

## The Legitimate Opposition at Work: the Union's Role in Large Democratic Firms

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### Introduction

Necessity has made a virtue out of worker ownership for many unionized firms. It has also forced the question, what is the best role for a union in a worker-owned company?

The answer surely depends on the type of worker ownership. There is a wide spectrum, from pseudo-ownership schemes dominated by managers or outside financiers to democratic 100 percent worker-owned and controlled firms. In management-dominated firms with partial worker ownership the union has its traditional role as well as the new job of pushing to democratize the workers' ownership. But what about the democratic worker-owned firm? What then is the union's role?

This paper outlines one view of the eventual goal, the union functioning as the *legitimate opposition* in a democratic worker-owned firm. This model is applied to the question of reinterpreting and modifying the conventional union structure in democratic firms. The legitimate opposition model is also contrasted with alternative models of the union's role in worker-owned firms.

It must also be emphasized that this discussion is aimed primarily at *democratic* worker-owned companies. The focus is not on employee stock ownership plans (ESOPs) with only minority ownership or on majority ESOPs where there is a 'second-class' version of worker ownership without effective control. In such ambiguous hybrid cases the traditional union methods retain substantial validity. A new and different situation is created by worker ownership with effective control over the firm, as in the case of a democratic ESOP or a

worker-owned cooperative. When the workers elect the board of directors on a one-person/one-vote basis, then it is time to rethink the union's role.

### An Inside Union Role: the Union as the Legitimate Opposition

A democratic worker-owned company, in the form of a worker cooperative or a democratic employee stock ownership plan (ESOP), applies the concept of self-government or democracy to the workplace. Over the past two centuries a number of political principles to support and protect the rights of liberty and self-determination have developed from the experience with political democracy in the United States, England and elsewhere. In transferring the concept of democracy to the economic sphere of the workplace, there is no need to reinvent the wheel.

In a political democracy with a two-party system, the party out of power forms an institutionalized legitimate opposition. Elected officials tend to use power not only to govern but also to engineer their own permanence. The loyal opposition forms an independent power-base for those who seek to express opinions and policies at variance with the current powers that be. Without such an independent power-base, those out of power can be isolated, atomized and silenced. There are no effective checks and balances. The '*iron law of oligarchy*' rules (see Michels, 1962).

A genuine democracy requires two or more parties; 'one-party democracies' tend to be fraudulent democracies. The *acid test of democracy* is the existence of a *legitimate opposition*. We apply this principle to the democratic firm. The argument is that there is a natural role for a union or a union-like structure as the legitimate opposition in any medium to large democratic worker-owned firm.

How does the basic idea of a 'two-party democracy' carry over to a democratic firm? Not by simply trying to copy the details of a political two-party system but by trying to apply creatively the same basic principle, the principle that a democratic organization requires an institutionalized opposition that is recognized as legitimate. Before developing more detail for the model of the union as the legitimate opposition in a democratic firm, we will examine and compare several alternative models for a union role and several non-union models for the democratic firm.

### An Alternative Inside Union Role: Traditional Collective Bargaining

In discussions of unions and worker ownership, there is a powerful temptation to divide the worker/member into separate roles, 'an employee by day, an owner by night'. Then the owner-member's concerns as an 'employee' can be parcelled out to the union in this *traditional collective bargaining model*. 'The union represents the worker as an employee while the board of directors represents the worker as an owner.' Such soothing simplicities should be avoided. This Jekyll-and-Hyde theory of the worker-and-owner tries to avoid rethinking the union's role and the worker's role by falling back on conventional stereotypes.

A worker/member is not an employee by day and an owner by night. In one large democratic ESOP firm, grievances were filed against allegedly incompetent management and shoddy products. One could imagine other situations where the conventional roles were reversed, where management wanted a wage increase and the union wanted reinvestment instead. For example, if workplace democracy should be so unlucky as to inherit some of the dubious features of political democracy, then one might see managers and board members trying to buy their re-election by timely proposals for wage increases or bonuses. The union might argue that 'buying' the re-election of the present management is not the best use of the company's funds; reinvestment in new machinery might be better in the long run. Rarely in a conventional firm do managers initiate wage increases, and rarely do unions resist higher wages. Worker ownership can be different.

There is no reason to artificially restrict the role of the union to the traditional 'employee concerns' such as wages, benefits and working conditions. *Every topic is fair game*: 'management prerogatives', investment, marketing, sales, productivity, cost control, business planning and corporate strategy. Thus one should discard the comforting but over-simplified idea that a union in a democratic worker-owned firm should be concerned only with traditional union matters such as wages and working conditions. This is one of the important differences between the idea of the union as the legitimate opposition and the social councils in the Mondragon worker cooperatives (see Thomas and Logan, 1982; Ellerman, 1984b). The social councils have some of the oppositional functions but their scope seems restricted to wages, working conditions and welfare questions.

### Another Inside Union Role: The Union-dominated Firm

In the *union-dominated model* the union should not only have a 'window' on the board of directors but should dominate the board. Management should be selected by the union-controlled board. In this view it is only the union's control over the worker-owned firm which will structure the firm as a democratic organization. But the history of one-party democracies tells a different story.

The union-dominated model suffers from the same problem as the one-party democracy model. What happens when it is time for a change? Those with power tend not to relinquish it on their own accord. Since management is selected by the union-controlled board, there is no organized independent body to voice opposition to management. The grievance process will tend to be trivialized since the union selects management. Courageous and/or foolhardy individuals may speak out but, with no organized support, they can be isolated and silenced. Without an organized oppositional body, individual worker-members do not have the resources to develop alternative management plans or to develop alternative management candidates.

There is another political analogy worth noting. Democracy can quickly degenerate into tyranny when the ruling group claims to represent 'the Will of the People'. The government supposedly expresses the 'General Will' and pursues the welfare of 'Society' so opposition from any quarter could only represent a 'particular interest'. The pursuit of such 'special interests' in the face of the 'Will of the People' is viewed as being irresponsible and illegitimate, so the weight of 'Society' is brought to bear to crush the opposition to 'The People'.

When the general will is all-powerful, its representatives are the more to be feared for giving themselves out as nothing more than the docile instruments of this alleged will, and for possessing the means of compulsion or persuasion by which to canalize it into whatever channel suits them. When no tyrant, acting in his own name, would dare to do, these men legitimate by the limitless extent of the power of society (Benjamin Constant, quoted in de Jouvenel 1962: 293).

This could happen in a union-dominated worker-owned firm. In a traditional firm the union usually is the *unique* representative of the workers so that attitude of unique representation might carry over to a union-dominated worker-owned firm. If 'labour' (i.e. the union) selects management, any opposition to the union-dominated board and managers would be branded 'anti-labour' and suppressed.

### A Non-union Model: the Pop-up Opposition

A model of enlightened participative management is associated with modern organizational development theory. There are a variety of experimental arrangements which have been used in non-union conventional firms: QWL programmes, quality circles, work redesign groups, autonomous work teams, and company-sponsored grievance mechanisms. These experiments can be of some value to worker-owned companies. Worker buyouts often occur in firms of marginal viability where there is not enough organizational 'fat' to expend on getting the wrinkles out of ill-considered work reorganization experiments. Thus experiments in conventional firms can 'get the bugs out' so the worker-owned firms can then adopt appropriate tried-and-tested methods.

But are participative management structures, developed in non-democratic firms with no necessary union involvement, sufficient as a governance system for democratic worker-owned firms? The answer depends, in part, on size. In small worker-owned firms (say less than 30 workers), participative management systems may be sufficient (see e.g. Saglio and Hackman, 1982). But it is important to understand why. The reason is that the costs of organizing an effective oppositional body grow with the size of the firm. A small democratic firm can get along without an organized oppositional body because an ad hoc oppositional effort can be informally organized as the occasions arise.

Large firms are different. As firm size increases, so do the costs, in terms of time, energy and other resources, of creating ad hoc oppositional groups. In a large non-democratic ESOP firm a union leader would have no trouble justifying the union's role both in collective bargaining and in democratizing the ESOP structure. But the union leader and/or the workers might think that with democratic self-management there would be no need for the union. The workers could organize a new union should the need arise.

That would be an unwise strategy. The costs of organizing an ad hoc union or oppositional body are so large that it would be possible only following the most aggravated abuses. That is not good enough for a democratic structure in a large firm. Moreover, one of the first abuses of power is to raise the costs of opposition. In one-party political democracies, charismatic individuals out of power who might rally an effective opposition soon find themselves harassed by the legal authorities and eventually imprisoned on various charges or

forced into exile. The same power dynamics could operate in an attenuated form in a democratic firm without a stable organized opposition. Potential rival leaders might be laid off for 'economic' reasons. Others considering organizing an opposition would get the message; the costs could be high. One could chalk up another victory for the iron law of oligarchy.

One should not underestimate the costs of organizing an ad hoc union, a pop-up opposition. That mistake tends to underlie the argument that participative management systems render a union-like oppositional body unnecessary in a large democratic firm. What real guarantee is there that the participative systems would be maintained if the systems threatened those in power? Management can slowly render the participative systems ineffective without abolishing them. The programmes can be channelled into useless exercises. Their powers can be slowly limited and curtailed until the participation programmes are considered safe to those in power.

But, it will be said, the workers will rise up and assert their rights! This is akin to arguing that if the elected leaders in a one-party political democracy abuse their power, the voters will rise up and 'throw the bastards out'. It is not that easy. Even assuming qualified candidates are available, it requires resources and organization to mount a challenge to those in power. If the necessary organization does not already exist, the powers that be will probably be able to isolate and mute any challenges.

This assumption that there are low costs to quick and effective self-organization of the unorganized voters in a formal democracy will be called the assumption of the *pop-up opposition*. This assumption that an opposition can pop up and 'throw the bastards out' underlies much of the democratic thinking emanating from the organizational development literature. Yet the evidence for the assumption in the history of one-party political democracies is almost unremittingly negative.

The same can be said for other organizations with formal voting mechanisms. Consider the publicly held corporation. Why are the scattered and unorganized shareholders so rarely able to dislodge entrenched management? Because management so rarely abuses its power? Hardly. Effective oppositions do not pop up because the costs of organizing them are prohibitively high.

If the evidence for the theory of the pop-up opposition is so negative, how can anyone defend it? Few, if any, defend it explicitly. But many use the assumption implicitly. Indeed, it is the default

assumption for those who have not absorbed the past lessons of the iron law of oligarchy in large formally democratic organizations.

### **Another Non-union Model: Good Managers**

There is another political analogy which should be mentioned in the context of a non-union model for a democratic firm. A common argument, presented in many guises, is that if the 'right people' are in power, then the correct policies will be followed and any formed opposition would be unnecessary and unjustified. Opposition is justified only if the government is not in the hands of the 'right people' who might, for example, be holymen, Harvard MBAs, or philosopher-kings. 'Good' government renders opposition unnecessary, otherwise the government should be changed.

A focus on the 'right people' at the top, rather than on structural systems, pervades much of the management literature. The emphasis is on the 'excellence' of individual managers rather than on management and governance systems which could function well without assuming perfection at the top. The personalistic focus on managers operates as an unexamined excuse to neglect institutional structure since excellent managers should be able to overcome the limitations of the business environment both inside and outside the firm.

Our task is institutional design, the best design for a large democratic firm. The excellent-managers model is not really a theory of institutional design; it is a pretext for not having such a theory. It is a basic tenet in the philosophy of organizational design that organizations should not be designed to be run only by 'angels' or 'superstars'.

My plea is not for mediocrity in management. My plea is for an institutional design which does not assume away the problems by assuming excellence in management. In the political context we encountered the argument: 'Opposition is unnecessary if the right people govern, otherwise the governors should be changed.' How? When the 'wrong people' end up governing, they tend to make their removal costly and difficult. A prime function of the legitimate opposition is to criticize, curb and, if possible, effect changes in poor government.

In a democratic firm the legitimate opposition would have the same function to criticize, curb and effect changes in poor

management. Removal is not always a viable option in the business context. There may not be a ready supply of technically competent replacements in the firm or elsewhere. Then it is all the more important for the opposition to keep the pressure of critical scrutiny and analysis on management, to curtail the misadventures of management, and to push management along the road to 'excellence'.

One must not make the mirror assumption that the opposition leaders are all-seeing and all-knowing. Instead, we assume that the opposition is independent of management so the opposition leaders do not have the same ego investment in management's programmes. Vanity can be blind. People of quite ordinary insight may see flaws in a management project while the flaws are seemingly invisible to the managers promoting the project.

### **An Outside Role for the International: the Union as Federation**

What about the relationship of a local union in a democratic firm to the international union? The question of the outside role of an external union organization can be approached by returning to first principles; why should workers or worker-owners associate together? To do together what they cannot do by themselves. Federations or associations of worker-owned firms clearly have a better chance of surviving and prospering than isolated firms. The group of Mondragon cooperatives organized around their central bank, the Caja Laboral Popular, serves as the primary example of the stability and dynamism which can be achieved through the close federation of worker-owned cooperatives (see Ellerman, 1984b). This example is so forceful that, by itself, it makes the case for association and federation.

The question is how? One natural answer is the unions. The present-day worker organizations, the international unions, can themselves undertake the additional role of serving as the group headquarters, as the 'Caja', for locals converted to worker ownership.

Under worker ownership, some of the traditional rationale for the local-international relationship would change. Worker-owned locals have less need for instructions on how to bargain collectively with their own management. The voting power of the organized workers would render a strike fund unnecessary. If there are enough union votes to strike, there are enough ownership votes to address the

problem directly either by changing the policy or by recalling board members.

Instead of collective bargaining help or strike funds, the worker/members need a wide range of business and engineering assistance; they need educational help; they need capital; and they even need entrepreneurial assistance. The model of the international union as the 'Caja' would require imaginative rethinking and restructuring of the relationship between the local and the international. The rationale for the dues going to the international would depend on the services coming from the international to the local. At minimum, the relationship might be a contract bringing the worker-owners under the international's pension and health plan arrangements. At best, the international, or separate regional organizations spun off for the purpose, could serve as the federation headquarters for democratic firms, and could provide them with a full range of business, engineering, educational, legal and financial services.

### **Beyond the Labour Contract to the Ownership Vote**

The sizeable literature on the institution of the legitimate opposition is concerned mainly with the role of the opposition in government. There is very little literature on the notion of an organized opposition in non-governmental democratic organizations. The principal exception is the study *Union Democracy* by Lipset, Trow and Coleman (1962). Our topic, however, is not opposition within a union as an organization, but restructuring a union itself to be the legitimate opposition in a democratic worker-owned firm.

Our concern is with a democratic substantially worker-owned company — not with management-dominated ESOPs or hybrid firms. There is less need for any new model of the union's role in undemocratic, partially worker-owned firms where the union should bargain for democratizing the workers' ownership as well as for wages and working conditions.

Our argument is that an organizational structure to function in the role of the opposition should be built into any medium-sized to large democratic worker-owned and controlled firm. If no union existed prior to worker ownership, then a union-like oppositional structure should be created. If there already is a union, it should move from an adversarial to an oppositional role. The oppositional role is indeed different from an adversarial role. The management and the

opposition are 'on the same team'. The opposition is rooting for the very same team that management leads, namely the people in the firm. In the analogy with American political democracy, one party leads the country and the other party opposes, but that does not make the second party 'anti-American'. It is our task here to outline the restructuring of the union's role from the traditional adversarial relationship to the legitimate oppositional role in a democratic governance structure.

The labour contract should evolve over the course of time in a democratic firm. In theory, the workers are not 'employees' in a democratic firm with a labour-based ownership structure (see Ellerman, 1984a). They become member/owners by virtue of their labour so they are jointly self-employed. But this new legal structure is constructed within the shell of the old. Thus the external legal system still considers the workers as being employees of the firm (rather than being jointly self-employed). Where does that leave the labour contract? Presumably in a state of evolution. Part of our task is to suggest some new wine to pour into that old bottle.

As the owner/members of the firm, the workers' writ carries to all the business of the firm, to investment and marketing as much as wages and working conditions. These other aspects of the business should be outlined in a comprehensive *annual plan* which the members should vote on at the annual membership meeting. The annual enterprise plan outlines the company's projected activities, from investment projects to compensation levels, for the coming fiscal year. Prior to the annual meeting there should be a procedure for systematic discussion and negotiation of the projected business plan so that it could be intelligently voted upon at the annual meeting of the General Assembly. It seems appropriate to expand the collective bargaining process to include that discussion and negotiation of the annual plan. In that manner the old structures (worker involvement in the collective bargaining process) could be modified to address the new opportunities (input from worker-owners into the overall enterprise plan).

Unionized workers are accustomed to using a collective bargaining agreement to indirectly secure their rights and curtail abuses. The workers are unaccustomed to using the democratic machinery of the firm's governance system to realize their rights directly. Hence it would be 'natural' for workers and union leaders to fall back on their old habits and to use a collective bargaining contract solely to secure and enforce their rights.

Governance through unionized collective bargaining is, however, inappropriate in a fully democratic firm. It in effect abandons the firm itself to management — as if they were the owners. If the worker-owners look to the union as an external legal party to enforce their rights through a contract, the whole internal democratic machinery is left undeveloped and unused. The worker/members' voting rights as owners would atrophy. Those democratic powers left unused would fall to the board of directors and managers as an unchallenged self-perpetuating managerial elite. Management would reign unper- turbed as if they were the owners negotiating with the union. Oligarchy, checked only by the external union, would again rule. Thus the model of the union as the opposition should not rely on the collective bargaining contract as the sole governance mechanism in a democratic firm.

How in practice can the old reliance on the collective bargaining agreement as the sole instrument of industrial government be adapted to the new democratic machinery of the worker-owned firm? One way is for the union to negotiate the basic provisions of the old collective bargaining agreement *directly* into the *constitution* of the new democratic firm. The provisions could include an outline of the union's oppositional role, the structure of the grievance procedure, and the funding ('dues') of the union's local operations. This foundation of the union's role would be embedded in the 'consti- tution' of the firm, that part of the company's by-laws which could not be changed without a super-majority (e.g. two-thirds) vote of the membership.

The opposition has power, but is not 'in power.' The oppositional model is not a model of 'dual power'; it is not codetermination. The board members are the workers' elected representatives in the management structure of the firm. The board is empowered to select the managers. The opposition, i.e. the union, is not in power as a part of management and does not formally share power as in a codetermination scheme.

[Opposition] assumes a distinction between 'ruling' and 'opposing', and it never presumes to the office of ruler. It can exist only where there is a legitimate government recognized to have authority to 'rule', and the activity of 'opposition' entails an unshaken allegiance to this government. It is possible only when it is recognized to have an authority of its own — an authority to 'oppose' but not to 'rule'. And it will be most useful where it is a standing institution and not merely an ad hoc device provoked by an emergency (Oakshott 1966: 269).

In the legitimate opposition model the instrument of democratic power used by the union is not just the contract but the *vote*. The ultimate constraint on the board and managers is the threat of removal, and removal can only be accomplished by the vote, not the labour contract. The opposition should mobilize voting power within the democratic structure of the firm rather than bypassing it with an external contract. This is also in accord with the political democratic analogy where the opposition relies on the potential power of the vote to sanction those in power, not some set of 'external' treaties and sanctions.

Yet removal is too extreme a sanction for ordinary use. Inter- mediate structures are needed to modify the day-to-day and week-to- week exercise of power in the firm. In the next section some suggestions are outlined, such as: an ex officio board seat for the oppositional leader, a grievance committee to form the independent judiciary for the grievance procedure, the development of a free press facilitating a public dialogue between management and workers, a democratic leadership development programme for managers and board members, and a membership education programme for the workers.

### Restructuring a Union as the Opposition

In concrete terms, this union's oppositional role is important for such matters as:

- guaranteeing the basic membership rights for all the workers,
- providing stewards for the grievance procedure,
- insuring a free press for communication and discussion within the firm,
- monitoring the activities of the board of directors and management, publicly questioning management programmes,
- shopfloor meetings (so they are not management-dominated),
- serving in the devil's advocate or gadfly role,
- getting alternative candidates for the board of directors or managers,
- obtaining independent judgements of management performance,
- arranging the evaluation of company business plans, and
- overseeing the preparation of alternative plans.

Our purpose here is to sketch in broad strokes some ideas for restructuring the firm as a democracy with the union as the opposition. One major change already discussed is the weaning away from reliance on the labour contract as the sole instrument of governance. Other changes in the traditional union arrangements seem appropriate. Multiple unions in the same democratic firm would place a heavy strain on the cooperative esprit de corps and on the internal democratic structure. It would explicitly pit some groups of members against the others. The oppositional model is a *single-union model*. This might be particularly painful in a multiple-union worker buyout, but the union locals should be amalgamated over a transition period.

Other changes carry the union as opposition outside of traditional labour law. It has already been noted that the appropriate topics for the opposition carry to all the business of the firm, not just the traditional 'bargaining issues' such as wages, benefits and working conditions. Another change which cuts against conventional union arrangements is the scope of the '*bargaining unit*'. In concept the opposition must be open to *all* the people working in the firm. In practice it should be open to all non-management personnel, even those white-collar workers outside the original bargaining unit. The boundaries between the original bargaining unit and the other non-managerial workers should be blurred and eventually eliminated. The opposition has the oppositional role for the firm as a whole. There should be one grievance procedure which is open to all employees with the stewards provided by the oppositional union. A union covering only some members could not pretend to universal concern, and would speak for only a permanent faction within the firm. It would invite the non-management personnel outside the union to organize in their own union, thereby further fractionalizing the firm.

It is important that the powers of the oppositional union be sufficiently based in the constitution of the firm itself as opposed to national labour relations law. Most labour law which is designed solely for the employer-employee relation would not be appropriate for the democratic worker-owned firm. Reliance on such labour law would continually push the firm away from the democratic governance model back towards the conventional labour-management collective bargaining model.

The union leader has the function of the leader of the opposition. This oppositional leader should have a voting *board seat ex officio*

(i.e. by virtue of the office) and should be empowered to place matters on the board's agenda. The board window should prevent management from making major changes such as a sudden adoption of a fait accompli without prior critical analysis. The union-opposition leader should be directly elected at meetings of the General Assembly of the democratic firm where all non-managerial workers can participate.

The board of directors is the analogue of the legislative branch of government, and management functions like the executive branch. Since management is selected by the board rather than being directly elected, a democratic corporation is more like the British parliamentary system than the American presidential system. The chief executive is more Prime Minister than President. There might be an Executive Committee to play the Cabinet-like role of forming the efficient link between the CEO and the board. The analogy with Parliament, however, has some limitations.

In Parliament, the leader of the opposition is the leader of the opposing party which presents itself to the public as being ready and able to take over the government. In a democratic firm it seems desirable not to have anything resembling permanent political parties. Indeed, the idea of the opposition as an institutionalized role attempts to retain one of the principal functions of the two-party system without all the trappings of political parties. And when the opposition is thus embodied as an organizational role without a party structure, the opposition as such could not take over the management. An individual who was the oppositional leader might be selected as a manager, but then the individual would have to resign the oppositional position. For instance, the union president in a large democratic ESOP resigned his union position when he became the chief executive officer of the company.

In a democratic worker-owned firm the managers are not the 'employers' of the workers. Instead of the traditional adversarial system, the managers exercise their authority in the name of the people being managed, the worker-members of the firm. But even without the traditional employer-employee relationship, there is still the day-to-day social friction between those who give orders and those who take orders. There is still the need for a *grievance procedure* to protect individual rights and to provide recourse for individual grievances.

In a democratic firm, a *grievance committee* could play the role of the independent judiciary. The members of the committee would also be elected at the General Assembly meetings (probably with staggered terms). The grievance committee would be the court of last resort in

the grievance procedure (as opposed to the governance process as a whole). The grievance mechanism would be specified in the rules and regulations of the company. In addition to the broadly elected opposition leader, there could be local oppositional leaders or shop stewards elected in all the shops and departments of the firm. These stewards would assist the oppositional leader and would act as grievance shepherds to counsel and guide the grievants through the grievance process.

Any democratic polity requires a *free press*. When a democratic firm gets large enough for an internal newsletter or newspaper, it should not just be a management transmission belt of information to the workers. It should be independent of, but available to, both the management and the opposition. The funding of the paper should not be under the discretionary control of the managers. The worker-editor and staffers should adopt a professional journalistic attitude towards objectivity in reporting the facts and impartiality in presenting a variety of opinions and views in the firm.

Since board meetings, unlike legislature meetings, are closed to the public, the *public questioning* of the government by the opposition (e.g. as in British Parliament) could not take place in the board meetings. This sort of public questioning and dialogue should take place at meetings of all the membership which are held annually if not semi-annually or quarterly. In between meetings, space should be set aside in every newsletter for this public questioning of the management. The opposition leader would submit written questions and the management would give written replies in the newsletter. That public dialogue should make an important contribution to the formation of informed opinion and to the general democratic process in the firm. A similar practice exists in the largest worker-owned firm in England (30,000 worker-members), the John Lewis Partnership. The members can send in anonymous letters to the company newspaper questioning management practices and policies. The managers must prepare a written response which is published along with the letter.

A crucial part of a democratic firm is the *internal education programme*: managers, board members and workers all have new roles to play in a worker-owned firm.

*Managers* are quick to point out new responsibilities for workers as owners, but managers can be slow to recognize the necessary changes in their own style and role. The managers are selected by the board members who in turn are elected by the worker-owners. The power exercised by the managers is delegated to them from the people they

are managing. That is totally different from a conventional firm. Yet the managers may have had their training and prior experience solely in conventional businesses. In a democratic firm the relevant role model is the *democratic leader*, who sees the democratic arrangements as an asset rather than as a liability, as a challenge to enlist the best energies of the workers rather than as a threat to be curbed and minimized. Outside consultants experienced in democratic management, contacts with parallel managers in other democratic firms, and a study of past examples in democratic firms and in well-managed participative firms can all be helpful in the development of democratic leadership styles. A democratic leadership programme should be part of the firm's overall education and development programme.

*Board members* will also find that board membership can be quite different in a worker-owned firm. The Board of Directors in a democratic firm is analogous to Congress or Parliament in a political democracy. Yet boards in conventional firms do not function as assemblies of democratic representatives. In widely held public corporations, board members have little direct relationship with stockholders. In closely held corporations the board members usually have a personal or personal-professional relationship with the owners. In neither case do the board members function as democratic representatives, so the conventional role models for board membership require some adaptation to the new circumstances. The board selects management, but it does not represent 'management'. The board members represent all the worker-owners of the firm, i.e. the people who elected and who can remove the board members. The board members need to combine responsiveness to the membership with energetic leadership, a combination which at times can prove to be quite subtle.

Since the *workers* have stepped out of their employee role to become worker-owners, they too have a whole new set of rights, responsibilities, and concerns. They have a whole new perspective on the business which needs to be informed. Part of the education programme should be geared to teaching the members about the business side of the firm, e.g. understanding financial statements or understanding how the dynamics of the product market may require future investments or divestments. Other topics include their rights and responsibilities under the structure of the cooperative or democratic ESOP, and the history of worker ownership. In order to maximize the participation of the members in department meetings, assemblies, and the public life of the democratic firm, the education



programme should include such topics as parliamentary procedure and public speaking. In general, the education programme should aim to develop a democratic corporate culture within the firm.

### Conclusion

The question addressed in this paper is the new role for a union or a union-like body in a democratic worker-owned company. The approach to the question was to draw on the historical experience with political democracy, particularly the English institution of the opposition. This experience clearly points to the importance of having an institutionalized and legitimate opposition in any large democratic organization. The conclusion was that after the transition from a conventional unionized firm to a democratic firm, the union's role should be restructured from an adversarial role in a non-democratic system to a legitimate oppositional role in the democratic governance system of the firm.

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