The company and alternative models of ownership: a literature review

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Introduction

This literature review – commissioned by the IPPR Commission on Economic Justice – considers issues around corporate governance, specifically the prospect of greater prevalence for 'alternative' forms of company ownership to that which is dominant in the UK economy. The first section offers background information on the company (and the practice of shareholder value) and its development in the UK, and relates this topic to political power and economic justice. The second section outlines various alternative models, and the third presents literature evaluating these models. The fourth section considers evidence on how economic trends such as automation may be affective ownership models. The final section summarises the discussion, and outlines a progressive agenda on the company and ownership.

1. Background: Ownership, Power and Justice

1.1 The company

At its core, the company is 'an association that has a legal personality separate from its members, which enables it to raise finance, to contract for various kinds of services, and to organise production' (Gamble and Kelly 2000). Today, the dominant capitalist company model is almost synonymous with a market economy, yet before nineteenth century reform, the creation of a company was restricted to government-created firms which served a *public* purpose and held privileged (often monopolised) positions within marketplaces (for example, the East India Company) (Haldane 2015; Gamble and Kelly 2000). It was only from the mid-1800s that the ability to incorporate firms and expand with limited liability and joint-stock ownership became widely available. These reforms were the product of the need to finance large-scale infrastructure projects, such as the railway system in the 1840s, which were being held back by individual and partnership models of capital financing within traditional entrepreneurial ventures. In this regard, the capitalist company has undoubtedly been successful historically, ushering in modern industrialisation and serving as a powerful engine for mobilising productive investment (Haldane 2015; NEF 2017).

Whilst this orthodox view of the development of companies points to the need to raise greater levels of capital as the core driver, it is important to recognise the various political and legal processes behind the institutionalisation of this model. In their account of the *politics* of the company, Gamble and Kelly (2000) describe how many early liberal political economists, including Adam Smith, were suspicious of the company model, which moved away from the traditional model of *individual* private ownership and control, understood by many at the time to be both more efficient and moral. Ireland's (2008) account builds on this analysis, and offers an even more critical perspective. While the 'economic necessity' argument positions the contemporary company model as somehow 'natural' – that is, economically rational and efficient – Ireland traces through the history of the company to suggest otherwise. He argues that the rise of the modern company was a political construct 'developed to accommodate and protect the rentier investor elite whose political power was growing, and not the product of economic necessity.

The growth of companies in the second half of the nineteenth century began to pose a number of problems for the classical conception of the firm, including the company's purpose vis-à-vis public and private interests, and the divide that opened up between the owners of the company assets and the managers of those assets – that is, between ownership and control. Gamble and Kelly (2000) show how, in the British case, laissez-faire ideas came to dominate in the latter half of the nineteenth

century, which 'severely limited the development of an active shareholder democracy', whilst the UK financial system simultaneously served to encourage 'a fragmentation of ownership, and a dispersal of shareholdings, which afforded a large measure of autonomy to the new class of managers in running the corporate economy'. Thus, despite their history as forces designed to act in the public interest, and in comparison to other European countries such as Germany, as a result of the political and legal frameworks adopted in the nineteenth century, British companies have developed to be seen as private associations of property holders rather than as public bodies with public responsibilities.

The regulatory model set in the mid-nineteenth century 'has shown remarkably little change' (Gamble and Kelly 2000). We have, however, witnessed the growth of shareholder dominance, a trend associated with the growing role of finance within the wider economy (Grady 2017). At the broadest level, the UK has been characterised historically as a 'liberal market economy' (LME), rather than a 'coordinated market economy' (CME) such as Germany (Hall and Soskice 2001). Firms within LME-type economies, where financial markets make up a significant part of the economy, find it easier to secure finance but become 'heavily dependent on their valuation in equity markets' as investors depend upon publicly available information to value the company (Hall and Soskice 2001). The upshot of this is a short-termist investment model which, in turn, impacts upon the wider workforce. As Grady (2017) argues, this constitution of financial markets means that managerial decision-making is 'increasingly focused on market valuations of companies based on share price, returns to investors and creating market confidence'. A major problem with this, from an economic justice perspective, is that labour cost reduction is often 'the main object of management intervention' in order to enhance profit margins and boost market valuations.

1.2 Who owns a company and its assets?

Shareholders wield significant influence over British companies and over the British economy more widely, yet their official role in relation to those companies is somewhat open to interpretation. Answering the question of who *owns* a company boils down to different readings of company and case law. In popular discourse, shareholders are often referred to as the 'owners' of companies. Indeed, as Mitchell and Sikka (2014) note, a 2011 UK government report stated that, the 'role of shareholders as owners of companies is crucial' (BIS 2011). Similarly, Andrew Haldane, Chief Economist at the Bank of England, argued in a speech in 2015 that: 'At least for publicly listed companies, its owners are its shareholders… [this] is the centrepiece of company law'. Haldane (2015) suggests that whilst shareholders have always been the de facto owners of companies, with the Company Law Act of 2006, shareholder primacy has been 'hard-wired into companies' statutory purposes'. The Companies Act 2006 sought to clarify the position of shareholders in relation to companies and companies' responsibilities towards their stakeholders. The Act requires directors 'to act in the way that would be most likely to promote the success of the relevant company for the *benefit of its members as a whole'*. This has been understood as institutionalising shareholder primacy, albeit using a more 'enlightened' account og shareholder value, which is seen to promote the interests of wider stakeholders such as employees, alongside shareholders (whilst making clear that it is not a company's primary duty to do so.)

This idea is, however, challenged by other experts in the field. Mukwiri (2013) demonstrates in an analysis of case law that there is no basis in English law to support what he describes as the 'shareholder primacy myth'. Under the law, since the 1844 Joint Stock Companies Act, the basic tenet on which company law is premised is that of the company as a Separate Legal Personality (SLP). Shareholders, who enjoy limited liability precisely because they do not own the company, hold 'a speculative commodity not a control' (Mitchell and Sikka 2014). Moreover, as Mukwiri (2013) notes,

a reading of the Companies Act 2006 such as Haldane's is in direct violation of the elementary tenet of English company law, i.e. that the company is an SLP. As a NEF (2017) report puts it, in English company law, 'no one legally owns a public company … Just as you cannot 'own' another physical person.' Shareholders thus do not own part of the company, 'but have a series of rights that go together with owning the share'. As such, shareholders do not own the assets of a company, whether those assets are tangible (goods, money) or intangible (trademarks, customer lists, trade secrets, etc). As an SLP, a company owns its own assets as defined under property (including intellectual property) law. This issue is, however, becoming increasingly problematized in an age of increasing digitalisation of the workplace; we return to this issue below.

1.3 The impact of shareholder capitalism

Whether or not shareholders do own companies, 'shareholder value thinking', wherein corporations are seen to exist only to maximise shareholders' wealth by increasing the share price, is seen by many observers to be 'endemic' (Stout 2012). The *de facto* influence of shareholders has shaped British capitalism significantly, and increasingly so, since the advent of 'financialised' capitalism in the 1980s. As Mayer (2013) notes, corporations have changed significantly over the past century, and today, shareholder value has become 'the purpose of the corporation, its moral imperative and its directors' primary obligation'.

There are a range of economic and social costs that emerge from the growing influence of shareholder capitalism. Corporate managers and CEOs are increasingly incentivised, through stock options and performance-related bonuses, to prioritise short-term strategies that boost share price, rather than consider longer-term growth strategies which may put companies (and thus the wider economy) on a sound footing. As Lazonick (2016a; 2016b) demonstrates, this shift towards what he calls 'maximising shareholder value' (MSV) has come at the cost of the 'innovative firm' that engages in organisational learning through its investment practices. He suggests that innovative firms require three social conditions: strategic control (which empowers executives who have the incentives and abilities to invest well), organisational integration (mobilising the skills of people in a hierarchical division into a collective and cumulative learning process) and financial commitment (which ensures resources are available to invest). Lazonick (2016a) shows how, for example, in the 1980s US technological and automotive firms began to lose out to their Japanese rivals, who displayed greater investment in both their physical and human capital and a better integration of their workforce and executives, producing greater buy-in and organisational learning. He argues that the modes of stock-based pay that dominate the compensation of top executives in USA gives them incentives to use corporate cash to boost their company's stock price, limiting their ability to think about how those financial resources could have been used to invest in productive capabilities through an innovation process that is 'collective, cumulative and uncertain'. Indeed, despite the corporate company model being designed to enhance capital investment, the Kay report (2012) found evidence that the UK's equity markets are 'no longer a significant source of new capital for companies: they are largely secondary markets engaged in (increasingly speculative) trading of existing securities'.

There is, moreover, what Mayer (2013) has described as a 'commitment problem' within modern corporations. This issue represents a 'catch 22'-style problem: the short-term pursuit of shareholder value is seen to hinder a corporation's ability to restrain shareholders, which leads to further short-term behaviour. This causes shareholders to refuse to commit to the firm, for fear of being exploited by short-term interests. Mayer suggests that collective shareholder restraint and more long-term investment could be beneficial to all stakeholders, including those same shareholders, but their inability to commit to the firm represents a 'tragedy of the commons' style problem, wherein no one

benefits as they could (though see also Driver 2008 for a detailed theoretical discussion of different forms of governance and their impact on so-called 'forward commitment'). Whilst it appears that these trends are general in nature, Driver and Shepard (2005) demonstrate how the problem is particularly acute in the UK context by comparing investment in the manufacturing sectors of the UK, the USA and other EU countries. They demonstrate that the UK has comparably lower levels of investment, due to its own unique blend of corporate governance culture and adaptation to globalising pressures. Whilst investment levels in European rivals like France and Germany have been insulated somewhat by an institutional bias towards long rather than short-term investment, financial markets in the USA (which shares a short-term investment culture) are 'very good at financing new expansion and ventures'. The UK, on the other hand, possesses a short-termist culture, whilst since the 1980s its firms have adopted a 'a "submissive" response to the pressures of globalisation by shutting capacity and retreating from new investment.'

This shift towards shareholder value prioritisation has, moreover, a much more significant impact on the wider economy than a straightforward lack of business investment. Lazonick (2014) argues that MSV's focus on 'distributing corporate cash to shareholders' results in 'value extraction by those who have had little if anything to do with value creation, resulting in income inequity and employment instability'. Moreover, As Michie and Lobao (2012) argue, inequity and the push for shareholder value, which led to the sub-prime mortgages for home ownership used to create new financial instruments, were critical conditions in the development of the economic system that was pushed to crisis point in 2007-08. In the post-crisis context, moreover, Tomorrow's Company (2016a) highlight the weakness of the UK corporate sector in helping to alleviate the economic crisis conditions. They note how rather than borrowing to invest, companies are now net savers – a product of a focus on short-term financial outcomes, driven by pressure to return cash to shareholders (Tomorrow's Company 2016a). This short-termism has, moreover, a detrimental impact upon workers. It focuses managerial decisions on market evaluations, which intensifies efforts to reduce labour cost as a short-term answer to boosting profit margins (Grady 2017). An example of this can be seen in BAE Systems, who in 2012 held £2.1 billion in cash and returned £2.2 billion to shareholders whilst slashing 22,000 jobs.

1.4 Ownership, control and power

Whilst extraordinarily successful in some respects, the capitalist company model has clear limitations, and contributes to economic and social injustices in the contemporary UK political economy. The extraordinary growth in executive pay, which is increasingly calculated according to company market valuations in order to align shareholder and managerial interests, is also having a detrimental impact on inequality. The ratio of FTSE 100 CEO pay to the average earning of their workers was at 130:1 in 2014, up from 47:1 in 1998 (High Pay Centre 2014). Similarly, the ratio of FTSE 100 CEO pay to the median full-time worker across the whole UK economy was 183:1 in 2014 (High Pay Centre 2016). The relationship between ownership and control over capital and wider power relations in society is manifest, and recent interventions have brought the issue to the fore. Piketty's (2014) *Capital in the Twenty First Century*, for example, demonstrates how without intervention the uneven share of capital can only produce even more inequitable returns.

This pushes us to question: what can be done to alter the labour-capital relation within the confines of the existing capitalist system? Stuart White (2014) addresses this idea in his discussion of 'alternative liberalism', which he describes as endorsing both markets and significant private ownership of wealth, as well as 'collective action, including action by the state, in determining, for egalitarian purposes, the content of the right to capital and its distribution'. This perspective takes a different view than

traditional liberalism on 'the content of the right to capital and regards rules regulating the distribution of wealth', seeing this as subject to 'collective determination and an egalitarian conception of the common good'.

Within the scope of alternative liberalism, White suggests a range of potential solutions to the inherent inequity of the current capital dynamic, including profit sharing schemes and co-determination, wherein workers have significant rights over the direction of the company. Other ideas might include wage earner funds or even the creation of a citizen's right to capital. Fundamentally, White's (2014) argument posits that there is a need to reimagine the capital relationship, in order to enhance workers' control of capital, but that this can be achieved within the basic framework of a market economy. The examples of alternative ownership models (AOMs) White highlights, as well as other major ownership alternatives, will be examined in the following sections of this review.

The relationship between justice and power and the nature of the capital-labour divide is explored by Nien-hê Hsieh, from a Rawlsian perspective. Hsieh's work is interested in the relationship between fairness and justice and economic organisation, managerial power and workers. Hsieh is concerned with ensuring workers' basic right to freedom from what he describes as 'arbitrary interfere in workers' lives', and his work explores ways in which to empower individuals in the workplace. Part of this involves the promotion of what he terms 'workplace republicanism' which, though not entailing total employee control, sees worker participation in decision-making processes within the company (Hsieh 2005). The importance of employee 'voice' has been explored further in a report by Tomorrow's Company (2016). Secondly, Hsieh (2009) develops upon Rawl's conception of the value of a 'property owning democracy' and its relationship to work. Rather than welfare-state capitalism, a property-owning democracy would see the wide spread of the ownership of productive assets, which would put all citizens 'in a position to manage their own affairs on a footing of a suitable degree of social and economic equality'. The value of a greater spread of capital ownership is, as Hsieh (2009) puts it, that individuals are less dependent upon their labour for their income, putting them in a position to reject 'bad' work. Though this does not directly concern ownership, Hsieh's (2009) 'liberal egalitarian theory of work' is about empowering individuals within a labour market dominated by private ownership.

The relationship between forms of ownership and control and wider issues of the distribution of power in society and justice are manifest. The dominant form of company ownership in the British economy has contributed to inequity and stagnation, and threatens to deliver 'more of the same' unless change is implemented. The empowerment of employees, through both greater ownership of capital and voice within their workplaces, is a crucial step towards achieving greater economic justice. There has, however, been little research into the precise links between ownership models and the distribution of *political power* within capitalist economies – this would appear to be a major oversight which political economists are well-placed to rectify. Nevertheless, numerous reports show us clearly how *economic power* in society can be more evenly distributed through the adoption of alternative models of ownership. The rest of this report looks to draw upon this literature in order to better understand these alternative models of ownership and how their implementation may improve the position of workers in the UK today.

2. Alternative ownership models

The Independent Ownership Commission was instigated by Tessa Jowell MP as Cabinet Office minister in January 2010 and looked to understand ownership models in the UK. In its final report, the Ownership Commission (2012) lamented the fact that, 'the British private sector is dominated by a single company organisational form, namely the public limited company (PLC)'. This PLC 'monoculture', it suggests, 'reduces opportunities for other ownership forms to grow and prosper'. Nevertheless, the report also argued for the need to recognise the plurality of ownership models that does exist in the UK today, and outlined the following forms of ownership in existence in the UK today: private equity; partnerships; family ownership; state-owned businesses; sovereign wealth funds; employee-ownership; and mutually-owned firms.

A recent report on alternative forms of ownership compiled for the Labour Party (2017) leadership ahead of the 2017 general election outlines *three* main alternative models, beyond the shareholder value model outlined above: cooperatives (of which there are numerous forms), municipal and locally-led ownership models, and national (state) ownership. Alongside these three major alternative ownership models (AOMs), this section will consider employee stock ownership plans (ESOPs), and various forms of 'social investment' funds.

As has already been discussed, when looking to understand alternative models of *ownership*, however, there is an attendant need to understand different models of *control*. Different ownership models entail different outcomes for who serves to control businesses, which may have significant consequences for economic justice. Whilst control over capital is important, democratic control over economic decision making must also be a vital part of any concept of economic justice. For instance, as with Hsieh's (2005) discussion of workplace republicanism, Tomorrow's Company (2016b) have discussed the importance of employee 'voice' in creating sustainable business models. 'Voice' does not mean employee ownership, but it involves enabling workers to 'move beyond the boundaries of their day-to-day roles' through greater employee empowerment through inclusion in decision making. When considering AOMs, then, it is necessary to consider the relative merits of both employee ownership and employee control.

There are at least five main forms of co-operative arrangements: worker cooperatives, consumer cooperatives, purchasing cooperatives, producer cooperatives, and multi-stakeholder cooperatives (Labour Party 2017). All cooperatives operate on the basis of democratic control by their members and are voluntary organisations open to all to use, with their traditions and values rooted in social responsibility. Worker cooperatives are perhaps the most prominent form of cooperative. The UK has around 500 worker co-ops; this figure is far smaller than many other European countries, such as Spain (which has 20,000 worker co-ops), Italy and France.

2.1 ESOPs, Profit sharing and Shared Capitalism

There are a range of ways in which employees can come to own a stake in the capital of a company, or at least see returns from the profit that accrues to capital. In an analysis of US companies, Blasi et al (2013) provide an account of why a 'citizen's share', as they call it, is a necessary response to growing inequality in an age where redistribution through taxation is becoming harder. An employee stock ownership plan (ESOP) is one idea that is already popularly used in a number of countries, including the US. As its name would suggest, ESOP firms are characterised by the ability of employees within a company being able to buy the stocks of that company. Employees thus hold

some level of ownership of the company, even if their control remains limited. Traditionally, ESOPs have been associated with the Right (including figures such as Reagan), who have seen the extension of stock ownership to employees as a form of popular capitalism. The significance of ESOP models has been pushed by Richard Freeman (2015a) in a recent report for the major Swedish trade union, LO. In Freeman's model, which he describes as a form of 'shared capitalism', workers would build up an increasing share in the businesses in which they work, which he argues is proven to have positive effects for both business and wider societal issues such as income equality and economic democracy.[1]

Another variant of this kind of employee empowerment is profit sharing (PS) or financial participation schemes. These schemes are found a number of different countries, but France famously operates three main forms of financial participation: a mandatory PS scheme for all companies with 50 employees or more ('participation aux bénéfices'); a voluntary PS scheme ('intéressement') and an ESOP ('plan d'épargne entreprise'). Within the mandatory PS, the amount paid to workers is determined by a formula stated in law[2], and the amount paid is not available to the employees for five years. The voluntary PS scheme is, however, employed at discretion and determined by the company, with employees able to access the money immediately (Baghdadi et al 2016; Eurofond 2001). The drawback from such schemes is that ownership does not always mean control, particularly in cases of profit-sharing and limited employee-ownership. This is an issue to which we shall return below.

2.2 Locally-led ownership

Locally-led ownership is another form of alternative ownership that captures a broad range of ownership models, all of which are based around the 'localisation' of economic control. That is, economic decisions are used to advance the interests of the local community. There are a number of models which fall under this umbrella term, including community businesses (such as community-owned pubs and shops), development trusts (organisations charged with social regeneration), community interest companies and registered societies. Local ownership models can be as simple as a group of local farmers coming together to establish a farmers' market, designed to support the interests of a local farming community (Labour Party 2017). Alternatively, there is growing momentum around the role that local collective ownership can play in the digital or 'sharing' economy, with city or regional governments looking to rival disruptive technology firms such as Uber and AirBnB, which are reshaping local economies. This is explored more in the final section of this review.

A separate but related concept is that of building local economies through the use of 'anchor institutions'. In the UK, the work of the Centre for Local Economic Strategies (CLES) has been critical to developing the use of 'anchor institutions' to help grow the local economy, and the town of Preston has become a model for the project (CLES 2017). This project itself borrowed from the ideas developed in Cleveland by Ted Howard around 'community wealth building'. The Cleveland model set up local cooperatives which would seek to win service contracts for work from local 'anchor institutions' with large budgets, such as a local university or hospital (see Sheffield 2017 for more information). In Preston, 12 large institutions were identified, and the City Council looked to redirect their combined £1.2 billion annual spending power. Although it was deemed too difficult to rely solely upon the construction of new cooperatives in Preston, funding is being diverted to existing local coops and businesses, to help boost the local economy. The Preston Model demonstrates

[1] This model remains distinct from wage earner funds (explored below), as rather than relying upon an external fund, workers would directly earn shares in the firms in which they work.
[2] (W/AV) × (P − 5 per cent × E)/2, where P is the profit, E the equity, AV the added-value and W the gross payroll

therefore that even without direct ownership, there is more that local authorities can do to help influence the activities of local businesses for the betterment of the local area.

2.3 National ownership

National ownership (or state-owned enterprise, SOE) is when an organisation is either fully or partly owned and controlled by the government and operated on behalf of the country. As noted within the Labour Party (2017) report, though there is some debate over how much government ownership is sufficient to deem an enterprise as 'state-owned', a common definition of SOEs is, 'enterprises where the state has significant control through full, majority, or significant minority ownership'. SOEs have been the major alternative model of ownership in the British economy, and although their presence is today much diminished, globally SOEs still account for a significant proportion of economic activity (Labour Party 2017).

A major issue with SOE and nationalisation has been the distinction between ownership and control. As Cumbers (2012) argues, despite the Labour Party's massive post-1945 nationalisation programme, 'remarkably little' changed in the political economy of the UK. Though the government now owned the means of production, its 'Morrisonian model of nationalisation meant that a small corporate elite (often the same groups of people as from before the War) still managed economic decision-making. This gave little or no voice to workers or consumers. More recently in the post-2008 UK context, nationalisation has been used to rescue failing banks, such as Northern Rock, in a move Cumbers criticises as 'band-aid nationalisation'.

SOEs are a clear alternative to the capitalist company in the British context, but have demonstrated significant limitations in the past in relation to economic justice. We should not assume, howeverm that these limitations are *intrinsic* to the SOE model, and Cumbers outlines a set of proposals around the possibility to remake public ownership (including SOEs) in a fashion that 'prioritizes economic democracy and public participation in dealing with the deep problems facing society'. Whilst SOEs can and should form one part of a more democratised economy, this review does not cover seek to cover SOEs in depth; it focuses instead on other forms of ownership that are less well developed and less understood in the UK context (although we return to the issue of public ownership in the final section).

2.4 Social investment funds

There are various investment vehicles that can be used to enhance employee ownership of capital for the advancement of societal causes. Lansley (2016) draws on the role played by sovereign wealth funds, such as that of Norway, and proposes the establishment of a 'social wealth fund'. The funds would be collectively held, 'fully owned by the public and used for the benefit of society as a whole'. The funds would draw in capital through a range of means, including levies on unproductive rent-seeking behaviour, windfall taxes, and privatising public assets. If properly structured, Lansley suggests such funds 'could contribute to a wider spread of the ownership of capital and its benefits', through for example, investment in company shares to enhance societal influence over boardroom decisions. Whilst an attractive idea Lansley's ambitious plans rest, as Berry (2016) has argued, upon seemingly counter-intuitive actions such as the sale of public goods, as well as the delivery of services that the state already provides, like social housing.

If the ambitions and remit of a social wealth fund are too broadly defined, others have explored the role that could be played by the wage-earner fund (WEF) model. The WEF model is primarily associated with the Rehn–Meidner model in Sweden, developed in the post-War period and implemented for a short time between 1983 and 1991. The Rehn–Meidner model was seen as a

'potential solution to the instability generated by the private control of the investment function, and the limitations this places upon the combination of sustainable full employment and an egalitarian redistribution of wealth and power' (Whyman 2006). Although the model finally implemented in 1983 was somewhat different to the original plans for the Rehn–Meidner model, the basic premise of this WEF was that 20% of the 'excess' profit of companies would be allocated to employees as equity. WEFs were in charge of maintaining these investments, with assets accruing to the funds remaining as working capital within the firm and directing the eventual returns 'to meet agreed-upon social purposes' (Guinan 2013). In its original guise, the Rehn–Meidner model saw a ratcheting up of WEF influence, so that in theory WEFs might end up owning more than half the shares of large companies, giving workers control eventually. The greater the profits of the firm, the more workers benefitted by increasing their share. Yet the eventual legislation placed limitations on the total size of the WEFs (Furaker 2016). Robin Blackburn (2006) has argued for a similar social investment-style model to be adopted to help tackle the growing pensions deficit issue in both the US and the UK. He suggests allocating shares equivalent to 10% of corporations' profits to a social fund, which would generate income to pay for a universal second pension.

A related concept is the role played by intermediary bodies, such as pension funds. As Berry (2015) notes, the dramatic growth of pension funds in the Anglo-American economies saw the rise of an optimism around what Drucker (1976) called 'pension fund socialism' and what Clarke (2000) termed 'pension fund capitalism'. With pension funds (made up of the savings of ordinary workers) now often the largest shareholders in publicly-listed companies, it was thought that these funds could be used to bring about a shift in corporate organisation. However, the limitation of such a perspective is the gap between ownership and control; pension funds are largely controlled by the asset management industry or investment banks. At the same time, the UK political economy is locked in to a restrictive imaginary of financialized capitalism, wherein political elites have little appetite for interfering in the nature of pension funds and the intermediate role of the asset management industry as a gatekeeper between vehicles for pensions saving and actual investment opportunities.

3. Evaluating Alternative Ownership Models

3.1 Prevalence in other countries

Before looking in to some of the ways in which AOMs have performed compared to traditional capitalist company models, it is important to recognise the significance of these models outside of the UK. Comparatively, the cooperative movement is much stronger globally than it is in the UK. A report by CICOPA (2014) found that amongst the G20 nations, cooperative employment makes up almost 12% of the entire employed workforce, and that globally the cooperative movement generates employment for at least 250 million people. Amongst some of our closest European neighbours, coops hold a significant place in the national economy. In France, for example, coops account for over 1 million jobs (3.5% of the working population), whilst in Denmark consumer coops held 36.4% of consumer retail market in 2007 (Corcoran and Wilson 2010). There are approximately 18,000 worker cooperatives employing 300,000 people in Spain, with the sector growing 30% in the five years between 2004 and 2009 (Corcoran and Wilson 2010). As of 2017, the National Center for Employee Ownership (NCEO) estimate that in the USA there are roughly 7,000 ESOPs covering about 14 million employees.[3]

[3] See http://www.esop.org/

SOEs, whilst a declining proportion of the UK economy, have seen growth in recent years globally. As the Labour Party (2017) report notes, a proportion of the Fortune Global 500, SOEs grew from 9% in 2005 to 23% in 2015. Though many of these SOEs are Chinese, the report adds that the proportion of non-Chinese SOEs also rose during this period. Clearly, for a number of reasons, SOEs remain vital to the development of national economies globally. A significant trend in the growth of locally-owned companies can also be witnessed. As Cumbers (2016) points out, since 2000, around 235 towns and cities globally have taken companies (particularly in water and sanitation sectors) back into local control following unpopular privatisation schemes. There have been 94 cases of 'remunicipalisation' in France in this period.

The Mondragon Cooperative Corporation, based in the Basque region of Spain, can be taken as a case study of how cooperatives can grow and compete with capitalist competitors, whilst providing more optimal outcomes for workers and wider society. Mondragon began with 25 workers in 1956, yet today stands as the world's largest cooperative corporation and accounts for around 75,000 jobs with total global sales of €15 billion.[4,5] The cooperative corporation four main business strands: finance, industry, retail, and knowledge and is one of the largest business groups in Spain in terms of both sales and the number of workers. From its outset, Mondragon has re-invested its profits back into its worker cooperatives, with 30-50% of profits going into the cooperative's indivisible reserve fund[6], and 10% donated to education, health and the wider community in the Basque region. All remaining profits are placed into individual members' capital accounts, based on the number of hours worked and pay grade, which cannot be accessed until retirement (Corcoran and Wilson 2010). Although Spain's economic recession hit Mondragon hard (as it did almost every company), the workforce remained relatively steady as the cooperative sought to implement more flexible measures to ensure jobs were not lost (Tremlett 2013).

3.2 AOM Impact on Firm Behaviour and Performance

There is evidence that employee ownership has a significant positive impact. As Freeman et al. (2011) note, a meta-analysis of the academic literature on employee ownership finds that, 'two thirds of 129 studies [including both performance and attitude studies] … found favorable effects relating to employee ownership, while one tenth found negative effects'. In the UK case, based on extensive survey and financial data of British companies, Lampel et al. (2010; 2012) find that employee-owned businesses (EOBs) outperform non-EOBs on a range of measures, showing that small and medium size EOBs out-perform non-EOB rivals on profit before tax, they create jobs faster (both pre and post-crisis), produce more management innovation, and are more resilient over the business cycle.

Within ESOP schemes, too, there is evidence of enhanced firm performance. Pendleton and Robinson (2010) utilise the British Workplace Employment Relations Survey to assess how ESOPs perform, and find that the combination of stock plans and worker involvement can have positive productivity effects over a wide range of values for involvement. Interestingly, they also find 'clear evidence that stock plans have independent effects on productivity', and note that stock plans work to enhance productivity and performance 'via means other than the provision of direct incentives, such as development and protection of human capital by encouraging employee retention'.

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[4] http://www.mondragon-corporation.com/wp-content/themes/mondragon/docs/eng/annual-report-2015.pdf
[5] https://www.theguardian.com/world/2013/mar/07/mondragon-spains-giant-cooperative
[6] A mandatory indivisible reserve is seen as a necessary component of a cooperative model. The reserve is property owned by the cooperative that cannot ever be divided between members.

The link between EOBs and performance, however, is not direct; it is tied up with a range of factors. In a meta-analysis of studies on the link between employee ownership and firm performance, Kruse et al (1995) find that whilst there is no automatic link between employee ownership and firm productivity or profitability, some studies do point to improved outcomes and none show negative outcomes on the basis of employee ownership. The finding by Kruse et al (1995) that employee ownership 'does not magically or automatically improve employee attitudes' is tempered by their recognition that employee *participation* in decision making often does have a positive impact. This argument is supported in a recent study by Lampel et al. (2012), who are that 'employee ownership has limited influence on motivation, unless it is linked to employee representation, preferably at board level'. Despite their more cautious approach to exploring the impact of employee ownership, Kruse et al. suggest that, 'on balance, employee ownership is associated with unchanged or better performance'. There is, therefore, an important distinction to be made between employee *ownership*, and *participation* in the running of a company. These two elements of worker empowerment may have differential effects for economic justice, and seemingly need to be combined in some way to achieve optimal outcomes.

There is some evidence on sectors and industries in which EOBs perform best. Based upon their analysis of firm performance, Lampel et al. (2010) suggest that there is clear evidence that EOB models are particularly advantageous for small and medium-sized businesses. They show that EOBs with fewer than 75 employees 'do significantly better than non-EOBs of the same size measured by both profit before tax and profit before tax per employee.' In a 2012 report for the Department for Business, Innovation and Skills, Lampel et al. (2012) also disaggregated these findings by sector. They found that EOB survey respondents 'strongly endorse the view that employee ownership increases employee commitment to the enterprise'. On this basis, it was found that the benefits of EOBs were found to be particularly strong in the professional service sectors, where EOBs have stronger customer orientation than other sectors, which in turn leads to stronger growth based on gaining new customers. A strategic advantage for EOBs in technical services was also discovered, where enhanced employee commitment was seen to improve product quality and delivery. Corcoran and Wilson (2010) find more generally that industry concentration is a major factor in the success of cooperatives. This is based upon the idea of inter-coop solidarity, and the flows of sector-specific expertise and economies of scale that can be achieved through interaction between coops. They provide the example of Italy, wherein coops tend to be concentrated in an array of industries, such as social services, catering, construction and manufacturing.

Though the WEF experiment in Sweden ended after less than a decade, the decision to close the funds was 'not preceded by any evaluation of their performance' and is seen by some as a political or ideological decision (Furaker 2016). Subsequent analyses of the WEF experiment show relatively positive outcomes. Whyman (2006), in perhaps the most comprehensive recent analysis of the Swedish WEF, examines their performance in relation to the macroeconomic, financial and democratic objectives attached to them. He finds that although the WEFs did not achieve a great deal in terms of economic democracy, largely due to the size limitations placed upon the model when they were established (see also Furaker 2016), 'the funds came close to fulfilling their varied financial targets'. Compared to traditional investment streams, WEFs safeguarded their assets more successfully, achieved superior results, and only marginally failed to meet their 3% target real rate of return per annum (Whyman 2006).

The theoretical literature assumes that, unlike the capitalist firm which pursues profit maximisation, the cooperative firm focuses on the alternative objectives of guaranteeing stable employment and a

good income for its worker-members (Alessandrini and Messori 2016). This should, in theory, push non-capitalist firms towards a greater focus on ensuring long-term growth over short-term gain. This is largely evidenced in the literature, with EOBs ‘more likely to favour activities that have a long-term payback horizon and put greater emphasis on forward growth planning’ (Lampel et al. 2012). This meant that EOBs were found to invest more in human capital and show preference for internal growth (adding new customers, expansion of existing model) over external growth strategies (acquisitions, mergers, etc.). Compared to publicly traded companies wherein managers felt pressured to enhance shareholder value, faced with increasing demand for their goods and services, EOBs were found to be more likely to either match or expand business volume with growth of in key markets, whereas non-EOBs were more likely to maintain or marginally expand current business volume. This shows, the authors note, that ‘non-EOBs are more conservative when it comes to balancing short- against long-term response to changing demand conditions’.

3.3 AOM impact on workers’ wellbeing

There are a range of potential economic benefits that emerge from the greater proliferation of alternative models of ownership, which impact not just on performance of the firm, but also the worker directly and the communities they live in. The literature presents relatively mixed accounts on the effect of EOBs on worker compensation. In a survey of Italian firms over a 13-year period, Pencavel et al. (2006) found that worker-owned and managed firms had 14% lower wages than traditional capitalist company organisations and experienced more volatile wage rates. However, in a more recent study of British companies, Lampel et al. (2010) found EOBs to be ‘better employers’ than non-EOBs, consistently recruiting more employees and also rewarding them with higher wages. The disparity between these two findings may, therefore, be linked to case-specific factors.

The more mixed results on levels of worker compensation within EOBs are not, however, seen in ESOP/PS schemes. There has been debate about firms’ motivations for using PS schemes. As Baghdadi et al (2016) demonstrate, the literature has been divided over whether PS schemes are used to enhance employee pay or if they merely transfer risk to employees (i.e. during tough economic times, PS schemes permit the reduction of employees’ total wages). However, much of the recent literature has found that PS schemes boost workers’ incomes significantly. In their analysis of France’s voluntary PS scheme, Baghdadi et al (2016) conclude, moreover, that the scheme increases ‘both base and total wages’, and thus ‘firms do not use financial participation in order to transfer more risk to workers’. In an analysis of firms that have adopted PS schemes, utilising the Canadian employer survey (1996–2001), Long and Fang (2012) find similarly that the schemes have a positive impact both on base and total wages. Andrews et al. (2010) found, for example, that workers in plants which operate PS schemes earn about 25% more and that the effect of profit-sharing on earnings is very consistent across different types of workers, with no evidence that certain groups of workers benefit more than others.

Similarly, ESOPs, which provide additional income above that of normal wages, have been documented as improving worker compensation. Blasi et al. (1996), for example, found 8% higher compensation levels for workers in firms with ESOPs worth 5% of the company when compared with similar businesses. However, there is less evidence to suggest that ESOP/PS schemes improve the wellbeing or attitudes of employees. Robinson and Zhang (2005) argue that ESOPs help to ‘safeguard valuable investments in employee human capital’, enabling firms ‘to build and sustain their competitive advantage by rewarding and protecting employees’. Yet, research by McCarthy et al. (2010) based on a survey of 711 employees in Eircom, an Irish telecommunications firm, which is 35 percent employee-owned, finds that although the ESOP scheme has ‘created sizable financial returns

and has had extensive influence in firm governance at the strategic level', it has shown only a limited impact on employee behaviour. The scheme, the authors argue, has failed to create a sense of employee participation, meaning that employees do not have a sense of ownership *and* control (McCarthy et al. 2010).

Although EOBs may not necessarily produce large wage increases, there are studies that point to greater job security, satisfaction and equality in firms with worker ownership *and* control. The Mondragon Corporation, for example, includes a job creation target in its annual strategic plan (Macleod 2009). Despite showing lower wages within Italian EOBs, Pencavel et al. (2006) note that these lower and more volatile wages were the result of *less volatile* employment. That is, Italian EOBs were found to protect workers from unemployment more successfully than non-EOBs, using wage restraint to do so. This replicated earlier research on worker cooperatives in the US plywood industry that also shows such firms were more likely to adjust wage levels than employment levels (Craig and Pencavel 1992). This point ties in to a wider argument which suggests worker-owned and -controlled businesses provide for more stable employment, which can in turn be better for worker wellbeing. Bartlett et al. (1992) found that amongst member-workers, cooperatives had lower staff turnover compared to similar capitalist-style companies. This may be explained, in part, by employee-owners' greater satisfaction with their work as a result of their increased influence and participation in the operation of the firm, increased training, freedom from supervision and enhanced job security (Kruse and Blasi 1995). Furthermore, there is evidence to suggest that cooperatives may enhance pay *equality*. Drawing on surveys and interviews with experts and practitioners from the co-operative, labour and women's movements from around the world, a 2015 report by the International Labour Organization (2015) found there to be observable advantages of co-operatives for gender equality. Interviewees suggested that co-operatives benefit women through access to employment, improved conditions of work and social benefits.

There is a lack of information from the academic literature on how different AOMs impact upon worker wellbeing beyond the immediate economic aspects of remuneration and job security. Whilst Richard Sennett (1998), for example, has explored the deterioration of worker identity and wellbeing in the modern workplace, as a result of changing and more flexible working patterns, his work has not actively explored how AOMs may provide alternative avenues to reimagining worker identity and enhance wellbeing. There has, however, been a number of useful reports which can help build a picture of the impact of AOMs on worker wellbeing. Research carried out by the Employment Research Institute at Edinburgh Napier University (commissioned by the Employee Ownership Association), based on over 1000 direct interviews, national surveys, and 4 in depth case studies, found that EOBs have a range of positive impacts on worker health and wellbeing. The report found that employees in EOBs have: higher levels of job satisfaction, more control over their work and the tasks they do (including their start and finish times), better communication practices, enjoyed better relations with their managers, and had slightly better health than the overall population (EOA 2012).

There appears to be, therefore, a trade-off in the worker ownership/worker control dualism. Whilst greater ownership (through ESOP schemes, for example) may provide higher income levels to workers, it seems greater levels of worker control leads to greater attempts to enhance job security, satisfaction and equality alongside rising pay. These differences perhaps reflect the differential values of workers who both own *and* control a business, and should be taken in to account when considering what is necessary to secure economic *justice* for workers, and not merely a pay increase. An attempt has already been made by leading figures in the field, including Stuart White, Jonathan Michie and Daniel Tischer, to provide an alternative evaluative framework for EOBs (Tischer et al. 2016). They

suggest that there is no coherent framework for assessing the success of such firms, that takes its 'values, principles and structures into account'. Often the evaluation of firms' performances is based upon quantitative measures which do not recognise the value of the 'principles held by these types of organizations, and indeed their purpose'. Adopting and utilising a framework such as that developed by these scholars must, therefore, be an important step towards bringing AOMs into the mainstream of economic activity in the British economy.

3.4 AOMs: factors in and barriers to success

There are, of course, a range of factors associated with the successful establishment of AOMs. In order to better understand the reasons why barriers to the establishment of AOMs may exist in the UK context, this section seeks to better understand some of the factors in their success elsewhere.

Corcoran and Wilson (2010), in a cross-national survey, set out a list of key elements common to successful worker co-operative movements found in Italy, Spain and France. These factors, which are largely also reported in CECOP (2013), are explored below in relation to the UK.

- *Sufficient capital access.* In all three countries, coops have access to funds (often loans but in some cases grants) which can support the organisation through crisis periods. There are also a range of state subsidies and tax breaks available to worker coops under specific conditions in each country. In Italy and France, non-member investors can own significant shares in coops as a way of raising capital.
- *Technical assistance*. The study found that in each region, technical assistance to worker cooperatives in their start-up phase was provided, either through regional development agencies or through cooperative associations.
- *A mandatory indivisible reserve*. This reserve is property owned by the cooperative that cannot ever be divided between members. The legislation for a mandatory reserve was found to be an important aspect of successful cooperative arrangements in each case.
- *Federation structures*. Federated associations, often organised along industry lines, help to 'support, guide, direct, and help educate the worker co-operatives' and are seen as an essential resource to maintain cooperative models.
- *Industry concentration*. The concentration of cooperatives within certain industries is seen as an important enabling factor for the success of the cooperative model. This facilitates industry specific expertise and enables economies of scale, which can be achieved through interaction between coops. For example, in Italy, coops tend to be concentrated in social services, catering, construction, good service, manufacturing, transportation, maintenance, and processing.
- *Solidarity and inter-cooperation*. Building on this point, the authors suggest that solidarity and inter-cooperation between different coops is essential. They suggest it provides coops with the ability to present a common from to the government, enabling a more favourable policy environment.
- *Scale*. As with industry concentration and solidarity between coops, scale of cooperative organisations is important. Larger organisations are seen to benefit from their size, both in achieving economies of scale and the increased influence that comes with it.
- *Trade unions*. CECOP (2013) argue that a factor often overlooked is the important role trade unions can play in facilitating the establishment of cooperatives, particularly in cases of

employee buyouts of enterprises in crisis (failure or bankruptcy) or retiring owners with no successors.

- *Legal frameworks*. In the case of employee buyouts, CECOP show that their higher incidence occurs in countries which have established legal framework to provide preferential rights to employees when faced with the opportunity to take over a business.

Whilst the Swedish experiment in WEFs may have had positive results, the literature is less convinced of the plausibility of introducing a similar scheme today. As Whyman (2006) argues, 'changes in the international economic environment – particularly relating to the internationalisation of financial capital, EU membership, the rise in foreign ownership of Swedish industry following financial sector deregulation, wage bargaining decentralisation, the trend towards post-Fordist production and the increased importance of service sector employment – could have rendered the Meidner proposals irrelevant'. Yet, whilst such trends might have rendered the WEF model more difficult, Furaker (2016) suggests there is a possible future for other forms of 'collective funds' aimed at buying shares in the stock market or providing loans for investments. Rather than allocating funds from profits, which may be relatively easy for business to hide, Furaker (2016) suggests contributions could be based upon a payroll tax, which would be difficult to avoid.

According to the Employee Ownership Association (EOA 2013), which represents EOBs across the UK, there are several barriers to the greater incidence of EOBs:

- It is difficult for EOBs to secure growth capital in the UK and there is also a lack of understanding of EOBs within financial institutions, meaning appropriate financial products are not being developed for EOBs. As we have seen from the above analysis, sufficient access to capital is an absolute prerequisite for the successful establishment of AOMs. EOA suggest that the UK government must work with financial institutions and other providers to finance to create a more sophisticated funding market for EOBs.

- There is a lack of tax incentives for EOBs in the UK currently. EOA suggest a lighter tax framework for EOBs is needed. They recommend: the re-introduction, for employee benefit trusts, of profit related pay reliefs; raising the upper limit for entrepreneur's relief to incentivise owners to transfer their ownership to employees; and/or broadening the availability of entrepreneur's relief to owners of less than 5% of shares in the business they work in.

- There is a general lack of awareness of employee ownership models. The EOA argue that they are insufficiently understood by UK employees, and that intermediates, such as legal, tax and accounting professionals, also lack understanding of how to set up and operate EOBs. As the above analysis shows, technical assistance provided to cooperatives in the early stages of their start up is essential to their successful operation.

- The legal, tax and regulatory environment is complex and poses challenges for employee ownership. As the CECOP (2013) report shows, countries which have established legal frameworks to provide preferential rights to employees when faced with the opportunity to take over a business enjoy a higher incidence of EOBs. EOA suggest that the government must simplify the legal, tax and regulatory frameworks around EOBS to allow them to flourish.

- ESOP schemes suffer from a complexity that often goes unrecognised. As Tischer and Hoffmire (2017) note in a recent analysis of the movement towards 100% employee

ownership through ESOPs, whilst much of the academic and practitioner literature presents this process as a relatively smooth transition from one owner to another, 'multi-stage ESOP transactions are the norm because few companies can afford to borrow, collateralise and fund a 100% buy-out of the existing owners at fair market value'. This complicates matters and means that the conditions of a new 'add-on transaction' (building more employee ownership) must align with the interests of existing ESOP participants. Complexities of this kind suggest the need for greater assistance from the state or other institutions in facilitating the establishment of ESOPs and their transition towards 100% employee ownership than exists currently in the UK.

- Added to these barriers, it is important to consider the role of trade unions. Unions are cited as a crucial influence in helping to push employee buyouts, for example. It is therefore significant that the UK has low rates of union density, particularly within smaller workplaces and the private sector, where employee buyouts are more common.

4. New trends: ownership and economic change

Whilst the previous sections of this review have focused on issues surrounding the ownership of companies that have been apparent for many decades, it is also necessary to turn to emerging issues associated particularly with developments in technology that have the potential to fundamentally reshape the labour-capital relationship. Two related but distinct issues are looked at here: automation (that is, the use of robot and computer technology) and digitalisation (associated with new digital work 'platforms' like Uber). A 2017 OECD report noted that automation and digitalisation 'can be disruptive', transforming 'the structure and business models of the economy'. The report identifies the 'job polarisation hypothesis', and argues that evidence exists to support the thesis that the process of automation and digitalisation are serving to reduce the share of middle wage jobs the wage share of those jobs, increasing inequality in society (OECD 2017). There has, however, not been a significant reflection on the implications of technology for a range of AOMs within the academic literature. Rather, the debate that is taking place has tended to be focused on a discussion around 'those who foresee limitless new opportunities and those that foresee a massive dislocation of jobs' as a consequence of new technologies (World Economic Forum 2016). The rest of this section looks to understand this debate, and reflect on the implications of automation and digitalisation for forms of ownership.

4.1 Robot and computer technology

In a 2013 study, two Oxford academics calculated the potential impact of computer technology on the US job market, based on a study of over 700 occupations. They found that around 47% of total US employment is 'at risk' of destruction due to the rise of computer technology (Frey and Obsorne 2013). Their model finds that 'most workers in transportation and logistics occupations, together with the bulk of office and administrative support workers, and labour in production occupations, are at risk'. Surprisingly, it also shows that 'a substantial share of employment in service occupations' are highly susceptible to computerisation - the implication being, it is not only routine tasks that are liable to be computerised (Frey and Obsorne 2013; Brynjolfsson and McAfee, 2011). The pace of this shift towards computer and robot technology has also been much faster than predicted. Brynjolfsson and McAfee (2011) note how in a 2004 book, Frank Levy and Richard Murnane discuss 'why people still matter', and make the observation robot technology will find it difficult to perform complex tasks such as driving a car on a public road. By the time Brynjolfsson and McAfee (2011) were writing, just

seven years later, the driverless car was already becoming reality and today companies such as Google have already tested working prototypes on public roads.

So, what are the implications of automation for ownership and alternative forms of ownership? Fundamentally, the increasing use of robot technology exacerbates the existing labour-capital dichotomy. As Richard Freeman (2015b) argues, ‘how these new technologies affect worker wellbeing and inequality depends on who owns them’. Robots are capital equipment, and their increasing use shifts the distribution of income towards capital and away from labour. In this sense, within the structure of the dominant capitalist company model, technology will serve to reinforce the inequitable trend of the capital share growing at the expense of the wage share. The nature of the distributional impact of these technological developments is, however, susceptible to alteration through policy. One possible path to stemming the impact of robot technology is through taxation. In a recent report to the European Parliament, Mady Delvaux (2016), a Luxembourg MEP from the Socialists and Democrats Group, argued for ‘corporate reporting requirements on the extent and proportion of the contribution of robotics and AI to the economic results of a company for the purpose of taxation and social security contributions’. The report further argues that, in light of the impact of robot technology, ‘a general basic income should be seriously considered’. Both of these policy ideas were, moreover, taken up by the Socialist Party candidate in France’s 2017 Presidential elections, whilst taxing robot technology has been supported by Bill Gates.[7]

For Freeman (2015b), however, taxation is increasingly difficult for governments to pursue effectively. Instead, he argues that the only solution can be for all members of society ‘to have a substantial ownership stake in the robot machines that will compete with us for our jobs and be the vehicle for capital’s share of production’. Freeman argues that unless workers earn income from capital as well as from their labour, the labour market and the wider economy will increasingly polarise. That is, he suggests a new form of capital ownership must be developed to halt the trends towards greater inequity. He suggests a number of ways for workers to gain ownership in their firms, including owning shares held in a WEF-style scheme, workers receiving stock options as part of their pay, or ESOP style arrangements. A potential obstacle in the way of these schemes, however, lies in defining what constitutes robot technology and how it is distinct from prior technological advances.

From this perspective, robot technology renders the traditional capitalist company model potentially increasingly dangerous for the wider economy and society, with the solution being a form of ownership wherein workers have a capital share. Indeed, the Labour Party (2017) report on AOM notes that a solution to automations demands greater ‘collective, democratic ownership to ensure the economic benefits of automation are widely shared’. It suggests that this could range from introducing national profit sharing schemes, to incentivising the growth of cooperatives and mutuals, to establishing a sovereign wealth fund where FTSE listed companies are required to issue a percentage of stock on incorporation’. It is clear that any form of ownership which helps to democratise economic power, what Blasi et al. (2013) call ‘broad base capitalism’, will be essential in facing up to the challenge of automation.

4.2 New digital work platforms

A second aspect of job polarisation is linked to digitalisation, and the emergence of the ‘platform economy’ (also referred to as the ‘gig’ or ‘sharing’ economy). The growth of digital technology has paved the way for numerous tech companies, such as Uber, to alter the relationship between companies and their workers. Although sometimes referred to as the ‘sharing economy’, few of the

[7] See https://www.ft.com/content/cfa047f8-f77e-11e6-bd4e-68d53499ed71

benefits are shared across society. Platform work has been cited as a key driver of precarious employment forms (European Parliament 2016), and its growth has been considerable in recent years, with estimates suggesting that by 2020 nearly half of all US workers will be 'contingent workers' and 11% of these will be working for on-demand platforms (Huws 2016). A key issue is that there is a distinct lack of regulation in any European country covering such forms of employment (European Parliament 2016). In the main, debate over platform work revolves around the official employment status of those workers; that is, are they really self-employed? (see Taylor 2017). Yet, even if their status is hypothetically determined as self-employed, there are issues around ownership of assets that, due to their very recent emergence, have gone largely under-discussed and theorised in the academic literature. The discussion below will, however, look to understand some of the key aspects of the wider debate.

A major concern over the rise of new 'platform' technologies is their how their ownership and governance structures differ from the traditional capitalist company models. Greenfield (2016) utilises the term 'stacks' for tech companies such as Google and Facebook, in order to describe their 'strategy of vertical integration by which each of them seeks to control the network, as well as the platforms, applications, physical devices and content that run on and are connected by it'. Consider, for example, how Amazon not only sells products through its website, but controls the delivery infrastructure, harvests data from products like its Echo system, buys up rivals in new markets such as Whole Foods, and continues to own content purchased by users such as MP3 songs through its music service. There are, furthermore, concerns about how platform companies can begin to monopolise the delivery of services. For example, consider how Spotify acts merely as a platform to create subscribers for existing music content, or how AirBnB monetises the connection of a buyer and a seller of existing goods (in this case, rooms to rent). These business models are part of the rise of a trend towards zero-marginal cost production, which Rifkin (2014) argues will serve to usurp traditional businesses. If companies like AirBnB can continue to profit from a platform-based business model, which requires little continuous investment in comparison to other businesses, their consolidation of the market will continue to grow. These developments are potentially dangerous for wider society, as they see profits accrue increasingly towards a limited number of private tech corporations.

Secondly, in the case of platform companies, often a key asset is the intangible value of trust. As Dzieza (2015) notes, platform companies like Uber use their rating systems to performance manage their workers, and get customers to act as 'unwitting ruthless middle managers'. Moreover, Uber and other platform work apps *own* these ratings, not the worker. This means, Dzieza (2015) notes, 'a worker who spends weeks or months building up a durable reputation on a particular platform, leaving for a competitor means starting from scratch.' Thus, despite being 'self-employed', workers in the gig economy do not enjoy the benefit of ownership over all of the assets they produce and use to build their income. Platform companies are thus extracting value from such workers through their ownership of intangible assets which currently sit in a grey area of regulation (McCann 2015).

In order to counter these new technological trends, there have been calls to explore AOMs for the digital economy. On the one hand, some point to the need for alternative 'cooperative platform' models, wherein 'information, profits and power are genuinely shared' either on a local community basis or amongst the workers themselves (McCann 2015). This new kind of 'platform co-operativism', according to Reynolds (2017), promises 'to circulate returns to the workers and users who run and own the platforms … [and] offer the prospect of democratic control over the data generated by the platform's activity, which under the Silicon Valley model is appropriated and mined for further business advantage'. Reynolds points to the real-world example of the Green Taxi

Cooperative, a Denver-based taxi platform 'owned by some 800 taxi and app-based drivers who have each put up a $2,000 investment to become co-owners of what has become the largest taxi company in the state of Colorado'. Indeed, for authors like Murray (2015), co-operation is today, 'in the age of Google', both more important and more possible than ever. Murray (2015) argues that the capacity for new cooperative forms of company ownership is more feasible than ever when 'citizens armed with their computers have bypassed the old institutions and are connecting to each other directly'. Though challenges lie ahead, including the need for better support and infrastructure to enable the construction of more digital cooperative movements, Murray argues that a cooperative revolution is within sight.

Similarly, a report by Ideas for Change (2016) has looked at the role of 'commoning strategies' and the ability of cities to build 'city commons models'. The report looks at case studies from Amsterdam, Milan, and Bologna amongst other cities. For example, Milan has sought to establish relationships with AirBnB and Uber, in order to understand their presence in the city and 'exploit their networks for a recirculation of information' in order to facilitate small start-ups. These small city or regionally-based start-ups would socialise the benefits of the so-called 'sharing economy' for benefit of the people of the city or region, not just big corporations (Ideas for Change 2016). An example of this might be that the Greater London Authority (GLA) develops an app-based platform to rival AirBnB that residents in London can use to rent their homes on a short-term basis. The GLA would be able to regulate activity more effectively than a corporation, whilst using all profits from the scheme for social investment purposes, helping to boost the regional economy more directly.

In his book 'Platform Capitalism', Nick Srnicek (2016) offers an alternative perspective: nationalise the data upon which platform companies rely. He argues that, due to the natural monopolising tendencies of these new platform companies such as Google, there is a need to 'collectivise' them. Srnicek (2017) notes that, 'in the past, natural monopolies like utilities and railways that enjoy huge economies of scale and serve the common good have been prime candidates for public ownership. The solution to our new-fangled monopoly problem lies in this sort of age-old fix, updated for our digital age. It would mean taking back control over the internet and our digital infrastructure, instead of allowing them to be run in the pursuit of profit and power.' Amongst these three ideas, then, we have three implications of the new digital platform economy for AOMs: for some, the answer is in 'cooperatives' owned by the platform workers themselves, for others it is in locally-owned and managed platform rivals to companies like Uber or AirBnB, and others still, the only answer to natural monopolies is for the state to step in and collective their key intangible asset – big data. This is discussed at greater length in our review of digital platforms and competition policy.

5. Ownership, justice and a progressive policy response

The issue of the ownership and control of companies clearly overlaps intimately with the distribution of political power. Many companies control significant economic resources and can shape processes of production – this is bound to bestow political influence upon companies, and those who control them, in a capitalist political economy. Similarly, through both economic power and political influence, companies are able to shape, in quite profound ways, how individuals experience economic life.

Moreover, these dynamics appears to have been reinforced by recent political and economic trends. New Labour strengthened the legal basis of the shareholder value model of company ownership in the UK, and ever-greater returns on capital, at the expense of labour, have reinforced the power of those who control companies. In an era where redistribution through taxation seems increasingly off-limits

as a policy option, and new technology threatens to exacerbate existing inequities, the relationship between employees and the ownership of the companies they work for has become critical issue for progressives to address.

Public ownership is, of course, one of the major alternatives that governments in the UK have utilised for decades. Indeed, public ownership of certain utilities or natural monopolies (such as the railways and energy companies) remains popular with the public. However, concerns that public ownership is not straightforwardly synonymous with democratic control, and certainly not a louder voice for workers, means that the relationship between nationalisation and economic justice is a complex one. There would appear to be a strong case, however, for local authorities becoming more responsible for the ownership of key public services in the context of devolution.

In general, this review has sought to explore in more depth alternative forms of ownership. These alternatives, including ESOP schemes, profit-sharing, WEFs and co-operatives, all involve workers gaining a share of capital itself. Whilst SOEs can be run effectively, it is important that progressive thinkers move away from seeing this as the only democratic and just alternative to private ownership. Rather, we believe that developing a broad-based capitalism, wherein workers increasingly share in the profits of capital *and* have a voice in the control of companies, is essential.

The review has provided evidence that ESOP schemes and similar initiatives can benefit the well-being of workers. The key to delivering economic justice, however, will be in demonstrating that alternative forms of ownership not only better reward workers, but help to develop individual capabilities and resilience. There have been few studies, if any, that have assessed ownership models in these terms, but there is potentially a clear synergy between worker control and ownership of companies and the maximisation of opportunities for personal development and fulfilment, as well as enriching political life through a greater distribution of opportunities and resources in the political sphere.

This does not mean that any one form of AOM must be the preferred option. Rather, it pushes us towards considering the need for a diversity of ownership models, the implementation of which will vary based on a range of factors including their practical implementation. The various studies explored above show that ESOP schemes and similar initiatives can have hugely positive effects for firm performance. More can be done to ensure that businesses recognise these benefits and begin to offer such schemes. We need a much better understanding of how productivity gains are achieved within firms, including the value of cumulative learning by loyal workers across different industries. At the macro-level, the evidence produced in this review points clearly towards the value of diversity of company ownership forms within an economy.

This does not mean the state's role must remain a diminished one. The state's purchasing power, for instance, can be used to aid the establishment of more cooperative company forms. Working from a model like that shown in Preston, local authorities and central government could do much more to guide anchor institutions in to investing in local cooperative organisations, helping to grow local economies more rapidly. In the post-Brexit context, the state may have even more freedom to do this than it does now.

The state clearly has a role to play as a regulator of company forms. The state has always been complicit in the development of the company, including, in more recent years, the strengthening of shareholder value – even while governments advanced the simplistic notion of companies as self-organising entities. There is of course nothing wrong with incentivising individuals to seek financial rewards in the delivery of public goods, but public companies must be regulated by the state – in

return for the privileged legal status they tend to enjoy – in terms of their contribution to these goods. In particular, shareholders must be reconceived as investors, rather than owners, and company directors must only be remunerated with shares in accordance with schemes available to all workers. The Companies Act was a significant missed opportunity in this regard, but at least established a new regulatory and reporting framework which should be reoriented to progressive ends.

The state also has an opportunity to use fiscal incentives, as part of an industrial strategy, to encourage certain ownership models. A lack of corporate diversity in certain industries should mean that fiscal incentives are used to encourage alternative ownership models among business start-ups. Similarly, the tax system can be used more systematically to reward companies that allow workers a fair share of profits through greater ownership rights.

The state must also play a multi-faceted role in relation to the emerging trends of automation and digitalisation. It is clear that action needs to be taken quickly. These developments threaten to exacerbate the existing capital-labour divide, yet there are clear paths to avoiding such a future and actually embracing the power of technology for the good of society. Schemes to build workers' share of capital look to be key to answering the problem of robot technology, whilst there are a range of locally-led cooperative solutions to platform monopolies. There is also, of course, a critical role for government to play in ensuring that private corporations do not have the sole ownership of intangible assets such as data produced by both consumers and workers. In all of this, it is clear that the state must take a central role in shaping the framework of ownership for the future. Without that assistance, technology threatens to swallow up any alternative future before it has the chance to grow.

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