do working conditions in Italian coops look like when compared with conventional firms? Impressionistic evidence from a study comparing 49 coops against 35 matched conventional firms suggests that labor as well as capital productivity tends to be higher in coops (Bartlett et al. 1992). And, while many Italian coops hire professional managers, this study along with others find that these managers tend to be paid less than their counterparts in conventional firms (Bartlett et al. 1992, Logue 2006). Perhaps the most consistent finding across different studies is that employment tends to be more stable in coops, including during economic downturns (Bartlett et al. 1992, Pencavel, Pistaferri and Schivardi 2006, Spear and Thomas 1997). However, an analysis of 30,000 Italian firms finds that there is a tradeoff involved: While coops preserve jobs, they make bigger adjustments on wages (Pencavel, Pistaferri and Schivardi 2006).

In recent decades, an important trend in Italy worker cooperative sector has been the expansion of "social" cooperatives that provide various kinds of social services.[30] The rise of these social coops has been touted as a way of extending cooperative principles into areas that are traditionally the preserve of government, and quality assessments of the services provided have generally been favorable (Thomas 2004). But the other side to this development is that pay tends to be significantly lower in these coops than in the comparable government agencies (Logue 2006). In this sense, the growth of social coops can be seen as part of a drive by the Italian government to cut costs, shifting the burden onto providers of essential services.

Another troubling development in the worker cooperative sector has to do with status of immigrant workers, particularly those who are less educated and from outside of Western Europe. Italian law extends same tax benefits whether all workers are coop members, or just a

[30] Social cooperatives also include organizations aimed at bringing traditionally marginalized populations into employment.

small minority, and immigrants have long been overrepresented among non-members (Logue 2006). In January 2013, Egyptian workers at an Ikea distribution center in the city of Piacenza waged a strike against the cooperative consortium that hired them, protesting their pay and contract status. Recently there have been many incidents of this kind, and, like the patterns observed in social coops, they point to another important set of limits facing the Italian worker cooperative sector: an inability in many cases to embody the participatory and egalitarian principles by which they are ostensibly guided.

4_Concluding Remarks

What might one take away from this broad survey of firm-level worker ownership and control patterns in the economically advanced world? In my view, there are three sets of issues that are worth highlighting. First is the broad relationship between ownership and control as it connects to the role of workers within firms. The discussion above did not consider at length the reasons why ownership and control might be beneficial for workers when the two are linked together. But one way of thinking about the benefits of these linkages is to note the clear problems that arise in their absence. Ownership without control gives workers an added stake in their companies, but it often puts them at increased risk with affording them greater voice.[31] Control without ownership grants workers greater voice, but without fundamentally challenging the divide between capital and labor that remains a fundamental source of inequality in contemporary society.[32]

This discussion above has showed, however, that national-level systems do not tend to do a very good job of promoting linkages between worker ownership and control. The US has relatively widespread employee ownership but with weak firm-level control mechanisms, while the reverse is true in Germany. Moreover, a look across the economically advanced world

[31] Looking at employee ownership in the US, there is evidence that its benefits for workers as well as firms depend in important ways on the presence of participation mechanisms such as the presence of arenas for labor-management consultation (Freeman et al xx).
[32] And, with the gap in income accruing to capital versus labor continuing to grow (Mishel 2012), addressing this inequality is of increasing importance.

suggests that there is broader clustering along these lines, even if no clear inverse correlation appears between control and ownership. And, given the erosion of worker control mechanisms across most of the economically advanced world, we face an extremely challenging environment in which to think about how worker ownership and control might be more strongly linked.

What, thinking optimistically, are some ways in such links might be forged? One route would entail activating a mechanism that remains latent within employee ownership arrangements: voting rights for worker shareholders. This would require, one would imagine, shifting in a significant way the incentive facing employers. Another possibility would be to link employee ownership with control mechanisms embedded in existing collective bargaining institutions. Again, this would require shifting the orientation of employers. It would also demand a change in the prevailing stance of organized labor, which is accustomed to staking its claims in a field of play where the divide between capital and labor is taken for granted. Finally, another potential avenue would involve supporting the expansion of the worker cooperative sector. This would necessitate overcoming key problems facing coops such as access to capital, and changing the mindset of policymakers and others who continue to regard these merely as niche organizations. Clearly, none of these routes are easy politically. But it is worth thinking about of all them, their possible points of intersection, and the kinds of political interventions that might open the way for meaningful advances.

A second set of issues that emerges from this discussion has to do with the relationship between worker representation at the firm level and at higher levels of aggregation including the nation. In principle, there is no inherent reason why the two should be odds. Local autonomy and voice should reconcilable with institutions that aim to represents workers on a larger scale and ensure equal outcomes across different firms. But, historically, there have always been tensions of various kinds between these two aims, and they seem to be growing. In Germany and many other European countries, we see assertions of local autonomy that undermine the kinds of encompassing bargains which helped to promote social equality. On the other hand, the broad institutions that emerged in the post-War period to give industrial workers their fair share of the pie now seem to functioning in certain ways as a straitjacket, failing to fully include today's most marginalized workers while suppressing the emergence of creative local initiatives that might more effectively address their concerns. Given these dynamics, new strategies linking local firm-level processes with those at the national level (and various levels in between) are another area for further consideration.

Which brings us to a third set of issues that demand attention. The foregoing discussion has looked at a range of organizational forms—unions, employee ownership schemes, worker coops—that are meant to meant to enhance the participation of workers in various ways. But it has also touched upon a number of instances in which these organizations emerge as significant sites of exclusion—whether it is the increasing tendency of German unions and works councils to protect insiders at the expense of outsiders, or the cases in which Italian coop members use their privileged tax status as a platform for exploiting immigrant workers. These are not marginal concerns. They are central issues for any project that sees itself as expanding the power and voice of workers within firms and society more broadly. Current circumstances are certainly very difficult ones in which maintain existing bonds of solidarity, let alone create new ones. But there are at present efforts among organizations of the kind discussed here that do mark progress in this regard, and perhaps these can help to point the way forward.[33]

[33] As I develop the paper, I plan to touch upon example cases of unions, coops, and ESOPs that have managed to effectively meet these challenges.

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Table 1: Four Views on Firm Governance

		Owners	Managers	Workers
Managerial View (e.g., Chandler 1977)	**Ownership**	✓		
	Control		✓	
Shareholder View (e.g., Jensen & Meckling 1976)	**Ownership**	✓		
	Control	✓		
Stakeholder View (e.g., Blair 1995)	**Ownership**	✓		
	Control	✓	✓	✓
Democratic View (e.g., Ellerman 1990)	**Ownership**			✓
	Control			✓

Table 2: Views on Firm Governance and Organizational Forms

		Owners	Managers	Workers
Managerial View	**Ownership**	✓	(✓)	(✓)
	Control		✓	
Shareholder View	**Ownership**	✓	(✓)	(✓)
	Control	✓		
Stakeholder View	**Ownership**	✓		
	Control	✓	✓	✓
Democratic View	**Ownership**			✓
	Control			✓

Employee Share Ownership Schemes

Unions

Worker Cooperatives

Figure 1: Union Density in 2004

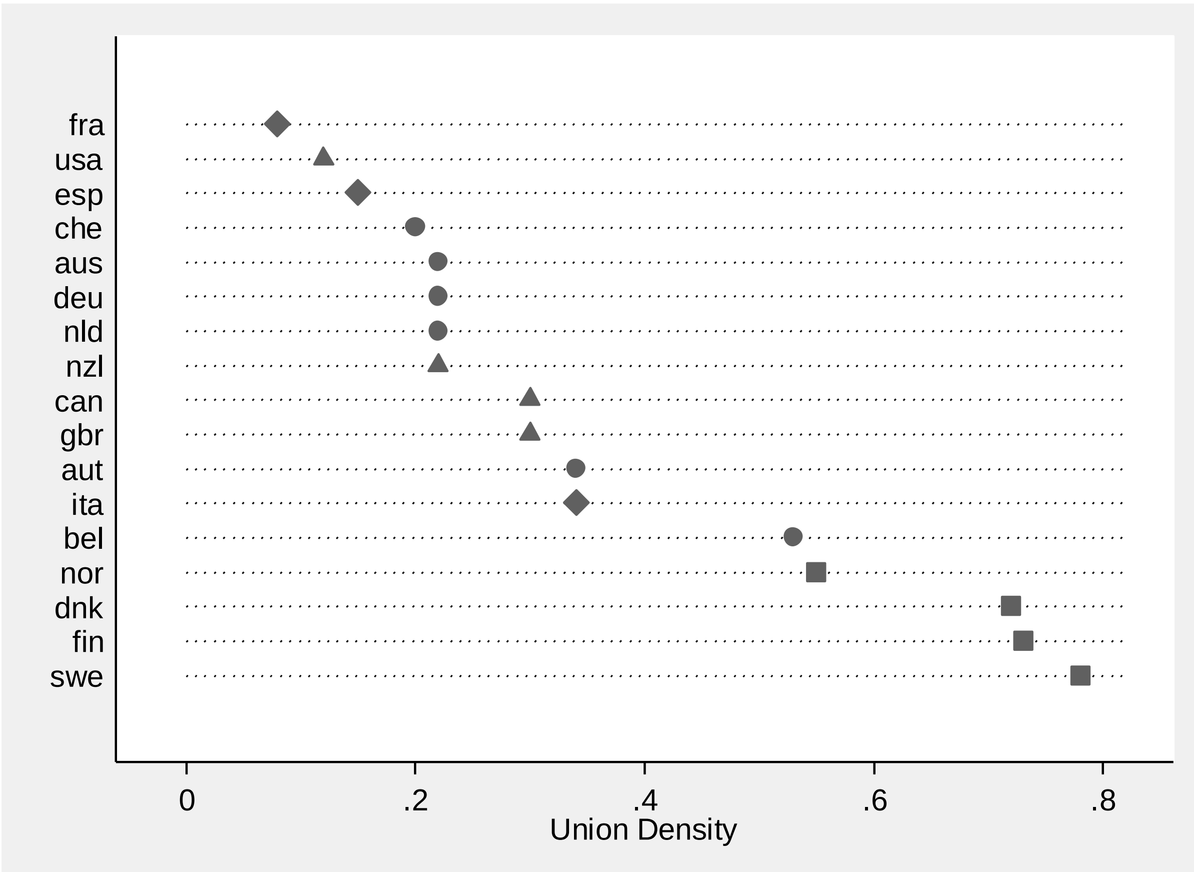

Figure 2: Collective Bargaining Coverage in 2004

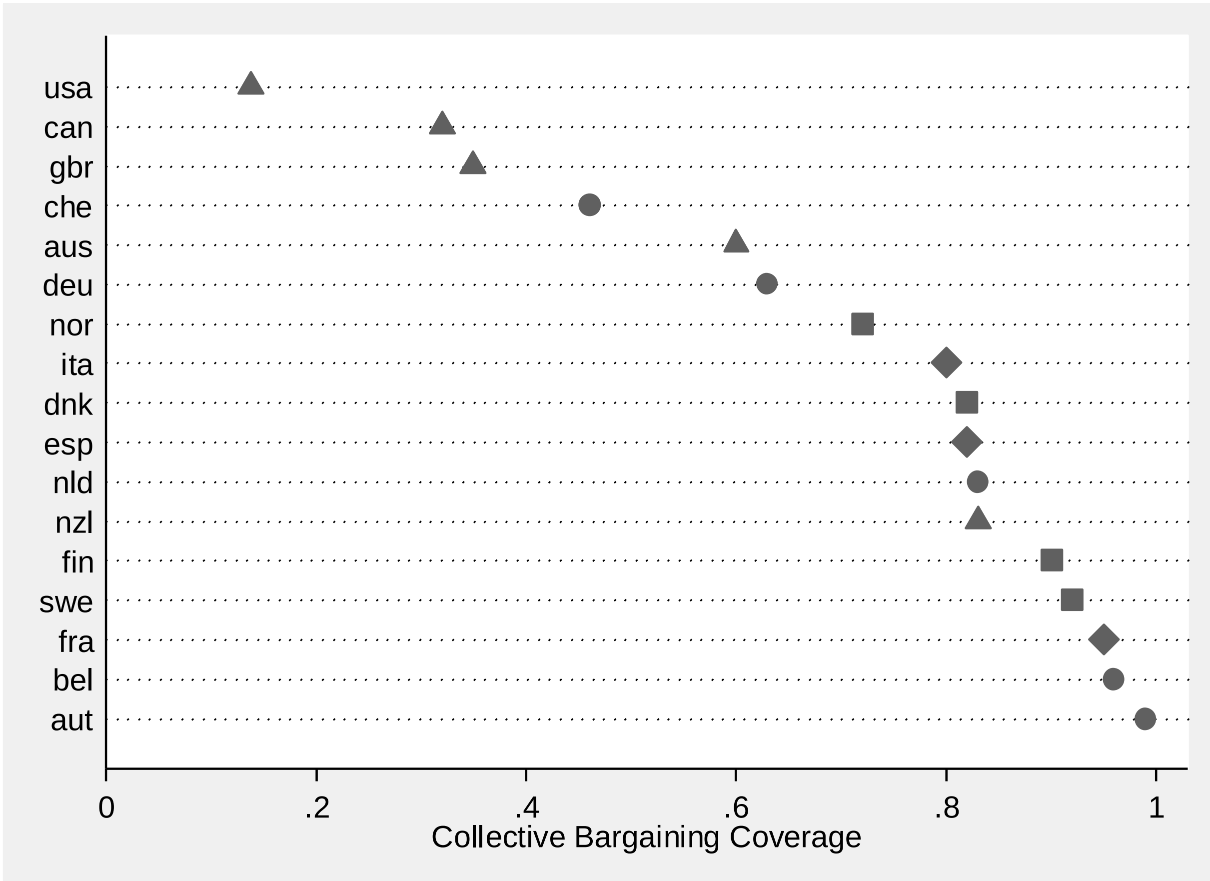

Figure 3: Works Council and Board-Level Representation as of 2004

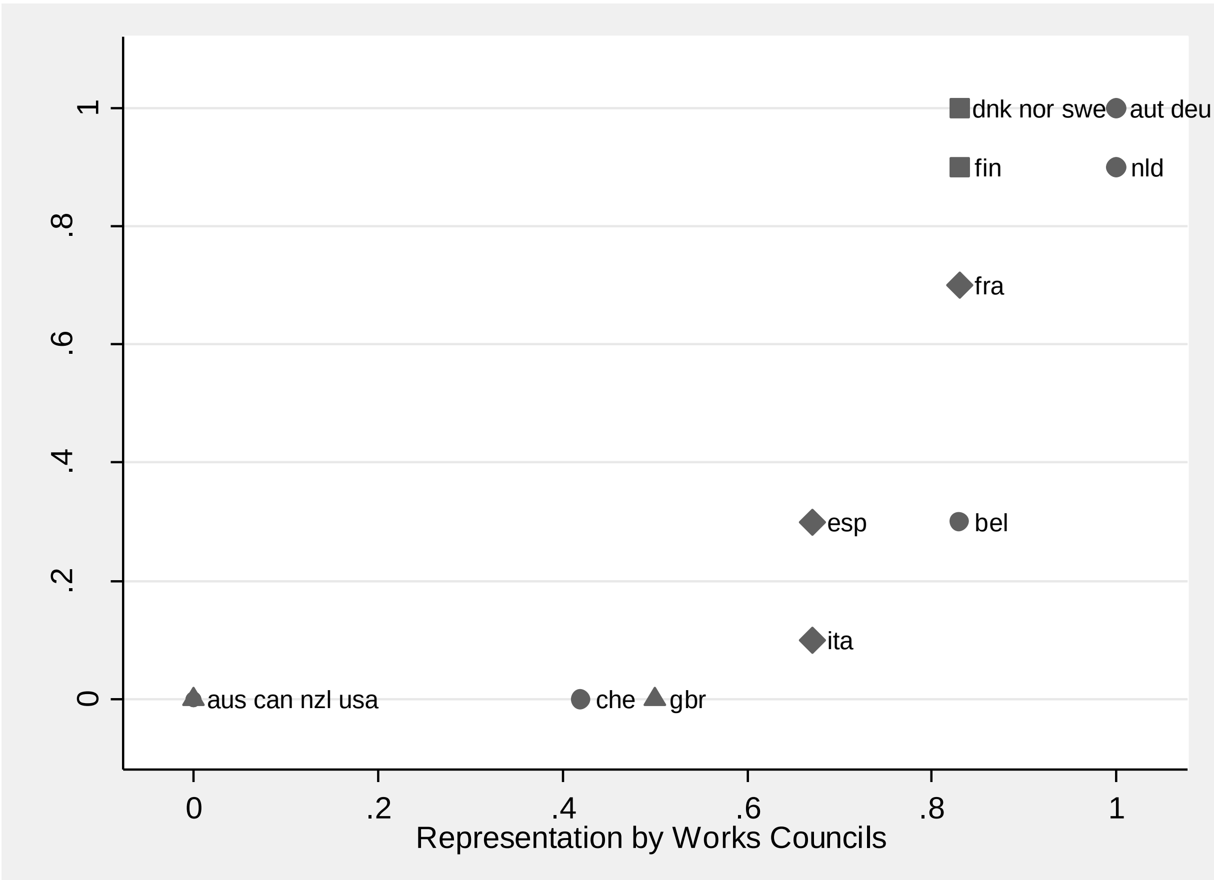

Figure 4: Proportion of Firms with Broad-Based Employee Share Plans, 2004

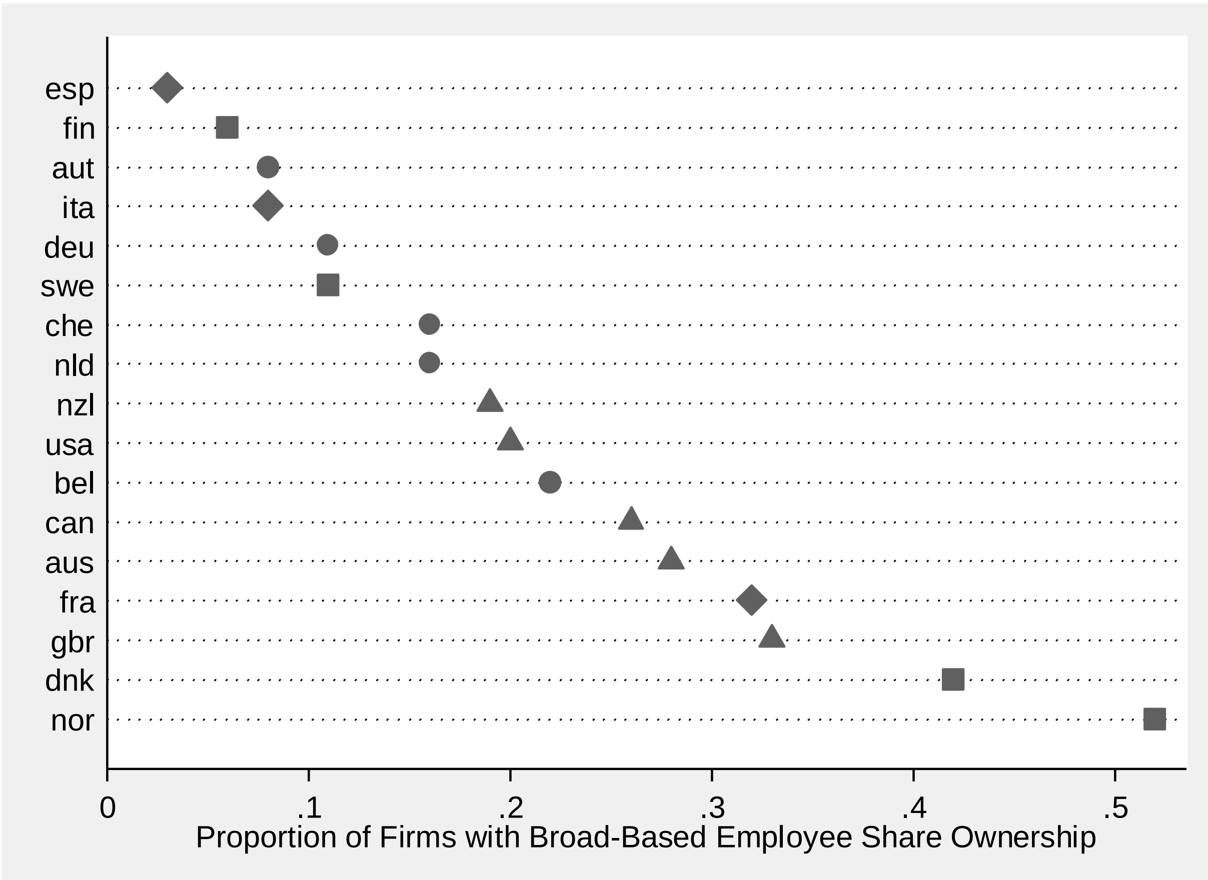

Figure 5: Relationship between Union Density and Broad-Based Share Ownership