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Trade Unions Confronted with Employee Ownership: From Competition to Cooperation

Abstract: The major issue addressed in this article is union involvement in conversions to employee ownership and the impact of such ownership on union roles and functions. The main point is that employee ownership appears to generate role conflict for unions as they thus potentially represent both employees and owners. The author hypothesizes that trade unions are ready to accept the conversion of a public firm to an EOC when the union is certain of maintaining political control over the company. There are two clearly defined situations in which unions might support a conversion: a) in the case of a failing firm that converts to employee ownership to save jobs; and b) in the case where a company is converted to protect it against a takeover by private competitors.

Keywords: trade unions, employee ownership, Employee Owned Company, property rights, participation

Introduction

In recent years, employee ownership has become widespread in a number of advanced industrialized countries and its nature and impact has become an important issue for policy-makers, managers, and employees alike. Such ownership gained in popularity as a reaction to the crisis of capitalism in the 1970s. As we read in Slomp (1996), an important part of that process was the rapid development of the small and medium-size enterprise (SME) sector, as well as the growth of production based on high technologies and a high quality work force.

The phenomenon of Employee Owned Companies (EOC) has been interpreted and explained in various theoretical contexts. For instance, Jensen and Meckling (1979: 502), in addition to other important insights, applied principal-agent theory to the theory of the firm and analyzed the problems of incentives and control based on an asymmetrical distribution of information between principals and agents. They emphasized the monitoring costs for the principals, given that employees have superior information about many aspects of the production process, and the bonding costs to employees arising from the possibility that in the future employers will take most of the gains arising from long-term employment and the development of human capital. In the same vein, Pendleton (2001: 10) claims that financial participation will reduce agency and bonding costs by providing employees with incentives to share information and to commit to the firm's objectives.

Another theoretical perspective mainly derives from the study of industrial relations and human resource management. Once again, participation and governance are critical issues. There are several strands in this literature. One is concerned with providing in-depth information about conversions to employee ownership and the subsequent characteristics of participation and governance. Raymond Russell (1985) presents case studies of San Francisco garbage collectors and taxi firms as a good example. This type of study tends to highlight the objectives of the various groups involved in the transfer to employee ownership, especially in relation to the design of participation and governance institutions, and to how the institutions adopted are the outcome of negotiation.

The theoretical perspective of the property-rights school is important in regard to EOCs. Pejovich (1997: 3) provides a broad definition of the crucial elements of this theory:

> The right of ownership contains three elements: exclusivity of ownership, transferability of ownership, and constitutional guarantees of ownership. Exclusivity of ownership creates a strong marriage between one's right to choose how to use a good and bearing the consequences of that choice. By internalizing the cost of the decision, the rights of ownership create strong incentives for owners to seek (and to reduce the costs of seeking) the highest-valued uses of their goods. Transferability of ownership means that the owner has the right to transfer a good to others at mutually agreed-upon terms. In a world of uncertainty and incomplete information, transferability of ownership provides incentives for goods to be transferred from a less optimistic to a more optimistic owner.

Another aspect of the issue of cost reduction is pointed out by Alchian and Demsetz (1972: 787). They claim that the pressure on the profit is reduced when the shares of the company are split among a number of small investors. It is a cheaper method of capital mobilization.

More direct suggestions for employee ownership schemes are provided by Armen Alchian (1997: 12). He formulated four elements of property-rights differentiation: 1) the domain of activities or uses subject to decision-making; 2) the process by which the holders of shared rights reach a decision; 3) the rules for assigning consequences to sharing members; and 4) the transferability of each of these elements to other people.

To summarize, we can say that property rights are simply an instrument for improving the selection of subjects participating in a contract. The level of transaction costs achieved is the main aspect of the selection procedure. The complete bundle of property rights effects the low level of transaction costs. Every limitation on private property rights introduces organizational complications and also the growth of transaction costs.

The next strand of literature is concerned with identifying the incidence of various forms of participation. The main finding in this literature is consistent with that of Blasi and Kruse (1991), who claim that participation in task decisions and corporate governance tends to be limited to a minority of the firms that have implemented an Employee Stock Ownership Plan (ESOP). As ESOPs in these studies include both majority worker-owned firms, and companies with low levels of employee-share ownership (most companies), the findings are not surprising. In Pendleton's view (2001: 12), studies of "conventional" share schemes in the UK tend to find that firms with these schemes have a higher incidence of task-level participation mechanisms than firms without such schemes.

In regard to the impact of trade unions, we must consider theories that focus on employee attitudes. As stated by Klein (1987: 320), the premise is that participation in ownership should lead employees to develop more favorable attitudes toward the firm, show more commitment to it, and derive greater satisfaction from their work and employment.

The Basic Hypotheses

In developed countries, employee ownership has arisen as a reaction to the crisis of capitalism. In Eastern European countries it has arisen as a reaction to the breakdown of the centrally planned economy. The main goal of the governments in western countries was to reduce conflict and tension between labor and capital by introducing new mechanisms for the distribution of property. One successful instrument in that respect was legislation offering tax reductions for companies distributing property among their employees. As a result of the implementation of that instrument we can observe millions of employees participating in capital assets.

In post-communist countries, such as Poland, the main goal of the government was to reduce the anxieties and tensions connected with the privatization of state-owned enterprises. The crucial goal of the Polish government was to keep peace with the great industrial enterprises, which employed thousands of trained and organized workers. The role of trade unions in the transformation of Poland's economy has to be seen in this context. Frankly speaking, at that time the most important partner for the government was the Solidarity trade union. The Polish government offered unions two forms of employee ownership created by the privatization law: mediated privatization, with the possibility of employees receiving preference shares (up to 15–20%), and direct privatization, in which employees could get 100% of shares using a leasing procedure.[1] For the proper understanding of employee ownership in Poland, it is important to know that trade unions were not satisfied with the government's proposal. Formally, trade unions were not against employee ownership, but they kept their distance from everyday relations in the enterprises.

As we read in Wratny (2002: 46–48), the distribution of employee shares in a mediated privatization was treated as a financial bonus for keeping the peace in privatized enterprises. In Wratny's opinion, employee ownership was treated instrumentally. In the end, employees sold their shares as soon as possible. In contrast, Wratny considers employee leasing to have been a positive experiment. It involves the employees' real involvement in decision-making processes and creates conditions for good economic results in companies.

The above remarks support the two hypotheses of my paper:

I. Different forms of employee participation—such as work councils or employee shares—were a threat to trade unions, as a competitive source of power in enterprises. A competitor complicates political control over a company and breaks the monopolistic position of the trade unions in mediating between employees and employers (labor and capital).

II. Trade unions are ready to accept conversion of a public firm to an EOC when they are certain of maintaining political control over the company. There are two clearly defined situations when they might support a conversion: a) in the case of a failing firm that converts to employee ownership to save jobs; b) in a situation where a conversion is implemented in order to protect the firm against takeovers by private competitors.

I am aware that the task of verifying these hypotheses is a complex one. I will thus use several kinds of arguments: a) theoretical considerations pertaining to EOC/ESOP models;

[1] The Law of July 13, 1990 on the privatization of state-owned enterprises, Dz.U. no. 51. pos. 2189. The Law of August 30, 1996 on the commercialization and privatization of state-owned enterprises, Dz.U. no. 118. pos. 561.

b) statistical illustrations of the development of employee ownership; and c) empirical data based on my own research in Poland.

Determinants of Trade Union Attitudes

The important factor in trade union attitudes is the conflict of interests that employee ownership seems to generate, with unions potentially representing both employees and owners. This appears to have the potential to undermine unions' traditional representational role, especially if they become involved in governance institutions.

There is a further problem for the unions: if employees become owners, they may perceive less need for institutions designed to protect them against the employer. It is a question whether these conflicts of function actually materialize and whether employee attachment to unions does in fact weaken. In Poland, as well as in other European countries, we can observe a certain evolution in the trade unions' perspective.

Pendleton (2001: 52) claims that

> Trade union views on employee share ownership schemes traditionally mirrored those associated with the Labour Party. Indeed, union views on this topic were an important influence on Labour Party thinking. Yet as in the case of Labour, the prevailing views of the union movement have subtly shifted over the last 15 years or so, and, as for Labour, ESOPs provided a model of share ownership which met many of the unions' traditional criticisms of employee share schemes. Up until the 1950s the TUC displayed limited interest in financial participation. A report prepared for the 1957 Congress was sceptical of the benefits of financial participation and fearful of the impact on union functions. This view tended to predominate through the 1960s and 1970s (see Callaghan n.d.). During the 1980s some unions came to view share schemes generally, and ESOPs in particular, more favourably. By the end of the century, the TUC's position was that it "welcomed the Government's commitment to extend and promote employee share ownership."

The role of trade unions in the Polish economy has many aspects: organizational, social, and political. After the changes in political system (1989) employee ownership was perceived by Solidarity activists as being a competitive power in the enterprise (Ruszkowski 1995: 172–173). This is consistent with the idea that during the first decade of Poland's transformation (1989–1999) all trade unions manifested a skeptical attitude to incentives to start employee-owned companies, whether undertaken by employees or managers (Kowalik 2009: 171–173; Ruszkowski 2010).

In explaining the attitude of Solidarity activists, it should be mentioned that in the years 1984–1988, when Solidarity was operating illegally, numerous industrial enterprises had well-organized employee councils and many activists participated in the movement to establish such councils. Having begun in 1981 with the establishment of a law on employee councils, the movement was politically blocked during Martial Law, and started again in the year 1984. It came to encompass 200 of the largest state-owned enterprises. In 1986, during the Employee Councils Forum, a successful protest was organized against government amendments to 11 legal regulations (Jakubowicz 1989: 474–476). The Employee Council's Activist Association started its activity in the year 1987. It served as the political and organizational center of the employee council movement. After the renewal of the Solidarity union in the years 1989–1990 Solidarity's leadership had a strategic dilemma: should the employee council movement be supported or not?

As we read in Wieczorek (1995: 128–129),

> After the political change in the year 1989 the Solidarity opposition group came to power. The conception of economic reform changed from an employee-market orientation to the management-market option. During the Solidarity General Meeting in 1990 no decision was taken about the transformation of the economy, or about employee participation in the privatization process. [...] During the Solidarity General Meeting in 1994 there was no clear conception about employee participation in private or state-owned companies.

We find a similar idea in Rudolf's work (2001: 6–7): the "negative and egoistical attitude of the Polish trade unions to the development of employee participation is mainly determined by fear of competitors." Rudolf concluded that Poland did not have a good atmosphere for employee participation. He writes that he is surprised by the strategy of the Solidarity union, which seemed to have forgotten that one of its basic assumptions in the 1980s was that enterprises should be governed by employee councils.

The trade union's attitude was also criticized in an article by Kulpinska (2001: 20). "The attitude of the trade unions to employees' councils was and is ambivalent. The declarations of the Solidarity union and the Polish Trade Unions Agreement have not been reflected in real activities. What can be observed is rather reluctance to allow a potential competitor."

As Gilejko reminds us (2001: 24–26), in the year 1989 the Employee Councils Forum asked the Solidarity union for its support for employee ownership under the Privatization Law. But Solidarity supported so-called "citizen ownership," a form of mutual funds open to all Polish citizens. The Employee Councils' Activist Association prepared its own version of the Privatization Law with special preferences for employee ownership, but it was rejected by parliament due to a lack of support from Solidarity.

As we can see, quite a number of researchers and experts perceived the same elements in the trade unions' attitude: reluctance and anxiety in regard to employee participation in ownership and governance procedures. In practice, the result was that individual employees (particularly ordinary employees) in privatized enterprises were strongly influenced to sell their shares.

For a more detailed explanation of trade unions' attitudes to EOCs in Poland, I will adopt the model of employee participation presented by Andrew Pendleton. It is based on two main forms of employee activity in a company: participation and governance. "Participation in work-level decisions can be seen as fundamentally different from board-level representation (at least in employee ownership contexts) in that one provides a voice to workers as employees whilst the other provides it to workers as owners" (Pendleton 2001: 12).

Pendleton pays great attention to the circumstances in which employee ownership takes place. The context of conversion seems likely to influence the objectives of the various parties involved (owners, managers, workers, etc.) and hence is likely to affect the type of participation and governance institutions adopted. Conversions of distressed firms with high levels of union membership and representation seem likely to lead to a different pattern of participation and governance than in cases where employee ownership is introduced by the owner-manager of a firm without unions.

The distinction between work-group participation and board-level representation should not be treated as a continuum, with board-level representation being seen as a more advanced, though rarer, form of participation. The situation is more complicated than this. There is also often an additional complicating factor in the form of union-based representation. These various forms of voice may have different dynamics and express different sets of objectives for each of the groups of actors in the firm, and may differ according to the circumstances of ownership conversion.

A failing firm that converts to employee ownership to save jobs is likely to be very different from a successful one that introduces an ESOP to bind company-specific human capital to the company. The pattern of involvement of various actors—owners, managers, workers, and unions—is likely to differ, and this is likely to have an important influence on the distribution of both ownership and control rights. In many cases a significant motive behind ownership conversion is maintaining "insider" control by protecting firms against takeovers. As far as privately owned companies are concerned, there is a danger that firms sold to others will be rationalized or closed down, with possible job losses.

From Employee Ownership to Mixed Ownership

The main conclusion from the above-mentioned considerations is that the most powerful actors in the company—the management and trade unions—concentrate on decisions at the board level. The employee situation is rather different. If the managers change their status into that of manager-owners, the employees still need the unions for representation of their interests in relations with the managers on the work level and with the manager-owners on the board level.

When state-owned enterprises in Poland were privatized, the ordinary employees—without real support from the unions—were not mentally or organizationally prepared to be owners. It was necessary to explain to them what a "share" is, what position an employee has as shareholder in the company, and how shares are bought and sold. These are very simple questions in the market-economy environment, but the issues were rather difficult to understand during the transition. For ordinary employees, union membership was also a certain declaration of confidence in the opinions and recommendations of the union leaders. In practice, ordinary employees did not remain owners in the long term. In the situation of high uncertainty connected with the privatization of the state-owned enterprises, the majority of ordinary employees decided to sell their shares.

As we read in Bałtowski and Miszewski (2007: 235), it was a phenomenon of "secondary" privatization—the majority of employees sold their shares to managers or external investors. Research conducted by Jarosz's team in 1997–1999 showed the changes in ownership structure. As we can see in Kozarzewski's (2000: 193) analysis, at conversion time 40% of shares belonged to employees, 35% to managers, and 25% to outside investors. By 1999 the structure had changed: only 25% of shares belonged to employees, 35% still belonged to managers, and 40% were in the hands of outside investors.

Gardawski (2000: 159–160) explains that

> There are three types of ownership structure in industrial leasing companies. In middle-size enterprises the dominant position was achieved by the insider elite, who were much stronger than the employees and external investors. In large enterprises we observe a balance in the structure: a privileged position is occupied by external investors, the second group is the internal elite, and the weakest position is that of the employees. In small companies a strong dominant position is taken by external investors.

An important aspect of the EOC sector is the decreasing number of companies in it. As we read in Gardawski (1998: 150), the number of registered leasing companies in the year 1997 was 1,205 (employing over 200,000 people). We can compare this information with recent data from the Central Statistical Office (2013): in 2012 there were 791 active EOCs, employing 120,600 persons. Over the course of fifteen years the number of employee-owned companies had been reduced by 30%. Unfortunately, there is no recent representative research concerning ownership structure. On the basis of my own contacts with EOCs I can suggest that ownership by ordinary employees is still decreasing.

Gardawski (1998: 50) also added a new aspect to the analysis, pointing out that "the supporters of authentic EOCs were of the opinion that companies based on leasing often became the property of the elites and not of the majority of the employees. At the beginning of the privatization procedure EOCs were supported by the Solidarity union, but after a short time this support ended. In unionist and social-democrat circles leasing was defined as "ownership by the *nomenklatura*."

The impact of political interest groups on the privatization of the Polish economy should be treated as the crucial factor in the above issues. In large and medium-size state-owned enterprises, the management was largely composed of former members of the Communist Party. At the beginning of the political transformation in Poland, many lost their positions as board members. Nevertheless, they often continued to be employed in the company and initiated the conversion to employee ownership. The Solidarity activists could not accept that under cover of a company's becoming employee owned it might be converted into "post-communist" property.

As we read in Staniszkis (2001: 53–54),

> In the year 1998 almost 71% of the business elite (at 500 of the largest enterprises and banks) were people who had been in the second line of power in the communist system. They kept their managerial positions or had the status of "specialists." 25% of the political elite were involved in so-called conversions (to take advantage of the "networking," capital, and political assets created in communism and to keep positions in the post-communist world).

To summarize, we have to be aware that in a certain number of enterprises the low level of interest in employee ownership among the employees was the consequence of a political struggle between the old and new business elites.

ESOP—Inspiration from the Market Economy

For the dynamic development of ESOP, the concept of employee ownership created and implemented by Luis Kelso in the USA had strategic impact. His fundamental book *The Capitalist Manifesto*, was published in 1975. The first legal regulation introducing an ESOP procedure appeared in part of the Employee Retirement Income Security Act (1975).

An important change in the legal status of the ESOP formula took place in the year 1984, when a law was introduced that offered the possibility of delayed tax payment for owners who sold shares through an ESOP (Rosen, Case, and Staubus 2016: 123).

The following data (Rosen, Case, and Staubus 2016: 22–27) is helpful in understanding the ESOP phenomenon: In the year 2016 there were 14 million employees in the USA participating in an ESOP. The global value of their assets was 300 billion US dollars.

9.1% of ESOP companies were almost 100% employee owned. There are ESOP companies that employ from nine to 175,000 employees. "The companies that implemented ESOPs are very engaged in the development of the employee-owner idea" (Rosen, Case, and Staubus 2016: 23).

As we find in Kozlowski (2001: 116), there are three different forms of establishing an ESOP. The first form is based on tax reduction. The second form is supported by an employee trust. Part of the profit before tax is transferred to this trust by the company involved in the ESOP. The third form is based on a loan taken by the company to buy out the package of shares for the employees. The last form is also combined with tax reduction. The owner of a company is freed from income tax when he sells his shares to his employees on condition that he invests the same amount of money in other company shares.

From the perspective of the Polish economy, the ESOP idea seems to be very attractive. At the beginning of the transition to a market economy the idea was presented and discussed. The general concept was publicized in a popular book by Ludwiniak (1989). In 1994 Ronald Gilbert, president of the ESOP Association, gave a presentation on the subject during an international conference organized by the Warsaw School of Economics (Gilbert 1995).

Nevertheless, many factors made the ESOP concept difficult to implement in Poland. The main obstacle was a legal one. The Retirement Income Security System, which was popular in the USA, was based on completely different legal assumptions than were present in Poland. In addition, no political power was ready to risk deep changes in the Polish legal system.

Employee Share Ownership—the Western European Perspective

In Western Europe we observe that the development of different forms of employee ownership is determined by legislation creating a system of tax reduction. As we read in Mathieu (2016: 9),

> Some European countries have chosen stronger incentive policies, promoting employee share ownership and long term savings as an investment for the future. The UK, Austria or Spain have to be mentioned in this way. The UK and Austria chose to double the fiscal incentives for employee share ownership, considering it is a key element of recovery, and Spain introduced a new law for employee-owned and participative companies. Instead of that, some other countries have chosen to reduce public spending and to support household consumption, while incentives for long term savings and for employee share ownership were sacrificed (France, Greece, The Netherlands, Denmark). Meanwhile, Germany maintained its reluctance to promote employee share ownership [*sic*].

In practice we can formulate the rule that the dynamics of employee ownership is determined by state policy. We find good examples of how to support employee-share schemes in the UK, where managers or ordinary workers have a number of financial methods available to them. In Haladyj's (2014: 47–48) paper we find a list of employee privatization plans: enterprise management incentives, share incentive plans, share options schemes, company share options plans, and deferred share purchase plans.

The "Annual Economic Survey of Employee Share Ownership in European Countries 2015," which was published by the European Federation of Employee Share Ownership

(Mathieu 2016), has interesting statistical data. The assets held by employee shareholders in Europe in 2015 amounted to 370 billion euros. This is more than 45,000 euros per person. In 2015, 93% of all large European companies had employee share ownership, of which 86% had employee share plans of various kinds, while 53% had "broad-based" plans for all employees, and 63% had stock option plans.

As we read in Mathieu (2016: 9), "The number of employee shareholders in Europe stabilized in 2015. However, the decrease was significant in continental Europe since 2011 (−10% and −700,000 persons) while at the same time the number increased by 10% in the UK (+200,000 persons)."

In the above-cited "Annual Economic Survey" we can see an overview of employee ownership in Europe. The statistical data was collected in 31 countries, and in 2,596 of the largest European companies, with a combined total of 36 million employees.

Employee owners in numbers—8,021,385 (table 3).

Selected employee shareholders in European countries (table 15):

- France—3,030,864
- UK—2,258,215
- Denmark—786,287
- Slovenia—432,183
- The Netherlands—324,184
- Italy—176,182
- Spain—174,051
- Poland—90,425

The statistical data shows that the number of employee shareholders corresponds to whether national policy supports or ignores the phenomenon of employee ownership. There are over five million employee shareholders in France and the UK, where governmental support has been present for many decades.

The picture of ownership structure is interesting:

- Employees' stake in the ownership structure—3.09%
- Executives' stake in the ownership structure—1.32%
- Ordinary employees' stake in the ownership structure—1.77%
- Executive's share in capitalization held by employees—42.7% (table 17)
- Non-executive's share in capitalization held by employees—57.3% (table 17)
- Average capitalization held by each ordinary employee-owner—26,200 euro (table 17)
- Average capitalization held by each executive—17,250,000 euro (table 17)

As we can calculate, employee-ownership is not a decisive business factor in Western European-type capitalism, but for several reasons it is an important element of economic policy. This policy has created a new bond between the employee and the company. It provides a certain form of "added value"—namely, a share in capital.

What is good for the employee is not necessarily good for the trade union. A union exists in the gap between labor and capital, and employee ownership is a structural factor that partly reduces conflicts of interest in the company. Such ownership makes the union's position more complex and sometimes weaker.

An important aspect of the statistics presented above is the average capitalization held by each ordinary employee owner in comparison with the average capitalization held by each executive. There is a very big difference: “thousands” compared to “millions.” In practice, this means that employee ownership does not reduce the hierarchy of power and income in the company.

Trade Unions’ and Employees’ Attitudes to Employee Ownership—Empirical Research

I would like to present selected findings from two research projects (using a quantitative and qualitative approach) conducted in 2011 within the framework of the EU project “Employee-Owned Companies—A Recipe for Success.” The project was coordinated by the Trade Union Forum (300,000 members).

The quantitative research was concerned with the question of how employee privatization is accepted. A questionnaire was distributed to a sample of 1,078 union members in five sectors of the economy: in energy, the mining industry, the chemical industry, railroad transport, and post office services.

The persons surveyed were employed in state-owned companies. The researchers were interested in how they perceived the possibility of their companies being privatized in the form of EOCs (Ruszkowski, Matuszewski, Chudkiewicz 2014: 249–257). Positive feelings were declared by 49%, negative by 34%, and neutral (“I don’t know”) by 17%. The level of acceptance among persons who declared a high level of practical knowledge about EOCs was 70%, while among persons without such knowledge the level of acceptance was 20%. In the opinion of 85% of the persons surveyed, the trade unions should have an influence on the decision to privatize a company. In the opinion of 62% of the persons surveyed, an EOC could function effectively in its sector. Acceptance for the possible activity of an EOC in additional fields, such as internal transport or security services, was higher—74%.

The persons surveyed were also asked to declare whether they would want to buy shares if their company were established as an EOC (Ruszkowski, Matuszewski, Chudkiewicz, 2014: 265, 279). A positive answer was given by 57%, a negative answer by 30%, and a neutral answer by 13%. The desire to become an employee-owner appeared at varying levels in the different sectors. In the energy sector—57%, in the mining industry—73%, the chemical industry—69%, railroad transport—42%, and post office services—50%.

The results of the empirical research showed that there is a high level of support for EOCs in the public sector of the Polish economy. We can see a high level of employee aspiration to participate in ownership. These aspirations might be perceived as a chance for the Polish government to use instruments such as tax reduction that have been developed in western Europe and the USA.

The quantitative approach was based on two case studies in 100% employee-owned companies: EOC Silesia Coal Mine and EOC Kieleckie Autobusy (Kielce Bus Company).

1. Silesia Coal Mine

The Silesia Coal Mine, which employs a staff of 800, was part of a holding company (Kompania Węglowa) in Katowice. The research included two focus group interviews: the first with the founders of the EOC, the second with external experts who supported the EOC. In addition there were two individual interviews (IDI) with Solidarity activists.

Between 2007 and 2008 the board tried to privatize the Silesia Coal Mine, but no suitable offers were made. In 2009, the board was prepared to close the mine. In response, the trade unions decided to establish an employee-owned company (thus ensuring that 550 miners proclaimed their desire for membership in the EOC). EOC Silesia faced major political, financial, legal, and organizational challenges. Nevertheless, the employees won. In December 2010 the EOC signed a contract with a strategic investor—the energy company EPH from the Czech Republic.

In discussing their EOC, in addition to business issues, the employees pointed to important processes in the sphere of values. It can be stated that communal values are very important in the work environment. When the interviewees talked about the coal mine—about their workplace—they did not mean particular buildings, machinery, or coal beds, but a specific community settled in a particular space, described as a company. The community is formed of workers—of staff fulfilling their everyday duties in mutual contacts and cooperation.

The territorial aspect of work unity is extremely important. The personnel do not fight for just any jobs but for these specific ones, in precisely this coal mine. This is an issue of individual and collective identity. Every employee identifies himself with a particular work environment, which is connected with his professional status and the social prestige associated with it. An employee's sense of self-esteem stems from the respect he or she commands in his or her workplace, because, for instance, he or she is perceived as an expert, a kind colleague, or a brave union member.

This work unity is the key value for employees in industrial environments, and thus a potential coal mine closure is such a great danger for them. It is not only a matter of their sustenance, because when there are mass reductions among the coal mine workforce, finding a job in another colliery is usually a possibility. The main threat is a destruction of the work unity that constitutes an important frame of reference for people in such communities.

In this context it is possible to distinguish a whole set of specific values—the notions and behavior rules adopted by this community as important criteria for assessing their own and someone else's behavior. In varying contexts, the interviewees specifically mentioned the following values: trust, honesty, transparency, credibility, consistency, involvement, competency, and professionalism. Indirectly, the interviewees indicated the values of autonomy, employee esteem, the ethos of fighting for the common good, and justice.

In the opinion of the trade union activists, a key factor for assessing an investor's management is the level of employment and the scale of ongoing investments. At the time of the colliery takeover the employment level was 730 people; nine months after the start of the new company (in September 2011) 1,170 people were employed. At the moment, the company employs 1,750 people. The interviewees estimated the amount of investment at around 300 million PLN, while the target investment amount is 150 million euro.

2. The Kielce Bus Company

Kielce is a city in southern Poland with a population of 200,000 inhabitants. The Kielce Bus Company, employing 600 drivers, was municipally owned. The research included one focus group interview (with members of the management, the board, and Solidarity). In addition there were also individual interviews (IDI) with the CEO of Kielce Bus Company, the head of Solidarity in the Kielce Region, and the director of the Office of the Mayor of Kielce.

In the summer of 2007 the mayor of Kielce decided to sell the company to the private firm Veolia. The trade unions declared a strike. The Bishop of Kielce was asked to mediate and supported the idea of employee ownership.

The Kielce Municipal Transport Company had been a municipally owned company since 2002. The condition of the company had progressively deteriorated in subsequent years. No investments had been made in rolling stock or development strategy. Mayor Lubawski was in favor of privatizing the company; therefore, talks began in 2007 with a private company, Veolia, which declared a willingness to purchase the Kielce Municipal Transport Company (MPK). The strongest trade union in MPK is Solidarity. It called for a strike, which started on August 14, 2007 after the failure of negotiations with Veolia over their social package.

The strike took a dramatic course. The municipal government, together with the investor, introduced replacement transport. However, the low standard of the buses, along with organizational chaos, caused local citizens to sympathize with the striking MPK workers. After two weeks, the strike was forcefully broken. On the night of August 29, about 100 security guards armed with shields and batons took over the bus depot and forced the protesting workers outside the gates. Nevertheless, the conflict was not finished. On the early morning of August 30, Solidarity organized a counter action and the MPK workers expelled the security guards from the depot.

The conflict was publicized by the mainstream media and became a political event. This had massive significance due to official celebrations of the August Agreements. Given the situation, a bishop, Kazimierz Ryczan, invited the mayor and representatives of the strikers for negotiations. The only way to prevent the company from being closed was to turn it into an employee-owned company. The leaders of Solidarity presented this solution at a general meeting. Participants of the meeting agreed unanimously to establish the employee-owned company, thus allowing the strike to end. An appropriate agreement was signed and negotiations began for the purchase of the MPK by SP Kielce Bus Company.

The testimonials of interviewees suggest that the main reason for establishing the employee-owned company was not the commercial aspirations of the employees but the protection of their workplaces. It was a choice between potential company liquidation and taking over responsibility for the enterprise. It is difficult to say whether or to what extent these few hundred bus drivers were aware of the economic consequences of their decisions: namely, that they were accepting an employment system with no possibility of a pay raise. For four years following employee privatization, all surpluses were invested in rolling stock instead of going to increase salaries.

The amount of investment in 2007 equaled 45 million PLN. Investment funds are based on 20% own deposits and leasing contracts. In 2009 the company won a commercial tender for public transport organized by the city of Kielce. Its winning bid was possible due to having costs (including remuneration) that were several times lower than the competition.

The policy of savings and cost reduction became possible due to the employees' active approach to improving the organization of work in the company. Most of all, the number of managerial posts was reduced to five and employment in the administrative department was limited. Employees were retrained and began working as drivers or at service points. The company initiated the sale of advertising (advertisements placed on buses), the sale of fuel, and MOT services run by the company's garages.

Notions such as "employee-owned company" or "employee ownership" are not treated by interviewees as autonomic values, but rather as instrumental values aiding the achievement of the superior value of preserving work unity. For owner-employees, an EOC is above all a business organizational framework providing a basis for community existence.

Many statements confirm that as a business solution an employee-owned company is valued much higher than any other type of company. It is emphasized that employee-owned companies function outside of the systems of local interests that are fertile grounds for corruption. The privileged treatment of private transport companies by the local government administration was accentuated in this context.

Management style and the independence of capital were significant values which the interviewees associated with the functioning of an employee-owned company. The interviewees did not take into consideration the strategy of an employee-owned company attracting a strategic investor. In such cases there is concern that an external partner would be focused on profit maximization, which could pose a threat to the work community.

Summary

In my first hypothesis I mentioned that as far as the trade unions are concerned, employee ownership structures are a competitive factor in an enterprise. The competition concerns the monopolistic position of the trade unions in mediation between labor and capital. In support of my hypothesis I gave examples of the political game played by the leaders of Solidarity. On the one hand, they accepted that the employees of privatized enterprises should be given bonuses in the form of employee shares by the State Treasury. On the other, they did nothing to persuade these employees to keep the shares in their hands. To put it bluntly, Solidarity was successful in converting employee ownership into property controlled by the management.

In this context the ambivalent attitude of the trade unions to employee ownership should be mentioned. The trade unions treated employee owners as dangerous competitors, that is, such employees compete for the dominant position in the power structure of the enterprise. From another perspective, employee ownership, especially in ESOP form, brings financial benefits for millions of employees. Nevertheless, if we look in detail at statistical figures in the EU, we observe that the average capitalization held by each ordinary employee owner is 26,200 euros, while the average capitalization held by each executive is 17,250,000 euros.

This is a realistic picture of EOCs/ESOPs in developed capitalism. An EOC is much more a mechanism for the redistribution of wealth than a way to produce employee participation in decision-making processes.

In my second hypothesis, I stated that trade unions are ready to accept conversion of a public firm to an EOC when the specific situation will allow them to keep political control over the company.

I supported this hypothesis with two case studies of companies that are entirely employee controlled. The first case study concerned the EOC Silesia Coal Mine, where the Solidarity union gave very strong political and organizational support to the EOC project when the board decided to close down the state-owned mine.

In the second case study, which concerned EOC Kieleckie Autobusy—the Kielce Bus Company—I presented a situation where the Solidarity union supported the EOC initiative through the use of strong political instruments, such as a strike, a fight with 100 security guards armed with shields and batons, and the takeover of the bus depot. This was a successful action against the privatization of the bus company by Veolia, an international company.

We can see that in both cases Solidarity was a leader in the situation. The trade union not only organized employees but also took political responsibility for the conflicts of interest with the State Treasury or with the municipal administration. The union showed how flexible it can be in attempting to keep the dominant position in a company.

Some general remarks can be made about the above data and my analysis:

1. Employee ownership reduces the inequalities between labor and capital, but it does not change the ownership structure in the economy or the social structure in society. For the trade unions, what is important is that in most cases employee ownership does not change the power structure of the company.
2. In the transition economy in Poland, the government used the distribution of employee shares as an instrument for the peaceful privatization of state-owned enterprises. We observe that in the Polish context the trade unions' attitude to employee ownership became more positive, because the stability of the public sector increased.
3. In Poland, strategic industrial sectors such as energy, the mining industry, and the chemical industry are still state owned. For the trade unions this means that the privatization of the Polish economy is over. The unions will continue to be the controlling power in the public sector. In this context, individual incentives for the creation of an EOC are not a threat to the trade unions' position.

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