Reading Interrogations. Sociology 929. Week 5. October 2, 2013

WORKER COOPERATIVES

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1. **Dmytro Khutkyy**

Hansman provides a critical view on economic efficiency cooperatives (1996, p. 91):

> The most striking evidence of the high costs of collective decision making is the scarcity of employee-owned firms in which there are substantial differences among the employees who participate in ownership. Most typically, employee-owners all do extremely similar work and are of essentially equivalent status within the firm.

However, IEM has around 50 employees, of which 29 are owners, and the workers differ in statuses (owners vs. non-owners, junior vs. senior workers), qualifications, functional roles, and project teams membership (Billeaux, Reynolds, Young-Hyman, & Zayim, 2011). And they run their business successfully. So, there is an intriguing question: *due to what mechanisms their decision-making process not hinders, but favors production process?*

Billeaux, Reynolds, Young-Hyman, & Zayim evince that "while workforce heterogeneity remains in the occupational diversity of workers, there are efforts to homogenize the workforce around norms of participation in ownership and commitment to the sustainability of the firm" (2011, p. 29). Thus, normative homogeneity compensates for occupational heterogeneity.

Still, from my point of view, there are some different mechanisms in play. First of all, in the absence on vast administrative and bureaucratic apparatus decision-making costs are in fact reduced. As described by one worker:

> Here, the project manager has more over-all responsibility. At my previous employer, you had a larger contract administration department, you had production planners and all those departments and resources to pull from. Here, we essentially don't have that.

Evidently, they don't need those managerial structures. We know from the research on IEM that high quality of work is provided by self-motivation and mutual monitoring. Finally, the desire of workers to practice new skills, participate in different production stages, and contribute to work of the firm by participation becomes not cost, but benefit of decision-making.

References

Billeaux, M., Reynolds, A., Young-Hyman, T., & Zayim, A. (2011). *Worker Ownership Case Study: Isthmus Engineering and Manufacturing*. Retrieved September 29, 2013 from http://www.uwcc.wisc.edu/pdf/Staff%20Papers/Staff%20Paper%209.pdf

Hansman, H. (1996). *The Ownership of Enterprise*. Harvard University Press.

> **[EOW: There are a number of different issues around decisionmaking and efficiency that need to be disentangled: (1) the quality of the decisions that get made; (2) the ease of correction of poor decisions – how fine grained is the monitoring of results of decisions and the capacity to change them; (3) the costs of decision-making in time; (4) the resource costs in paying for the decisionmaking process (eg bloated managerial structure); (5) the in-process benefits of participation (which you mention at the end). These different dimensions need not all go in the same direction – there may be trade-offs.**

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2. Elsa Noterman

1) In their consideration of the General Social Survey (GSS) as a means for considering worker ownership and profit sharing in the U.S., Blasi and Kruse find a major insight from the survey to be that "thin" versions of worker ownership and profit sharing are "close to dominating the economy, at least numerically" (21). While they recognize that much of these "thin" versions are not very meaningful, they do suggest that an advantage of this thin layer is that a large number of people are at least familiar with the concept. However, given the differences between what one might call the 'deeper' (i.e. broad-based, majority worker ownership and workplace democracy) and thinner forms of worker ownership, is it possible that the presence of these diluted versions actually hinders, rather than assists, a general move towards broad-based worker ownership and more economic equality? In other words, to reframe the question in the title of the article, can the ideas of broad-based worker ownership and profit sharing work (on a deep rather than a thin level) without fundamentally challenging the capitalist economy? Can organizing the economy according to a "variety of capitalism" ultimately address economic inequality (25)?

> **[EOW: This is an interesting general issue: do limited forms of a desirable transformation constitute a step in the direct direction or a barrier? I think this is a case where the answer to this depends a lot on details of the thin case and its effects. If a diluted form of ownership creates lots of illusions ideologically and increases the identification of worker with the company in ways that neutralize their ability to resist, then this could constitute a barrier. But if there are mechanisms for the stake to increase over time, then this could become a focus for struggle, rather than a barrier.**
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> **You also raise the issue of whether or not this can extend without "fundamentally" challenging the capitalist economy. I think an issue here is whether incremental deepening of distributed ownership ever hits a "tipping point" that disrupts the functioning of the system. It may not – there can be a gradual transfer of ownership in which at every step of the process the interests of all owners – capitalists and workers – are reasonably accommodated, and yet at the end of the process there has been a fundamental transformation – a transformation without disruptive challenge. There are good reasons, of course, to be skeptical about this.**

2) Implicitly in Young-Hyman's Introduction as well as explicitly in his explanatory note, he makes the claim that a 'real utopia' research agenda should focus on analyzing experiments that offer alternatives to specific real-world problems, while accepting other issues as "givens". For example, he offers worker cooperatives as an alternative to the problem of concentrated ownership, but not to the other issues he identifies as contributing to inequality - globalization and technological change. Is it possible to separate out specific problems (and corresponding alternatives) given how interconnected the issues related to inequality are? Is it also useful to think about how these alternatives (like worker cooperatives) might address some of the social concerns associated with globalization and technological change?

> **[EOW: I agree with you that worker ownership is capable to dealing with at least some issues of technological change and globalization. Some of these effects, however, may depend on the density of cooperatives rather than something an individual cooperative can do.]**

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3. Yotaro Natani

The Blasi/Kruse paper argues for the establishment of ESOPs (employee stock ownership plans) instead of (fully) worker-owned cooperatives. Whereas in coops the "one worker one vote" principle could be implemented due to worker ownership, in ESOPs only about 1/4 of the firm is owned by workers. Therefore, workers' control of the firm's activities is limited, but the authors claim that participation can still be quite high. On the one hand, then, we can think of ESOPs as falling short of the goal of economic democracy as outlined, for example, by Malleson. Is it possible, however, for an ESOP to gradually transform into a worker-owned coop, through something like the Incremental Democratization Plan, thus achieving economic democracy? One of the main reasons why the authors prefer ESOPs is that its formation is supposedly less financially risky for workers than forming coops (which seems debatable). But if this is indeed the case, then could there be a strategy of transformation that converts private firms into ESOPs which then incrementally shift toward full ownership? (Or, will capital intervene to keep it in the ESOP form?)

> **[EOW: As I understand the mechanisms involved, there is nothing in principle that prevents an ESOP from converting to a one-person-one-vote system of governance. ESOPs are governed by a board of directors elected on a one-share one vote basis as in a standard corporation. (In some kinds of ESOPs workers have nonvoting shares). That Board of Directors could (I think) decide to create a general assembly of workers and an elected management. But a conventional capitalist firm could also decide this….in principle. ESOPs can vary from a very small % of the shares owned by employees to a 100% employee owned ESOP. But even in the latter, it is shares that vote.]**

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4. Madeleine Pape

Based on this week's readings, I would like to again raise, modify and extend a point that we discussed last week about the degree to which size is a restriction on the success of worker cooperatives. This week's readings show that there is a correlation between the size of a firm and the nature of worker ownership that it can accommodate, before compromising *efficiency* and *competitiveness*. For example, the worker-owners of Isthmus Engineering and Manufacturing believe in the importance of capping their permanent workforce at around 50, while still retaining the option of hiring additional workers when needed on a contract basis. One part of the economic strength of cooperatives in Imola is the outsourcing of particular production activities, while retaining the 'brains' (and ownership) locally. Blasi and Kruse raise the example of Google and ESOPs as a way to extend worker ownership, even if this doesn't involve full participation rights for each worker-owner. I continually find myself coming back to the question of the degree to which worker cooperatives, or worker ownership models more broadly, can both *expand* within a capitalist economy and be *inclusive*. The worker cooperatives that we learn more about this week are engaged in the capitalist global market. Does the competitive nature of the economy justify the fact that only a core group of workers are admitted to the ranks of owner (at a HEFTY price in some cases), while other workers that the firms nonetheless depend upon are either not granted ownership, or possibly are not able to afford ownership? For me this raises the question of whether the purpose of worker cooperatives is to fundamentally transform the economic system, or to deliver a better work environment to a select few by finding a niche and an interstitial space within the broader capitalist economy.

> **[EOW: These issues get to the heart of the Real Utopia issue for cooperative: while one might imagine what I call a cooperative market economy in which nearly all firms are cooperatives, inside of a capitalist-dominant economic system, will cooperatives always have these constraints which restrict their inclusiveness? When size is important for efficiency reasons, does this force a cooperative to (a) have a representative form of democratic governance with a real managerial structure, and (b) non-member employees as an employment buffer? I don't really have an answer to these issues.]**

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5. Emanuel Ubert

If society indeed collectively decided to achieve greater equality, democracy, community solidarity, and sustainability, why should it expand democratic property ownership (including worker owned coops) instead of dramatically strengthening existing democratic rules and the institutions that expand the commons?

In an ideal property owning democracy in which ownership of the means of production and access to political decision making is equally distributed, exchange is still carried out through the market. Societal organization still follows a classical liberal (Locke, etc.), social contract logic. Above values are supposedly achieved more widely and deeply than today because the different parties engaging in market transactions, unlike today, have genuinely equal bargaining power. But is worker ownership of the means of production in a genuinely democratic system really sufficient to constrain market forces that consistently erode above values? Due to inevitable market imperfections (externalities, etc.), even a property owning democracy would require a more activist state beyond the one envisioned in classical social contract theory and neoliberal dreams (only provide security, protect property rights, etc.) to remain viable.

Given the shortcomings and destructive tendencies of market systems, why not abandon a social contract and private property model on which worker coops and property owning democracies are ultimately built? Could above values not arguably be more systematically achieved by letting the state dramatically increase the social wage (social services, universal basic income, etc.), expand public goods (public transport, healthcare, etc.), strengthen democratic rules and eliminate the influence of money on politics? Rather than insist on the democratization of private ownership, should we not just expand the commons in order to achieve above key values?

Bonus question: How are equally distributed private and common forms of ownership related?

> **[EOW: Your concerns here are basically the issues raised by Albert & Hahnel in their advocacy of parecon. They oppose markets and liberal contract on precisely the grounds that it obstructs the full realization of democratic values. There are (of course) a variety of responses, both on normative grounds and pragmatic ones. The core normative issue is that the liberal voluntary contract idea does embody some aspects of freedom and autonomy that are desirable, and thus what is needed is some kind of sustainable balance between more collectivist-democratic forms and more individualist-contractual exchange , where the articulation of these two is normatively acceptable. In these terms a cooperative market sector – cooperative units of production engaged in voluntary market exchanges – could be the institutional arrangement in which this balance is most achievable, since it avoids the concentrations of private power that undermine democracy and allows for effective democratic regulation of the market environment. This would, of course, be combined with a more vigorous public goods sector and commons, but since not everything is best provisioned through public goods and the commons, then cooperatives would still have an important role in the production and distribution of private goods. The pragmatic argument is that this kind of balance could actually deal with externalities and innovation more effectively than an entirely public system because of the ways in which it opens up space for experimentation, experimentation, and more free-wheeling problem solving than is possible through public authority, even when the latter is deeply democratic,]**

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6. Kerem Morgul

In his ASA paper, Trevor Hyman-Young convincingly argues that the impact of the organizational authority structure of a firm on its viability should be examined both at micro and macro levels, that is, both as a set of incentives (and disincentives) for individual workers and an important source of organizational identity that shapes the inter-organizational relations of a firm. In his pieces on Union Cab and Mondragon, we see how the organizational identity of worker cooperatives shapes their connections with other organizations in the organizational field and how these networks play a crucial role in the foundation and survival of cooperatives.

If Hyman-Young examines the effects of organizational identity on the viability of a worker cooperative through the mediation of inter-organizational relations, Billeaux et al. examine, in their piece on Isthmus Engineering and Manufacturing (IEM), the effects of organizational identity on the viability of a worker cooperative through the mediation of intra-organizational processes. They refine Hansmann's homogeneity argument by maintaining that the worker heterogeneity in the occupational diversity of workers in IEM is compensated for by the efforts to homogenize the workforce around norms of participation and commitment to the sustainability of the firm.

If the collective (organizational) identity (commitment to the ideal of economic democracy and to the particular worker cooperative in question) plays such a key role in the viability of worker cooperatives, we should ask "What are the symbolic processes through which this identity is created and maintained in a capitalist sea of economic rationality, pursuit of individual gain, and flexibility in labor markets? How do the discourses of a worker cooperative toward its workers differ from those of a conventional firm? How do these discourses get produced and transformed?

> **[EOW: This is an interesting direction of thinking about cooperatives – and other real utopian projects: is it possible to cultivate the cultural/normative consensus necessary for the internal processes to function smoothly? In practice in the world there are two kinds of mechanisms that might contribute to cultural homogeneity of the sort being described here: self-selection and socialization. The first of these is obviously important in many instances, since people individually choose to join a cooperative. The second is less certain. It also isn't so clear that "discourses" are at the core of the issue rather than a wide variety of other practices that affirm and build solidarity and shape identities. As is generally the case in sociology it is much easier to invoke cultural processes and their importance than it is to actually show how they work.]**

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7. Alisa Pykett

Last week Malleson commented on the limitations of small firms to contribute to social transformation. The case studies on Union Cab and Isthmus both point to the contextual aspects, such as an existing social movement, other cooperatives, and legal knowledge for creating a cooperative, that help foster the development of worker owned cooperatives. Young-Hyman suggests inter-organizational networks can help compensate for limits on process and product development innovation that can occur in worker cooperatives. Young-Hyman also presents the power of a cooperative collective through the Mondragon example, especially when the network is linked to government and focused on meeting community needs.

The existence of singular firms organized as worker cooperatives across the U.S. does demonstrate the viability of such structure – other firms may decide to organize in a similar function. However, in thinking of Young-Hyman's work around inter-organizational contexts, I'm wondering about the importance of undergirding values and focus on a specific geographical locality in terms of worker cooperatives serving as an impetus for social transformation. If worker cooperatives in the U.S. focus more on developing a structure for their individual firm as opposed to shifting the overall economy in a specific geographic location (which is an assumption on my part), what is their relationship to social transformation?

> **[EOW: I wonder if this is a space within which things like secondary associations, NGOs, and even social movements could play a role? Perhaps it is the case that individual cooperatives on their own will always be under great pressure to be mainly focused on internal organization and effectiveness and to be preoccupied mainly with the wellbeing of their members, especially because of the market pressures which**

they face, so that for firms to fit into a broader logic of transformation some other kind of organization is needed?

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8. Jiaqi Lu

Blasi posts an open question on the differences between ESOP and worker coops in terms of worker participation. It's clearly that the worker coop is a utopian model that involves egalitarian ideas. And Blasi also suggests that workers with higher "shared capitalism scores" report significantly higher participation in decisions, information sharing, high trust supervision by managers, and team feeling. And therefore expanding organizational participation would make big difference in performance of firms.

So my question is, if the important difference between ESOP and worker coop is about the scale of ownership, are these models transferable? i.e. can we transfer ESOP into a more egalitarian forms? Is enlarging worker's participation a right way of transformation? What are the other potential barriers of transformation?

[EOW: I think it is important to carefully diagnose precisely what the real mechanism is that leads an ESOP to be more productive/efficient and to have better performance scores in terms of trust, etc. If the mechanism is mainly because workers feel that by virtue of owning shares they get some benefit directly from their effort (i.e. a piece of the profits), then this would not necessarily underwrite any move towards greater empowerment, greater real participation in decisions. But if the mechanism is that simple ESOP ownership tends to be associated with other sorts of institutional changes in firms and that these influence performance, then the ESOP device could be a bridge towards more comprehensive institutional change.

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9. Taylor Laemmli

-Do worker owned cooperatives (as opposed to firms in which ownership is concentrated among a few key investors) encourage different strategies for workers' identity formation within the workplace? How might workers' identities, when developed in the context of a worker cooperative, be more supportive of innovation? My thinking here is that when firms are worker owned, workers would be more likely to construct workplace-identities which are aligned with, rather than oppositional to, management in general and managerial goals in particular. As a result, possibilities for innovation—defined by Young in the draft introduction to his dissertation as "the adoption of ideas or behaviors that are new to an organization" (7)—could expand as (a) workers are concerned with the success of the firm in the long term, and thus would be more likely to focus on contributing insights which would result in innovation, (b) these insights would be more likely to be deemed valid when workers are democratically involved in the governance of the firm, and (c) as the innovation that could result would be more novel and effective, as it would come from individuals who are both involved in the day to day work of the firm and in the governance of the firm (workers would have a wider and more nuanced perspective than in a firm which they do not share ownership).

-Finally, a more general question: Does an analysis of identity formation in the workplace, in the context of strategies of social control in the firm, have a place in an analysis the viability of worker cooperatives?

[EOW: I see that you and quite a few other people are interested in the issue of the connection between organizational form and the formation of identities. These are indeed interesting problems. It would certainly be useful to talk broadly about the range of mechanisms that could be in play here and then think about what indicators would distinguish them. For example, one kind of mechanism could be a shift in the sorts of things that people feel responsible for, that they feel it is their business to think about. In an

ordinary capitalist firm, problem-solving is not a responsibility of ordinary workers. So, if in a cooperative this is treated as a responsibility than many people will begin to put their minds to it that would not otherwise do so. This would have less to do with loyalty or a sense of personal benefit, but just expectation of job responsibilities. But trust could also be in play: people are more willing to invest in problem-solving suggestions knowing that any improvements in the firm will not hurt them. Or it could be because of real identity issues. One thing we can think about is all of the different pathways through which work organization might affect behavior in these ways.]

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10. Tatiana Alfonso

Worker cooperatives are read by most of the authors assigned for this session, as alternatives to forms of concentrated ownership. Trevor´s hypothesis about the impact of the distribution of authority on the ability to innovate seems to suggest that collective action within organizations could be a mediator for firms and coops to be successful in a globalized economy. I would like to discuss the way in which organizational change may come from collective action within the organization, and in particular the way in which worker coops enhance such collaboration and cooperation among workers. Secondly, I´d be interested in discuss deeper the mechanism that connects the internal organization of a cooperative and the survival of a particular enterprise in a market economy.

I would also like to pick up on Trevor´s guiding idea of some social problems as given. This guiding idea seems deeply connected with the real utopias research agenda at least in two senses: 1) it tackles the question about the conditions under which these utopian projects are possible and sustainable. I wonder then, how do we define that a social problem is a given and when do we state that a social problem could be undertaken through a real utopian experiment? 2) it draws a methodological path in which the identification of the problems in the real utopias agenda is done through existing alternative experiments and not based on social problems. That is, that we define the research agenda based on empirical cases of alternative transformation rather than on envisioned and not materialized institutional designs. How can we reconcile both elements of the real utopias project –the inventory of existing cases and the "envisioning" side of the project-?

[EOW: On the first set of issues: You asked how collective action might be fostered within cooperatives in ways that affect the organization's performance and ability to survive. Most discussions of the effect of cooperatives on performance focus on things like innovation, lower supervision costs, harder work, etc. – all things which bear on the motivations and incentives of individuals – but not specifically on *collective* action or collaboration. I suppose that some of the problem-solving capacity involves mutual trust and willingness to work together, which is collaborative rather than just individual incentives. Perhaps information sharing and transparency also involves collaboration.

On the second issue – the role of envisioned designs rather than empirical cases: I agree completely that it is important to envision possibilities that are not embodied empirical cases. The problem is how to give credibility to such envisioning, how to sharpen our understanding of the implications of specific features we imagine? Looking for empirical cases that at least embody some aspects of the envisioned alternative is a way of both adding credibility and sharpening our intuitions about the envisioned alternative.]

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11. Jake Carlson

The article by Berry and Schneider was very interesting to me on a number of angles. I'd like to focus on the impact on such a Real Utopian project for addressing racial and gender disparities.

As Young-Hyman articulates in the introduction to his chapter, inequality, particularly in the US has expanded drastically. He attributes this in part to the shift towards concentrated ownership and pressures from increased high-tech innovation and global labor markets that push down wages. He also mentions the shift from "defined benefit plans" versus "defined contribution plans" (401ks) as a factor that shifts support for retired workers from the employer to the employee and volatile financial markets.

While overall economic inequality is certainly a troubling trend, how can we see such projects as seeking to address inequalities based particularly due to race and gender? According to the Pew Research Center, while household income for Black families has gone up since the 1960s to 59.2% of whites, compared to 55.3%, there is still a yawning income gap based on race. Moreover, there is a substantial disparity in household wealth between Blacks and whites. Whites tend to have a greater proportion of their assets in equity business ownership compared to Black households (18% versus 4%). This last point would tie into Young-Hyman's concentration of ownership factor of increasing inequality, if white households take more advantage of financialized ownership structures and retirement benefits.

The Cooperative Home Care Associates firm addresses racial and gender inequality partly due to working in an industry that is predominantly low-income women of color. Yet this is also a largely homogenous industry in terms of the makeup of the workers. Is Union Cab also a largely homogeneous firm by race and gender? Having not read much yet in this vein, I am wondering how racial and gender disparities play out within firms to achieve greater equity, in addition to how such goals are achieved through cooperative ownership structures in industries that predominantly employ women and people of color.

Sources:

Desilver, Drew. 2013. "Black Incomes are Up, But Wealth Isn't." August 30. *FactTank*. Pew Research Center. Retrieved 9/30/2013 http://www.pewresearch.org/fact-tank/2013/08/30/black-incomes-are-up-but-wealth-isnt/

[EOW: There are three different, but connected issues in play here – (1) race and gender inequalities within firms, (2) race and gender inequalities that are the result of the lower eages in sectors with concentrations of minorities and women, and (3) the race/gender composition of sectors (understood either occupationally or in terms of what the firm produces). Cooperatives are particularly relevant for dealing with the first of these: a cooperative can directly address internal inequalities. Cooperatives may also be able to somewhat affect the second issue. Home care cooperatives might be able to provide higher wages for all of its members by eliminating employers or by being able to charge a premium for clients prepared to support cooperatives. Cooperatives probably would have the weakest effect on the third issue, although at least some cooperatives in some places have made a point of trying to recruit actively under-represented groups into the cooperative.]

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12. Michael Blix

In his article "Innovation for a Reason" Trevor Young-Hyman presents an interesting review of micro and macro theories of the relationships between organizational authority and various strands of innovation. Two different, though intimately related, strands of authority are presented: asset ownership—who decides how profits are handled—and governance authority, which is a matter of who determines the long-term goals of an organization.

What this means is that organizational operations and aims differ according to ownership structure. For example, Hansmann (1996) is cited for his assertion that organizations owned by groups of investors will be predominantly interested in increasing shareholder value, while worker-owned enterprises generally have more heterogeneous interests based on the roles and occupations of the various worker-owners (p.9). It appears, then, that innovation itself may be conceptualized differently depending on the ownership structure.

My question: As I read Young-Hyman's articles, I kept thinking about the effect that these ownership structures would have on the day-to-day experiences of individual workers. With that, how might the regulation of individual behavior be regulated differently within a democratic worker ownership structure versus an investor-owned enterprise, and how might this affect innovation as a process rather than an outcome? For example, Wells Fargo has a behavior matrix that they've created called the “Teller Roadmap” which is a guide that bank tellers must follow to facilitate sales, or else they are reprimanded in some way (anywhere from a written warning to getting fired). Individual behavior then becomes a highly regulated mechanism by which sales (innovation in that context) are supposedly generated. This would not happen in a democratic worker-owned firm, however people are not free to behave in anyway they might choose. The goals of the organization still matter. What are the behavior-regulating mechanisms that drive innovation in this context?

> **[EOW: A couple of things immediately strike me here. There might still be something akin to the teller roadmap, but it would be devised by the tellers and thus constitute a less arbitrary set of rules and protocols. Second, the rules themselves would almost certainly have much more room for flexibility and individual modification/improvisation to deal with contingencies. This is like the problem of tacit understandings in contracts – where there is high levels of trust much more can be left to the discretion of individuals. Third, there would be more mutual monitoring rather than alienated monitoring by agents of the boss. This might not actually be more lenient, but it would be less arbitrary.]**

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13. Laura Hanson Schlachter

How can we think about the relationship between risk and innovation in employee-owned firms against the backdrop of inequality under capitalism?

The piece by Blasi and Kruse (unpublished, 2012) raises a number of challenging questions about the potential for broad-based worker ownership in the US economy. I am particularly interested in their assertion that worker co-ops are more risky and less economically valuable than other forms of worker ownership (especially ESOPs) because co-ops require worker-owners to invest their own savings in the business (9). Worker co-ops necessarily entail financial risk because members invest equity through their member share values. Share values are often intentionally high relative to the wealth of worker-owners (e.g. $1,000 for CHCA to $20,000 for IEM), although payment system design (e.g. paycheck deductions over time) can help mitigate the challenges of high capital requirements. One purpose of share values is to differentiate between workers committed to the co-op in the abstract versus those willing to put skin in the game, or as former CEFLA president Claudio Casini put it, “without money, social values and ideals are just chit chat” (Hancock 2007). Is there something special (and important) about how workers conceptualize risk when they purchase a share value versus when their employer grants them a share of stock?

Trevor’s dissertation project provides some insight into this question. One way he might clarify the link between inequality and innovation is to bring in the risk dimension. It seems to me that risk is inextricably linked to inequality in the post-industrial era because with an attenuated social safety net, workers increasingly bear the consequences of risky firm behavior without a meaningful say in how those decisions are made. One appeal of the cooperative model is that formal legal and governance authority enables workers to control the trajectory of their business. Worker co-ops still innovate, but do so in a way that makes the risks 'intentional and informed,' so to speak. How much variation is there in the level and types of risk workers take on in various forms of ownership, and what are the implications for innovation and firm survival?

[EOW: The issue of risk is critical in all sorts of ways. You mention two somewhat different issues – the risk/innovation problem and the risk/security problem (i.e. the risk to workers savings). On the first of these – the willingness of cooperatives to engage in innovations because of the risk involved – I suspect that in many contexts cooperatives are able to reduce such risks because of the broad involvement of members in problem-solving activities. Some kinds of innovation risks may be particularly difficult for cooperatives, but others may be actually less for cooperatives for this reason. In terms of risks to workers' savings, I think it is almost always the case for workers that it is probably riskier to have all of their savings in one company than in a diversified portfolio. So, if the only motive for a cooperative was the "risk-adjusted rate of return on investments", than an ESOP is probably a better option (since in an ESOP the workers are not using their savings to buy shares). This poses a challenge for the real utopian idea of cooperatives as not just prefiguring an alternative, but as a bridge towards an alternative world. It suggests that there needs to be institutional devices in the environment of cooperatives that reduce such risk without underlying the positive skin-in-the-game effects of cooperatives. Tax systems might do this. Matching fund schemes could help. Mondragon type cross-subsidization schemes across cooperatives would be another example.]