

Instructor's manual

Chapter 7 – An acceptable face of capitalism: arguments for and against employee ownership

This chapter explores the arguments for and against employee ownership at both theoretical and practical levels. By the end of this chapter you will be able to:

- distinguish the economic, social, and political reasoning behind employee ownership;
- critically assess the theoretical and practical arguments for and against employee ownership.

The key arguments that will be developed in this chapter are:

The case for employee ownership must be argued on economic, social, and political bases.

The form of employee ownership in question must be taken into account when analysing the arguments for and against employee ownership.

The level of risk borne by workers in an organisation is a key component in most arguments.

The majority of benefits associated with employee ownership are only realisable through an ownership structure that combines meaningful financial participation with participation in management, decision-making, and governance.

Chapter cases and seminar exercises

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|---------------------|---|
| Case 7.1 | Economic benefits of employee ownership |
| Case 7.2 | The Essentials of an Ownership Culture |
| Case 7.3 | Financial performance of employee-owned companies in the UK |
| Case 7.4 | Social impact of employee ownership – evidence from Italy |
| Case 7.5 | The power of sharing information |
| Additional Case 7.6 | Kraft |



Summary of Learning

This chapter has argued that:

- Employee-owned enterprises represent a sound model of ownership on social and political grounds.
- Employee-owned companies are at least as efficient economically as investor-owned businesses.
- The major economic benefits of employee ownership can only be realised by combining financial participation in ownership with participatory management practices and a say in the governance of the organisation.
- Risk is a major aspect of the arguments for and against employee ownership. Arguments for employee ownership centre on the risk to employees of supplying labour to the organisation. Arguments against focus on the unsuitability of employees to bear risk due to capital constraints and an adverse attitude to risk.
- Many of the theoretical arguments for and against employee ownership are only applicable to certain forms of employee ownership, and cannot be used as a 'broad brush' treatment of the topic.

Possible Essay/Discussion Questions

- 'Employee ownership is a positive thing for society.' Discuss this statement with reference to the normative and empirical arguments outlined in this chapter, as well as evidence derived from your own research.
- Is there a case to be made for political support for employee ownership?
- Could it be argued that certain forms of employee ownership are only a means of reducing trade union power and encouraging employees to generate even more wealth for shareholders?

Useful resources

The Carey Center for Democratic Capitalism <http://www.democratic-capitalism.com/>.

The MIT Community Innovators Lab <http://colabradio.mit.edu/>.

The Capital Ownership Group <http://cog.kent.edu/>.

