

## *Book Review*

### **Employee Ownership for Democracy** *Jacquelyn Yates*

**Robert Oakeshott, *Jobs and Fairness*, Michael Russell Publishing Ltd., Norwich, U.K. 2000. 710 pp. ISBN 0-85955 256 X**

**M**ost employee owners understand very well that employee ownership with employee participation is good for employees and good for companies, but most importantly, argues Robert Oakeshott, it is good for democracy. By enlarging the number of people who have a stake in the system, broad business ownership strengthens freedom and democracy. He repeats the advice of Sir Francis Bacon to King Henry VII, "Wealth is like muck. It is not good but if it be spread."

Oakeshott, who has spent most of his professional career studying, teaching, researching and encouraging employee ownership, is an unabashed enthusiast who combines history, philosophy, legal argument and case studies to show that substantially employee owned companies can succeed at least as well as other firms, while additionally providing job security and broadly distributing capital income.

Calling the employee stock ownership plan, "one of the most consequential social inventions of this century," he gently dismisses critics who argue that employee-owned firms are inevitably doomed by the greediness of workers. His evidence is simple: employee-owned firms work. With modest encouragement from law, the number of substantially employee-owned firms in Europe and North America has grown from about 15 in the 1970s to over 1000 by the end of the century.

Oakeshott's early chapters provide a brief introduction to moral, philosophical and legal antecedents of employee ownership. They are followed by case studies of employee-owned firms in Western Europe and North America, and these are the book's strongest point. Oakeshott knows them well—the producer cooperatives in Italy and France, the cooperative shoe factories in England, the business owners who gave ownership to employees as an act of generosity, and the employee-owned firms created by privatization during Margaret Thatcher's administration.

The Carl-Zeiss-Stiftung, a famous German optical products company was created as a beneficial foundation for its employees in 1891. It was divided when the country was split after World War II, and its facilities in Jena, East Germany, were nationalized by the Communist government. When the country was reunited in 1991, the company purchased its former subsidiary and revived it. The Stiftung offers employees excellent pay and benefits, emphasizes scientific know-how and research and development, but practices no employee governance nor any shop-floor involvement.

In contrast, the John Lewis Partnership, a retailing and manufacturing chain in the U.K., uses extensive employee involvement in management and governance. Employee ownership dates to 1929, when the partnership was created as a trust by the company founder's son, who worked out the basic principles while managing one of the stores. The capital of the company is owned collectively by the employees, but the income is owned individually. Oakeshott provides a detailed picture of the firm enduring the vicissitudes of business, and he describes structures and practices that have developed over the years to help the firm survive bad years and succeed in good ones.

A company which found its way to participation is the Baxi corporation, a British firm that rode the rising market for water heaters to great success after World War II. Oakeshott's history and analysis identify strengths and weaknesses, and help to explain why the corporation was unable to maintain its employee ownership after the book went to press.

Despite its factual tone, Oakeshott's tale of the privatized British bus companies leaves the reader cheering for the employee owners as they struggle to stay in business in the face of brutal competition from the country's largest private bus companies. If anyone is inclined to think that business isn't tough, this chapter is a strong dash of reality. And his story of the National Freight Consortium is a different twist on the theme of privatization to employee-owners, with a different outcome and hard lessons for all participants.

Oakeshott's case studies outside the U.K. include the Herend Porcelain factory in Hungary, privatized in 1993; in the U.S., Weirton Steel, Republic Engineered Steel, Polaroid, Allied Plywood, Cooperative Home Care Associates and United Airlines. He concludes with the tale of Tullis Russell, a paper company sold by its family owners, including David Erdal, whose study on the social effects of ownership appears as the lead story of this issue.

In closing, Oakeshott argues that more substantial employee ownership could reduce unemployment, stimulate economic growth and address problems of business succession, but most of all, it could strengthen democracy.

His enthusiasm for employee ownership and his meticulous descriptions of companies and their practices make this book an engrossing read and a long-term value as a reference and source of solutions to organizational problems. OAW

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