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4. The limits of workplace democracy

Abstract

This paper offers a reassessment of the prospects for workplace democracy in light of the disappointing consequences for workers' participation of three recent innovations in ownership: (1) the resurgence of producer cooperatives and worker-owned firms; (2) the spread of employee shareholding in conventional corporations; and (3) the privatization of formerly socialist economies. These empirical disappointments are explained with the help of the principle-agent theory of Jensen and Meckling (1976, 1979). Both this theory and these cases suggest that workers are rarely in a position to be the most strategic suppliers of capital to their firms. This in turn implies that ownership continues most frequently to limit the scope of workplace democracy rather than enhancing it. It also suggests that in so far as workers' participation in management will continue to spread, it is most likely to do so on its merits, and not as a by-product of an ownership change.

Introduction

The scope of this paper is broad and ambitious. While I hope someday to produce a more systematic review of the relevant empirical and theoretical literatures, all I can offer at present is a personal and impressionistic survey of the intended terrain.

While the selection of empirical cases and theoretical arguments for emphasis here is unique to the author, the central concerns of this paper should be of interest to many readers. They include the question of how much democracy is feasible in modern workplaces, and the issue of what ownership structures are most conducive to the highest levels of workers' participation in management. All such questions have recently acquired new relevance and meaning, in light of the efforts of many Eastern European and formerly Soviet republics to privatize their state-owned economies.

My own first answers to these questions were strongly influenced by my participation in a study of worker-owned refuse collection companies located in and around San Francisco in the late 1970s (Russell, Hochner, and Perry, 1977, 1979; Perry, 1978; Russell, 1985a). Decision-making in these firms struck us as being remarkably democratic, despite the venerable age and large size of many of these organizations. On the basis of these examples, I reached two conclusions: (1) we can have democracy in contemporary workplaces, if we want it; and (2) worker ownership of businesses had the potential to increase dramatically the participation of contemporary workers in the management of their firms.

Since those studies were conducted, a number of empirical and theoretical developments has undermined my confidence in both of these conclusions. My own research has focused on the consequences for workplace democracy of three forms of ownership: (1) producer cooperatives and worker-owned firms; (2) employee shareholding in otherwise conventionally owned corporations; and (3) the privatization of formerly socialist economies. Each of these three innovations in ownership has proliferated significantly in a number of countries at one time or another over the past one or two decades. Each has also inspired hopes that it might promote substantial increases in workers' participation. While I myself have shared these hopes, the empirical record to date for all three of these ownership transformations has made it increasingly difficult to cling to grandiose expectations about their likely effects.

These empirical disappointments have been accompanied by new theoretical critiques of both employee ownership and workplace de-

mocracy. Most relevant to these empirical cases has been the principle-agent theory of Jensen and Meckling (1976). This theory calls special attention to the allocation of risk. Risk is probably the issue on which most forms of employee ownership are most vulnerable to critique. Jensen and Meckling (1979) argue that a proper allocation of risk requires workers' assets to be invested outside the firm that employs them, in a diversified portfolio of assets, rather than inside the firms, which exposes workers to the risk of losing their jobs and their savings at the same time. While the need to protect workers from such risks creates an argument against worker ownership, the need to protect outside investors from excessive risks creates an argument against workplace democracy. Jensen and Meckling argue that the interests of outside investors are best protected if firms are controlled by the investors themselves, or by the managers, who are reliable 'agents' of these investors because their compensation is high enough to include quite substantial amounts of stock.

Such arguments, although unwelcome, provide a parsimonious explanation for many of these recent empirical disappointments. Together, these empirical and theoretical developments have forced me to alter my own expectations amount the amount of democracy that is achievable in modern workplaces, and about the contribution that employee ownership can make toward realizing the possibilities. Jaroslav Vanek and other economists may have been right all along in telling us that ownership, even if it is employee ownership, is more often a hindrance to workers' participation in management than a help. While I still expect workers' participation in management to continue to increase, I now place less faith in any dramatic ownership change, and rely more heavily on those more incremental processes that Frank Heller has done so much to help us to appreciate (e.g., Heller and Wilpert, 1981; Heller, Drenth, Koopman, and Rus 1988; Heller, 1991).

This paper may thus say less about the limits of workplace democracy, in general, than it does about the limits of employee ownership as a path to workplace democracy. But readers will recognize that diminished expectations about what ownership can do for workplace democracy are inextricably linked to diminished expectations about workplace democracy itself. Despite everything Arnold Tannenbaum (1968) has told us about the possibility of increasing the 'total amount of control' in organizations, the seats that outside investors and lenders take on corporate boards inevitably limit the maximally attainable forms of workers' control to the modest forms of shared governance or 'codetermination' that our European colleaugues have long been familiar with (e.g., Industrial Democracy in Europe, 1981a, 1981b, 1993).

This paper expands on these points, first by providing more detail about the empirical cases and studies that have inspired these comments, and later by saying more about their implications for theory and practice.

Empirical disappointments

Producer cooperatives and worker-owned firms

In the nineteenth century, producer cooperatives were enthusiastically advocated by many reformers, including the highly respected political economist John Stuart Mill; but by the end of that century, these organizations were being widely dismissed as utopian. In the 1970s and 1980s, worker cooperatives and similar kinds of worker-owned firm experienced a resurgence in a number of Western countries (Ben-Ner, 1988; Cornforth, Thomas, Lewis, and Spear, 1988). In part this new wave of cooperative formations was an expression of the countercultural values of the late 1960s and early 1970s (Rothschild-Whitt, 1979; Rothschild and Whitt, 1986). In the later 1970s and early 1980s, the population of worker-owned firms was also fed in many countries by the transformation of existing firms to worker ownership, in many cases in order to avert the closure of a plant (Bradley and Gelb, 1983; Whyte, Hammer, Meek, Nelson, and Stern, 1983; Hochner, Granrose, Goode, Simon, and Appelbaum, 1988; Paton, 1991). In recent years, the dynamic growth of a group of industrial cooperatives located in and around the city of

Mondragon in the Basque region of Spain has played a special role in encouraging hopes for this form of ownership (Whyte and Whyte, 1988).

I have devoted most of my own research to the study of such producer cooperatives and worker-owned firms. After studying scavenger companies, taxi cooperatives, and professional group practices in the United States (Russell, 1985a, 1985b, 1991b), in 1989 I took up the study of worker cooperatives in Israel, a country with a much richer experience with firms of this type (Russell, 1991a, 1995). I am referring not to Israel's rural agricultural cooperatives, the kibbutzim and moshavim, but to its urban worker cooperatives, which are more similar in structure to the producer cooperatives of other countries. Although less famous than their rural cousins, these cooperatives of drivers, printers, bakers, and butchers have at times been much more numerous. Altogether, I have records on nearly fifteen hundred worker cooperatives that operated in Israel at some time or other between 1924 and 1992. Out of this large and nearly century-old population, 75–100 worker cooperatives remained in operation when my research began. Between 1989 and 1993, I gathered interview and observational data from fifteen of these organizations, and collected archival information about the entire population (Russell, 1995).

This recent research on producer cooperatives and worker-owned firms in Israel and the United States has pointed toward much more sobering conclusions than those inspired by studies of the cooperatives of Mondragon. Rather than finding any results to boast of, I find myself continually rediscovering old lessons about the limits of this ownership form. These lessons include the following:

1. Contrary to the hopes of J. S. Mill and many others, producer cooperatives and worker-owned firms have rarely been very prolific or dynamic organizational forms. They come into fashion for only brief periods of time, often as part of some broader social movement, and under the sponsorship of trade unions, political parties, or governments (Aldrich and Stern, 1983; Cornforth, 1984). In the absence of such exceptional circumstances, however, firm founders generally prefer structures that allow them to reserve all of the firm's ownership for themselves.
2. The producer cooperatives and worker-owned firms that do arise do not outcompete their conventionally owned rivals. Measuring quantitatively the consequences of worker ownership for productivity and profitability has always been difficult. It has never been decisively proved to my satisfaction that worker-owned firms perform signicantly better or significantly worse than any other firms. But qualitatively, it is easy to identify sectors in both the United States and Israel in which competition from other ownership forms has gradually driven the worker-owners out (e.g., plywood in the U.S., baking in Israel), and I have not identified a single sector in either country in which the reverse has been true. In both countries, the longest-lived worker-owned firms have operated in sectors in which these firms hold monopolies (e.g., the scavenger companies of San Francisco, Israel's bus cooperatives).
3. With the exception of these fields in which they enjoy monopolies, worker-owned firms are not unusually long-lived. Some theorists have argued that even if worker-owned firms are not more profitable or more productive than alternative ownership forms, they will be more tenacious, cutting wages or working hours if necessary in times of downturn, but preserving their firms and their jobs at all costs. Some support for this notion appears in Ben-Ner (1988), and in Staber (1989), but findings reported by Cornforth *et al.* (1988) and by Russell (1993, 1995) are less supportive.
4. Worker-owned firms that do survive for a number of years often find their capital structures increasingly confining. A firm that refuses to raise equity capital from anyone but its own workers is always in danger of starving itself for capital, especially if, as many economists' argue, worker-owners' risk aversion and short time

horizons systematically lead them to underinvest. The capital structures of many producer cooperatives and worker-owned firms in Israel and the United States also have a tendency to become increasingly stagnant over time. As a result of the retention of some earnings and the appreciation of real property, the capital per member tends to rise in these cooperatives, to a point where newly hired workers can no longer afford to purchase an equal stake. In so far as these firms do not raise capital from their newly hired workers, worker ownership eventually causes more capital to flow out of the firm than flows in. This is because retiring worker-owners demand to be paid in full for the value of their memberships as they depart from their firms, and the capital collected from the more recently hired workers increasingly falls short of the amount that is being paid out. Some Israeli worker cooperatives have had to create waiting lists for members who want to retire, because they do not have enough cash to pay them all off at once. Israel now has a number of worker cooperatives that have not admitted any new members for decades, and in which the last five or ten members are now in their sixties and seventies, and continue to work only because they see no other way to reap satisfactory returns from the capital they have invested in their firms. The cooperatives of Mondragon in Spain deserve special mention here, because they have sophisticated capital structures that minimize many if not most of these problems. But in this as in many other respects, it is the cooperatives of Mondragon that stand out as being most unique and atypical. Until more worker cooperatives begin to adopt the capital structures of the Mondragon cooperatives, and achieve comparable successes with them, the picture I have just described will remain the more typical one.

5. The ownership structures of most worker cooperatives also tend increasingly to become barriers to wider participation by workers in management, rather than a path toward it. This applies especially to the hired workers, who typically have less of a voice in these ostensibly democratic workplaces than they would if they were unionized workers in a conventionally owned workplace. By the late 1980s, the median share of nonmember workers in the labor force of Israeli worker cooperatives had risen to more than 80% (Russell and Hanneman, 1994). Some economists have argued that the increasing use of hired labor in worker cooperatives is a function of faulty capital structures. This in turn implies that if firms establish a revolving capital fund such as that in use in the cooperatives of Mondragon, the use of hired labor can be largely prevented. Economists like Ben-Ner (1984) and Miyazaki (1984) have argued, however, that the temptation to make increasing use of hired labor persists even in the absence of capital, because the members of a cooperative can always be tempted to increase their incomes by reducing the number of workers who share in the firm's profits. Thus all of these efforts to base workers' rights to participate in the management of their firms either on their ownership of the firm's capital or on their membership in the circle of profit-sharers ultimately limit workers' rights of participation rather than extending them. So if one thinks that workers ought to be included in decision-making in a firm, it now strikes me as more effective to extend these rights to workers on the grounds that they are workers, and not in recognition of their roles as investors or owners or even members.

Employee shareholding in otherwise conventional corporations

Like producer cooperatives, employee shareholding in conventional firms is another reform whose popularity has ebbed and flowed since the nineteenth century, and that has attracted increased interest in the last two decades. Both many employers and many governments have seen employee shareholding as a way to promote a sense of partnership between employees

and their firms, making employees more loyal and productive, and less likely to organize unions or to quit their jobs. But periods of generally declining stock prices like the 1930s have often reminded these sponsors of the special risks that employee ownership involves, causing employers to cancel or shy away from these programs, and leading governments to take legal actions that inhibit their use. In addition to the problem of lack of diversification, governments have also been concerned that employee shareholders as naive investors would pay too high a price for their shares, and would not be sufficiently effective monitors of managers to prevent their capital investments from being misallocated or misappropriated.

In the United States in 1973, these two contradictory attitudes toward employee shareholding came head to head when the Congress was preparing a pension reform bill that eventually became the Employee Retirement Income Security Act ('ERISA') of 1974. Early drafts of this bill would have required employee retirement accounts to be allocated among a prudently diversified portfolio of investments. But in the fall of 1973, the bill's chief author Senator Russell Long fell under the influence of Louis Kelso. In a work entitled *The Capitalist Manifesto*, Kelso and Adler (1958) had argued that employee shareholding could save America from Communism, undermine the appeal of unions, prevent inflationary increases in wages, and keep American goods internationally competitive. With Kelso's encouragement, the final draft of this bill gave explicit encouragement to the formation of Employee Stock Ownership Plans, or 'ESOPS.'

Since 1974, the number of American corporations with ESOPs has risen to 9,000–10,000 firms, with a total of about 11 million employees participating in these plans. If one also broadens one's scope to include alternative forms of employee shareholding, such as individual stock purchase plans that make employees the direct owners of their stock, then one must add another 4,000–5,000 corporations, and perhaps another 4 million employees (Blasi and Kruse, 1991; *Employee Ownership Report*, May/June 1994).

Governments and employers in a number of other countries have also shown increasing interest in employee shareholding over this same period of time, and for similar reasons. In Germany, the Christian Democrats have been promoting the formation of a 'property-owning democracy' since 1953, and offered explicit inducements for employee shareholding in laws passed in 1984 and 1987 (Gurdon, 1991). In Thatcher's Britain, employee shareholding was made a preferred form of savings, and was also used to minimize employee resistance in government-owned enterprises that had been earmarked for privatization.

The country with the widest penetration of employee shareholding in recent decades has not long ago been discovered to be Japan. According to Jones and Kato (1993), the Japanese government has been encouraging Japanese corporations to offer employee stock purchase plans since 1967. By 1968, about 20% of all publicly traded corporations in Japan had established such plans. In 1988, 91% of all Japanese corporations were operating such plans. In these firms, almost 50% of the labor force participated in these plans, with average stockholdings of $14,000 per employee.

While the growth of such plans in numbers of firms and participants and average account sizes has indeed been impressive, their impact on decision-making in the firms that adopt them has not. In the case of employee stock purchase plans, this has not been unexpected, because even if they were to be voted together, the proportion of a firm's shares represented by these individual employee shareholdings is rarely sufficient to constitute a controlling interest in the firm. More substantial effects were expected for the ESOPs, because they have the potential to accumulate much larger quantities of stock, and because the concentration of all employee-owned shares in a single retirement trust allows those shares to be voted in a bloc.

In 1984, when the ESOP program turned ten years old, Senator Russell Long requested the US General Accounting Office to conduct a survey to determine what the impact of the ESOPs on the firms that adopted them had been (US General Accounting Office, 1986; Russell, 1989). In the summer of 1985, the GAO mailed out questionnaires to 1,113 firms that had pre-

viously been identified as having ESOPs, and fully 860 responses were received, for a remarkably high response rate of 77%.

While the rate of response to this survey was encouraging, what it said about the impact of the ESOPs on workers' participation in decision-making was not. In only 27% of the firms with ESOPs did respondents report that the involvement of non-managerial employees had become greater after the ESOP had been introduced. Where increases in the involvement of non-managerial employees had occurred, it was primarily by informal rather than formal means. In only 4% of all firms with ESOPs did even a single representative of unions or non-managerial employees serve on the company's board of directors, even though 19% of all ESOPs had acquired 25% or more of their firms' voting stock by that time.

Later research on ESOPs has told a similarly disappointing story about the impact of the ESOPs on decision-making in their firms. Even when ESOPs own a majority of the voting stock in their firms, employees and their representatives rarely if ever constitute the dominant influence on company boards (e.g., Ivancic and Rosen, 1986; Blasi and Kruse, 1991; Hammer, Currall, and Stern, 1991; Snyder, 1992).

The failure of the ESOPs to lead to a higher degree of workers control even in these highly conducive instances I find surprising, and even puzzling. In part I still suspect that the only thing missing is a just a little more self-confidence and imagination, perhaps only one or two prominent examples that show that it really can be done. The current effort by the employees of United Airlines to take control of their company with the aid of an ESOP is perhaps the most likely candidate at present to make such a breakthrough.

But the failure of American employees to use the ESOPs to take control their corporations is due to more than mere reluctance by the workers. It also reflects structural barriers related to the management of risk.

Two sets of risks are reflected in the governance of corporations with ESOPs: risks to lenders and outside investors, and risks to the retirement assets of the firm's employee-owners. In so far as substantial bank loans are involved in the acquisition of a majority interest in a firm by its ESOP, the lenders typically seek to protect their investments by insisting that employee representatives should not be allowed to dominate the board (Hansmann, 1990). Where outside lenders do not dictate the composition of a board, efforts to place employee representatives on the board are constrained by laws that define corporate directors as fiduciaries, with an obligation to be equally protective of the interests of all corporate shareholders, and not just the employee-owners. And in the election of corporate directors, ESOP-owned shares are voted not by employees, but by ESOP trustees, who bear similar fiduciary responsibilities to be equally protective of the interests of all employee-owners. Because the ESOP trustees are defined by law as fiduciaries who protect employees from risk rather than as delegates of the employees, they are appointed by managers, rather than elected by the workers. In those rare cases in which the managers of ESOP-owned businesses decide to include employee 'representatives' on their boards, the firm's employees are typically not even consulted about who their representatives will be (Hammer, Currall, and Stern, 1991). Thus, because of the risks that are seen as being associated with employee retirement assets and employee shareholding, ESOP ownership, even if it is majority ESOP ownership, has lead so far to the governance of corporations by fiduciaries, rather than by workers.

The privatization of formerly socialist economies

Since the nineteenth century, socialists have been expressing impatience with all of the piecemeal reforms represented by these previous two forms of ownership, and have been insisting instead that workers would not be made masters of industry until the entire economy was nationalized and thereby placed in their hands. As we all know, the socialist governments that came to power in Russia and Eastern Europe in the aftermath World Wars I and II produced quite different results, as the socialists of the Second International preferred to bureaucratize rather than to democratize their industrial systems. Since those develop-

ments, advocates of workplace democracy have placed their hopes either in the liberalization of socialism, or in its demise.

For several decades, the system of 'self-management' that was developed by socialist Yugoslavia after its break with the Comintern was the chief focus of these hopes. Many of the democratic ideals and reforms that had been developed in Yugoslavia also gradually spread to other Eastern European socialist regimes, such as Poland and Hungary. By the mid-1980s, when the influence of Gorbachev was at its height, it was hard to find a socialist government in this region that had not that was not at least experimenting with one mechanism or another for increasing the participation of workers in the management of their factories (Tsiganou, 1991).

But none of these reforms was able to save these autocratic and increasingly unpopular regimes. Yugoslavia, the Soviet Union, and Czechoslovakia have fallen apart, and governments throughout this region are now preoccupied not with liberalizing, but with dismantling, their formerly socialist economies.

The wave of privatization that is now sweeping Eastern Europe and the former Soviet republics has been seen by many observers as presenting a unique opportunity to establish new and more meaningful forms of workplace democracy in many parts of this region. If the state-owned factories of these countries are to be transferred to new owners, many have asked, who is more strongly entitled to become the new owners, than the factories' workers themselves? If well-established American corporations like United Airlines, Polaroid and Avis can be sold to their employees, why cannot a similar model be applied to the privatization of Eastern Europe? This kind of worker-owned capitalism would appear to have a special appeal in contemporary Eastern Europe, because the previous political culture in this region had based its legitimacy on its alleged protection of workers' rights, and on making capitalism a dirty word. What better way could there be to legitimate the transition to a new capitalist economy, therefore, than to make an ownership stake for workers an integral part of the deal? And if workers are going to participate in the ownership of privatized enterprises, should they not also be entitled to participate in their governance as well?

Arguments of this sort have been made in a number of countries in this region in recent years (Bogetic, 1993; Vaughan-Whitehead, 1993), including Poland (Dabrowski, 1991; Krajewska, 1993; Jarosz, 1994) and Russia (Weisskopf, 1992, 1994; Bim, Jones, and Weisskopf, 1994; Clarke, Fairbrother, Burawoy, and Krotov, 1993; Sutela, 1994). These views have been particularly popular among workers, unions, and former Communists. Government leaders in these new states, however, have held quite different views.

The main reason why Eastern European leaders have been reluctant to embrace worker ownership is that the purpose of privatization for them is not just to sell state-owned enterprises, but to reorganize them, to make them more profitable and productive. Workers are seen as poor candidates to play this role, because they lack both capital and knowledge of the most current production methods, and because their desire to protect their own jobs might cause them to resist painful but necessary changes. The preferred future owners in the eyes of these governments are foreign investors, who have both the capital and the know-how that are needed to modernize these firms.

In designing their privatization programs, therefore, Eastern European governments have generally tried to offer workers enough ownership to give them a stake in the new system, but have discouraged workers from buying a controlling interest in their firms. Countries like Poland and Russia distributed 'vouchers' to their citizens, that could be used to purchase small quantities of stock in any firm. The intention was to turn the general public into passive investors in firms with which they had no direct contact, although in fact many workers have used these vouchers to purchase shares in their own firms. In Russia, the government also offered to give workers in large firms 25% of the firm's total equity in the form of nonvoting stock, and to sell them up to 10% of the voting stock at a 30% discount off the book value, provided that they agreed not to seek a con-

trolling interest in their firms. If workers insisted on buying 51% or more of the firm's voting stock, however, the price jumped to a 70% premium over book value, and workers forfeited the free nonvoting shares.

The Russian case is now particularly interesting, because despite the obstacles that the government placed in their path, 'inside' groups of managers and workers together have purchased a controlling interest in the overwhelming majority of firms that have been privatized in Russia (Sutela, 1994; Blasi and Panina, 1994). They were able to do this, because the prices charged for each firm were based on January 1, 1992, book values, and as a result of rampant inflation, even 1.7 times that book value proved to be not too great a sum for workers to be able to pay with a combination of vouchers and cash.

As of this writing in mid-1994, it appears that Russia's factories are now owned primarily by their workers, at least on paper. But in practice, they are still controlled their managers, who now enjoy more autonomy than they ever had before. For example, Blasi and Panina (1994) recently completed interviews with managers in 150 privatized enterprises, and found that at present, workers control these factories on paper only. The control rights that workers have purchased in their factories entitle them to vote at stockholders meetings only. These meetings of shareholders are required to take place no more than once a year, and in so far as such meetings have taken place at all, managers have so far been quite successful in controlling them. And because Russian unions have been left even weaker by privatization than they were before it began, the general impression given by most such research is that Russian workers have even less influence over the management of their factories now than they did before the ownership change (see also Kabalina and Nazimova, 1993, and Clarke, Fairbrother, Borisov, and Bizyukov, 1994).

The possibility remains that at least some groups of workers in Russia will begin using the voting power of their shares to influence the governance of their firms. But both the managers and the government are doing all they can to bring about a different result. Managers hope to buy up the workers' shares, or to consolidate the workers' shares into a trust that they could control, as in the American ESOPs. The government also wants the workers to sell their shares, but to outside investors, not to managers. Given the ease with which workers can sell their shares, and the negligible impact their share ownership is having on the governance of their firms, it is hard to see anything that would prevent most Russian workers from selling their shares to one or another of these buyers within the next one, two, or three years.

Theoretical and practical implications

Although the empirical cases discussed here have been extremely diverse, the theoretical import of the tales that have been told about them is not. In each case, efforts to base workplace democracy on worker ownership have been undermined by two related obstacles: (1) limits on workers' ability to act as the sole suppliers of capital to their firms; and (2) the need to reserve at least some of the control rights associated with ownership for these investors who are able to supply the capital that the workers lack. Thus, worker ownership has its limits, and any form of workplace democracy that is based on it inevitably suffers from the same limitations.

A number of policy implications and recommendations can be derived from these results. First, if worker ownership creates serious problems from the point of view of risk, and generally produces disappointing consequences for workers' participation or economic results, then we will need to be more cautious about recommending it. I would not go so far as to say that employee ownership should be avoided at all costs. There remain many circumstances in which at least some degree of employee ownership would seem appropriate and fair. For example, for firms that are in trouble, an equity stake may be all that a firm can offer to its unionized employees in exchange for wage reductions. Or if an employer in a prosperous firm believes that employee shareholding will help to motivate employees, and therefore

wants either to give stock to the employees or to sell shares at a substantial discount, the employer should not be prevented from doing so. But in most other cases, I would now advise employees to invest their savings outside the firm that employs them, unless they will derive very clear and tangible benefits from investing them within the firm.

With regard to the prospects for workplace democracy and workers' participation in management, I remain more positive and optimistic. The research reviewed here indicates that the future of workplace democracy has little to do with the future of ownership; the work of researchers like Frank Heller suggests that it has much more to do with the nature of work. Research from many quarters over the past two decades suggests that workplace democracy rarely originates in the board room and then descends to the shopfloor; rather, it must take firm root on the shopfloor, before it can hope to be expressed in the boardroom. If work continues to become more complex, and if workers continue to acquire new skills, then more and more managers everywhere are likely to adopt various forms of workers' participation, because the competence of their labor force is simply too precious a resource to waste.

So workplace democracy still has a bright future, and even employee ownership may have an important role to play, but it would be better to think about these two reforms separately, than to continue to assume that they are intimately and inevitably connected. We must not confuse them in our minds, or insist too strongly on basing one upon the other. It will be better to consider each on its own merits.

What I am recommending for the economic sphere is a change that occurred in political life a long time ago. Many democratic governments began by having property qualifications for the right to vote, but our modern concept of citizenship no longer depends on being a property owner. We now need to discard the notion that capital ownership should still be an important prerequisite for participation in decision-making in the workplace, as we have long ago discarded this notion outside of it.

As I finish drafting this confession and recantation, I see that I have until recently been more strongly under the influence of Marxism than I had previously realized. I have never explicitly considered myself to be a Marxist, but what I have been clinging to until recently is a very Marxist notion. I have been searching for a dramatic transformation in ownership that could lead to equally dramatic increases in the participation of workers in the management of their firms. I have now concluded that the 'Great Leap Forward' that I have been waiting for is simply not going to come. What remains as the only viable alternative is the much more tedious and less romantic effort to promote workers' participation one step at a time, firm by firm, job by job, and worker by worker.

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