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Benjamin Faigen

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CBS COPENHAGEN BUSINESS SCHOOL
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Essays on Employee Ownership

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"The Doctoral School of Economics and Management is an active national and international research environment at CBS for research degree students who deal with economics and management at business, industry and country level in a theoretical and empirical manner".

Abstract

This thesis examines ownership of the firm by its employees, of varying stakes. It begins by identifying the existence of employee ownership in a Chinese context, presented in the form of a general analytical discussion which is informed by a review of the available evidence on the subject. This work sets the stage for a focus on this form of ownership at the individual level of analysis, involving both conceptual and empirical explorations. Together, this constitutes three papers, put together with introductory and concluding chapters.

The first thesis paper identifies the drivers of, and barriers to, employee ownership in China at three levels of analysis: the societal, organisational and individual. Its intended contribution to the employee ownership literature is to organise the scattered evidence in order to provide a systematic and comprehensive coverage of the development of this phenomenon. Employee ownership is found to have played a role in Chinese economic transition as a transitory phase before non-state enterprises were afforded official recognition in a context of publicly-owned enterprise privatisation. Senior managers became the key beneficiaries in firm sales and most ventures that were at one stage employee-owned, dissolved. Outside of a couple of notable examples in the tertiary sector, enterprises featuring some level of employees as owners persist in reduced numbers in rural areas today.

In the second thesis paper, the interest is in the role of the individual actor with regard to employee ownership outside of a narrower Chinese context. At this level of analysis, it is preferences (attitudes) and resources which are decisive. A more detailed exploration of the former in particular follows, the idea being to theorise the compatibility of defined individual ‘types’ with specific ownership structures. Yet, because the existence of different forms and mechanisms with regard to employee ownership is not always made clear in the related literature, notable pathways to ownership—cooperative, professional partnership, controlling ownership, share ownership plan mechanism, share option mechanism, and direct ownership—are first clarified to facilitate the analysis. The paper’s overall contribution to the literature is the provision of a coherent conceptual treatment of the individual-level antecedents to employee ownership.

The third thesis paper comprises mixed-method empirical research into the characteristics of individuals who have recently purchased shares in their employing firms in an Icelandic context, as well as their specific motives for doing so (or reasons for not doing so). Determinants of employee ownership, as well as direct insights into the considerations surrounding share acquisition, are less common at this level of analysis and this is the where the paper contributes to the literature. In order to conduct the empirical analysis, original material is gathered from six case study firms, the details of which are presented within the paper. Income, tenure and age are found to influence

ownership status. Furthermore, some support is found for financial motives outweighing non-financial motives behind share purchases in minority employee-owned firms relative to majority employee-owned firms. Internal barriers to ownership, together with a lack of funds, hindered share purchases in majority employee-owned firms in particular.

Resumé

Denne afhandling undersøger medarbejderejede virksomheder. Indledningsvis identificeres forekomsten af denne form for ejerskab i en kinesisk kontekst, præsenteret som en generel analytisk diskussion, der baserer sig på en gennemgang af den foreliggende forskning om emnet. Dette arbejde lægger op til en undersøgelse af medarbejderejerskab med individniveauet som forskningsobjekt, hvilket involverer såvel konceptuelle som empiriske undersøgelser. Sammen med de indledende og afsluttende kapitler udgør dette afhandlingens tre dele.

Den første del af afhandlingen identificerer drivkræfter og barrierer for medarbejderejerskab i Kina som tre forskellige forskningsobjekter: samfund, virksomhed og individ. Bidraget til forskningslitteraturen om medarbejderejerskab består i at organisere de spredte undersøgelser for at give en systematisk og omfattende dækning af dette fænomens udvikling. Medarbejderejerskab viser sig at have spillet en rolle som en overgangsfase i den kinesiske økonomiske omstilling, før private virksomheder fik officiel anerkendelse i forbindelse med privatiseringen af offentligt ejede virksomheder. Managere fik flere aktier, og de fleste af de virksomheder, som havde været ejet af medarbejderne, blev opløst. Bortset fra et par bemærkelsesværdige eksempler i den tertiære sektor findes medarbejderejede virksomheder i dag kun i et begrænset omfang.

I den anden del af afhandlingen er fokus rettet mod den enkelte aktørs rolle i relation til medarbejderejerskab uden for en snævrere kinesisk kontekst. Det afgørende forskningsobjekt er her præferencer (holdninger) og ressourcer. En mere detaljeret undersøgelse af holdninger følger, og ideen er at teoretisere foreneligheden af definerede individuelle "typer" og specifikke ejerskabsstrukturer. Fordi der findes forskellige former og mekanismer med hensyn til medarbejderejerskab, hvilket ikke altid bliver gjort klart i litteraturen om emnet, skal vejene til ejerskab — kooperativ, professionelt partnerskab, kontrolleret ejerskab, mekanismen bag planer for aktiebesiddelse, mekanismer bag aktieoptionsordning og direkte ejerskab - først afklares for at kunne understøtte analysen. Bidraget til forskningslitteraturen er en sammenhængende analyse af individniveauet som forudsætning for medarbejderejerskab.

Den tredje del af afhandlingen omfatter en blanding af empiriske forskningsmetoder til at undersøge personer, som i en islandsk kontekst har købt aktier i de virksomheder, hvori de er beskæftigede, såvel

som deres specifikke motiver for at gøre det (eller grunde til ikke at gøre det). De afgørende faktorer bag medarbejderejerskab samt direkte indsigt i overvejelserne herom er et underbelyst forskningsobjekt, og det er her, afhandlingen bidrager til forskningslitteraturen. For at gennemføre den empiriske analyse er originalt materiale blevet samlet fra seks case study-virksomheder; detaljerne herom er præsenteret nærmere i afhandlingen. Det viser sig, at indkomst, fastansættelse og alder påvirker ejerskabsstatus. Desuden peger noget i retning af, at finansielle motiver bag aktiekøb er vigtigere end ikke-finansielle motiver i virksomheder, hvor medarbejderejerskab udgjorde et mindretal, i forhold til virksomheder, hvor medarbejderejerskab udgjorde et flertal. Interne ejerskabsbarrierer forhindrede tillige med manglende midler aktiekøb i de virksomheder, hvor medarbejderejerskab udgjorde et flertal.

Acknowledgements

It is possible for me to envisage, some years from now, returning to this document and seeing it only for what it appears to be on the surface: an end product, a tangible item validating several years of research work. This would be only one part of the story, however. There are certain individuals who have supported my work efforts, professionally and personally. Without them, I would not be in a position to deliver an end product at all. In formally recognising the individuals below, I wish to express my gratitude for their support. I also want to ensure that, at some future point when I return to this page, I can reflect back on who was involved.

First of all, to Niels, I will forever be grateful that you opened my eyes to the topic of employee ownership. It is a topic that has captured my imagination and it is one that I hope to continue to work with. Thank you for supporting me from the get-go, with regard to coming to CBS, and for being on hand to discipline my research ideas without hindering them. You have devoted a lot of time to this project, which I will not forget. The enclosed final papers are stronger because of your input.

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To Erika, a couple of sentences does not permit me much room to express what I need to, particularly since you have had to share both the highs and lows of this journey with me, and you now know more about my ideas on employee ownership that you probably wanted to. What I really need to say will be done privately but it should be publicly known that the enclosed work would not exist without you having been by my side.

To Dad, this work is, in essence, not entirely removed from the countless tests and assignments I have fought to succeed in throughout the years, with you there for support. If it had not been for the interest you took in my education and the sacrifices you have made for it, I would not have possessed the necessary disposition to learning to be in a position to have attempted this.

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Introduction

Thesis subject matter and analytical focal point

Workers' ownership stake in the firm constitutes the subject matter of this thesis. Visualised on a spectrum, a firm's shares can rest completely in the hands of workers at one end, but can be in the exclusive hands of, say, investors, at the other. Between the two extremes, majority (not complete ownership, but at least 50 per cent of firm equity) and minority stakes may be obtained. If it is only the proportion of ownership held that is considered, rather than control over firm-related decisions, an employee-owned firm, then, can be defined as one in which at least a part of the firm's equity is owned by those who work in it. Varying positions on the spectrum signify the different forms which employee ownership can take.

The above said, and as a point of departure for the research presented herein, the term employee ownership has been observed to have been misused in the related literature, applied in an indiscriminate, one-size-fits-all manner. Specifically, claims have been made that a firm is 'employee-owned' when, in reality, only a small portion of firm equity has been available to workers. Additionally, there have been inconsistencies between the extant work drawn upon and the particular research being completed, in terms of employee ownership form.

To name but a few supporting examples, although French (1987) acknowledges that there are a variety of employee ownership forms, as well as a diverse set of conditions surrounding their emergence, such distinctions are not factored into the broad conclusion that individuals exclusively expect financial benefits from ownership. In other words, structural differences between majority and minority employee-owned firms are not taken into account in the latter assessment. Buchko's (1993) model of the attitudinal outcomes experienced by (majority) employee owners is informed by evidence of employees having both purchased a majority of firm equity, as well as having received only a smaller fraction of shares, free of charge. Wu, Su and Lee (2008), meanwhile, theorise about the consequences of minority share ownership by drawing upon studies of majority employee buyouts. One of the thesis' objectives is thus to distinguish the different forms of employee ownership and, in doing so, highlight that it is best for these not to be considered interchangeably, with potential applications extending to their determinants, as well as analyses of organisational characteristics and outcomes.

Differentiating arrangements across the spectrum facilitates an exploration of the role of the individual with regard to employee ownership, which becomes a major theme of the included scholarship. Diverse arrangements dictate how individuals access ownership and these might well have an impact on, for example, individuals' initial expectations of, and rationales for, acquiring equity.

Relatedly, there can be discrepancies in the actual size of an individual's ownership stake between employee ownership forms and within a given firm in terms of distribution. Indeed, the nature of the shares acquired, or what it means to be an employee owner in terms of rights conferred, also varies according to ownership type.

Turning the spotlight on the individual employee-owner comes in light of literature that has tended to prioritise studies of employee ownership at other levels of analysis, particularly under the heading of minority employee ownership. This is most readily apparent in EU-centric work, yet it is also noticeable, albeit to a lesser extent, in US-centric work. Where individual-level analysis does exist, it tends to concentrate on attitudes and behaviour once employees already own some portion of firm equity, rather than exploring approaches to the acquisition of ownership in the first place (independent of observed attitudinal outcomes) (Pendleton, 2010; Kaarsemaker, Pendleton and Poutsma, 2010), or preferences over different ownership forms (Kurtulus, Kruse and Blasi, 2011). Studies of majority employee ownership, on the other hand, have not neglected the individual level of analysis to the same degree. Yet, some ambiguity has remained surrounding the motives behind workers' choices to participate in it (Olsen, 2013; Kalmi, 2013), such as an employee buyout arrangement in which a substantial role for labour in the operation of the firm is involved. Given this assessment of the literature, the thesis comes to hone in on the individual-level antecedents to employee ownership, both conceptually and empirically.

Putting the thesis' subject matter into a wider context, it is apparent that the implementation of, and interest in, certain variants of employee ownership have been increasing in recent times. This principally concerns financial participation schemes—an employee stake at the lowest end of the ownership spectrum featuring share ownership as well as profit sharing as group-based incentives (Kuvaas, 2003; Poutsma and de Nijs, 2003; Kurtulus, Kruse and Blasi, 2011; Jones and Kato, 2012). Still, such arrangements might only cover a fraction of a given country's labour force. Meanwhile, employee ownership at the higher end of the spectrum remains less conspicuous. The mismatch between the benefits of such ownership, in terms of both theoretical prediction and selective empirical evidence, and its relative paucity as an ownership form, has drawn the interest of scholars for several decades. This mismatch is of contemporary interest in light of the human cost of the recent global financial crisis and the accompanying debate on the perils of unrestrained capitalism. The extension of ownership rights to employees, via diverse pathways, is at the heart of this debate.

In view of the thesis' subject matter and analytical focal point, this introductory chapter proceeds by presenting what is the foundation for the work pursued. Namely, Mygind's (2012) synthesising framework containing the core drivers of, and barriers to, the establishment and development of employee-owned firms. These factors in principle pertain to numerous employee ownership types, yet some are particularly resonant in majority or exclusively employee-owned cases. The factors span three analytical levels: the societal, organisational and individual. The latter unit is then considered further, with regard to analytical approaches in economics and sociology, and interactions across levels.

A specific framework for analysing employee ownership and the individual level of analysis

At the societal level, institutional arrangements filter down to impact the opportunities for, and choices of, employees in terms of becoming owners or remaining wage-earners without ownership rights. Those relevant to employee ownership include labour market regulation, tax legislation, access to finance or direct subsidies, and company law. Institutions supporting employee ownership can be seen to vary both across as well as within countries.

For the potential employee-owner, there may be substitution between labour market conditions containing ample employment options and high unemployment benefits, and the urge to establish employee-owned firms in order to secure stable employment and attractive working conditions. Strong unions or high remuneration levels for wage-earners may imply low incentives for employees to become owners. Employee representation on company boards and participatory management styles may have the same effect: if employees can already participate in firm decision-making, there may not be a need to attain ownership.

At the company level, collective-decision making problems can occur with an increase in the size of the workforce—the latter is associated with greater complexity and heterogeneity—as well as in the presence of conflicts within the group (Hansmann, 1996; Dow 2003). Therefore, the employee-owned firm will tend to be relatively small and contain a homogenous workforce.

In firms which are highly dependent on human capital, knowledge is often specific to the firm and loses value if employees begin working elsewhere. This mutual dependence between firm and employee may be a driver for employee ownership, especially in technologically intensive firms where specific skills are involved.

A potential barrier to employee ownership is gaining access to sufficient finance, particularly in capital-intensive firms (Vanek, 1971; Meade, 1972; Putterman, 1988), as large capital input requirements, on a per employee basis, can be greater than the amount most are able to supply. At the same time, there is a commitment problem in relation to the supply of capital from external minority shareholders or banks because there may be a conflict between the objectives of employee owners and the desire for a satisfactory return on the funds made available. Therefore, employee-owned firms are expected to be less capital intensive.

At the individual level, preferences (attitudes), as well as resources, play a decisive role. Related considerations are whether employees are motivated to take over an enterprise, for example, and whether they have the necessary capital and knowledge to succeed. The predominance of a wage-earner culture can be an important barrier to ownership so that employees may be satisfied being wage earners without possessing influence. On the other hand, the desire to participate in decision making at the workplace can drive employee ownership. However, employees must also be equipped with the necessary skills and readiness to participate in demanding decision-making processes. Consequently, ownership may be more widespread among educated and experienced employees.

Employee wealth is, again, important when a large initial capital stake is required to acquire ownership. It is to be expected that wealthy employees can finance the required capital stake without concentrating their savings in the same company in which they have also invested their human capital. This potential risk concentration can be looked at in combination with approaches to risk-taking.

The above-outlined synthesising framework exhibits connections between the three analytical levels: an individual's choice of income-earning activity—such as the decision to supply labour to an investor-owned firm or to a worker-owned firm—is made according to prevailing societal- and firm-level conditions. If, instead, the issue concerns individual participation in a share plan, as a step somewhere in between the abovementioned two ownership alternatives, developments at the societal and firm levels would again determine the extent to which such opportunities are made available to begin with as well as influence the desirability of share take-up. Even if the individual is the focal unit, interactions across levels of analysis are indeed raised within this thesis' contents, consistent with an 'actor-in-interaction' (Smelser and Swedberg, 2005, p.4), or sociological analytical approach. Such an approach would appear to stand in contrast to the one taken in standard economics, in which preferences are taken to be fixed or given, rather than environmentally induced, and particularly in which primacy is accorded to methodological individualism, as the term is often contemporarily applied (Stiglitz, 1993; Smelser and Swedberg, 2005; Hodgson, 2007). Still, in terms of the latter, it need not necessarily do so. This point is expanded on below, in the context of an overview of what methodological individualism is able to represent.

The doctrine of methodological individualism, first introduced by Weber, has since being ascribed different meanings and has consequently been expressed in various ways. The following is an attempt at formulating its simple essence, as per the most typical accounts: socio-economic phenomena are explicable in terms of individuals. This formulation does, however, require an important supplementary behavioural question to be answered. Namely, whether individuals act alone, or in concert with others. Previous formulations have led to ambiguity on this matter or side with the former condition. Two prominent, contemporary scholars of methodology, Davis (2003) and Hodgson (2007), have convincingly argued that focusing on the individual in isolation is unworkable in practice. A selected extract from the latter reads: '...the individual is a social being, enmeshed in relations with others. They (sophisticated advocates of methodological individualism) are aware of the importance of culture, and that communication and language are deeply involved in constituting individuality' (Hodgson, 2007, p.221). Explanations involving reduction to the unit of the individual would indeed have to involve relations between people, or the presence of a social structure. Thus, methodological individualism can be defined as the explanation of socio-economic phenomena in terms of both individuals and a social structure. This has been classified as a 'weak' version of methodological individualism, combining individualistic and holistic elements (Udehn, 2002). The so-called weak version of the doctrine is likely to be identified with by sociologists, whereas a stronger version, with phenomena explained only by individuals (and their interactions, absent a social structure) is more likely to be adhered to by economists (Ingham, 1996; Udehn, 2002). Methodological individualism, then, if it is defined to cover more than explanation in terms of individuals alone, does not have to be incompatible with a sociological analytical approach.

Relatedly, it has become evident that prominent economists have begun treating individual preferences as endogenously determined (Akerlof and Kranton, 2000; 2005; 2010; Bowles, 1998; Ben-Ner and Putterman, 1998; 2000), reversing a longstanding trend whereby preference formation would be relegated to other disciplines, including sociology. Once the influence of social and economic influences are permitted, an expanded preference set beyond pure self-interest—as in conventional economic methodology—can be acknowledged. An individual may well be self-regarding, but he or she may also care about the outcomes of others, as well as the process through which these outcomes are attained (Ben-Ner and Putterman, 1998; Ben-Ner, 2013). As a result, the conceptualisation of the individual advocated herein would not appear to be out of touch with recent scholarly developments in economics.

Given the preceding discussion and the topic of research in question, it would appear difficult to discuss employees' selection and operation of shared ownership arrangements assuming structurally atomised individuals, behaving independently, and concerned with personal outcomes exclusively. For example, even if cooperation in a work setting only takes place out of self-interest, there would still be a relationship to the group to be had. Preferences beyond self-interest could also be fostered over time though the act of running a self-managed firm, despite this not being the initial basis for cooperation. Meanwhile, the eventual pursuit of an income-earning alternative to shared ownership such as private entrepreneurship, perhaps because of early exposure to self-employment in the familial environment, is an act that takes others into account, although it ultimately necessitates rejection.

Having introduced the base set of factors that can encourage or inhibit employee ownership, and having considered issues pertaining to conceptualisation and methodology at the individual level of analysis, the next section of this introductory chapter presents the three research works that have been undertaken. This includes the process by which the work has been arrived at, the specific questions for investigation that have been posed, and the contributions that are intended to be made by answering them.

The included research

The first thesis chapter draws on all of the analytical levels of Mygind's (2012) synthesising framework. The modification made to it is that the core factors affecting employee ownership are applied to a specific context of transition from a command economy a market-oriented economy. Originally, the framework was utilised to analyse the development of employee ownership as part of Eastern European transition. In this case, though, it serves to structure the gathered evidence concerning the existence of employee ownership in a context of Chinese economic transition. In applying the framework to China, it is certainly recognised that there are important differences between it and the countries of Eastern Europe in terms of transition processes, initial industrialisation levels, political power structures, and the overall pace of transformation. While novel drivers and barriers cannot necessarily be expected to be uncovered in this application, their composition and relative weights are expected to have specific Chinese characteristics.

In the first chapter, two specific research questions are posed. Firstly, what has been the extent of employee ownership in a Chinese context? Secondly, what have been the drivers of, and barriers to, this type of ownership? The focus is on privatisation as an essential element of the transition process and as an enabling force, providing opportunities for employees to acquire ownership stakes, of varying size and duration, in their former publicly-owned workplaces. As opposed to other location-specific studies which seek to uncover the extent of employee ownership in the literature, systematic work pertaining to employee ownership in a Chinese context has been more limited. This is where the study fits in. Its contribution is to comprehensively and systematically cover the available evidence related to the existence of employee ownership. The key issues behind the latter's development are evaluated, and an assessment is made of its current state.

Chapter one is set up as a general analytical discussion. The specificities of the study context take up a sizeable proportion of the discussion, extending beyond workers' ownership stake in the firm alone. Attention is paid to politically-induced ownership changes that have occurred in the post-1978 economic reform period, involving unique company forms, with final share allocations subject to stakeholder rivalry. This reform period has been characterised by a substantial gap between formal law and its implementation, with further discrepancies over time and between locations. Idiosyncrasies for individual employee-owners, meanwhile, are broached in a review of situations of coerced share purchases.

Assessing the Eastern European and Chinese transition cases together, it appears that as long as there was requisite state support or direction, the initial acquisition of ownership stakes by individuals in privatised industry was not hindered by affordability concerns alone. Absent at least a basic desire for ownership, for whatever reason—a desire borne of previous experience with employee participation in control in some limited instances—share purchases could not conceivably have eventuated. The same could be said for the willingness to hold onto shares, rather than cash them in. Reflections such as these on the factors pertaining to the incidence of employee ownership at the individual level of analysis—resources and, in particular, preferences—in a narrow context of economic transition have led to the ambition to step back and develop them (and, hence, this level of the synthesising framework) more generally, having recognised their significance. While economic conditions are a recurring theme in any deliberation on choice of income-earning activity, such as becoming an employee owner or remaining a wage-earner, it was felt that there was more to this story to be unpacked. Besides, transition on its own tended to feature employee ownership of a particular sort, whereas the individual's role with regard to a multitude of employee ownership forms can be explored outside of this single setting. These reflections culminated in the posing of two questions for investigation, accounting for the thesis' second chapter: what are the individual-level routes to employee ownership, and how can individuals be sorted among these different routes? Overall, the contribution of this study is the provision of a coherent conceptual treatment of the individual-level antecedents to employee ownership.

Concerning the first research question posed, several routes to employee ownership are detailed in the chapter, with employee ownership split into its majority and minority variants in the typology. Included under the former classification is a workers' cooperative (leaving questions pertaining to incorporation aside and treating it, for analytical purposes, as a special case of full worker ownership with regard to governance and industrial democracy)[1], a professional partnership

[1] Ownership rights of an asset, as they pertain to a firm, consist of the right to control and to returns. An ideal majority worker ownership setup suggests participation in both of these rights. A decision would then have to be taken on how these rights are to be held: either as a bundle in the hands of individuals or the group, or divided up (and shared according to a specified rule). Still, as an example, the transfer of ownership rights in more specific, definable ownership arrangements, such as a workers' cooperative or a professional partnership is recognised to be restrictable and, as highlighted in Stryjan (1989), dividing up property rights (when an asset is divisible in nature) is not uncomplicated, particularly as it would implicate conferring the right to transfer ownership on certain members of the organisation only. To facilitate the main conceptual component of the thesis, the first two rights of ownership—the right to control and to returns—have been emphasised, and combinations of these are approximately ascribed to different paths of employee ownership as they fit on the ownership spectrum.

(which can also be an example of full worker ownership in the absence of external investment), and other arrangements in which employees own, at the minimum, a majority of the proportion of shares available, owing to particular contextual developments. Belonging to the category of minority employee ownership are mechanisms pertaining to a share ownership plan and share options, alongside direct ownership.

It is acknowledged that previous work in this area exists. Toscano (1983), for example, identifies three types of employee ownership and discusses how individuals access them. A distinction between free acquisition in an ESOP and personally contributed capital in a workers' cooperative is provided. These are listed alongside that of direct ownership. Studies by Cornforth (1983) and Stryjan (1994) distinguish the variants of the cooperative archetype and its manner of formation, respectively. In an influential analysis, Ben-Ner and Jones (1995) highlight employee owners' rights to return and to control. A typology of ownership is formulated on this basis. While the focus is on real-world examples of the various types of employee ownership and their performance, it neglects variations in how individuals can actually access them. Kaarsemaker, Pendleton and Poutsma (2010) provide the most recent general summary of the different types of employee ownership. For the majority category, however, their discussion focuses on share acquisition via an ESOP mechanism, rather than full worker ownership. The above considered, what is presented in the second thesis chapter are guidelines for individuals to access ownership, put together from the fragmented extant work, with additions to complete the account. In attempting to distinguish between the employee ownership routes, more general demarcation lines are drawn, rather than sharp ones (Pendleton, 2001). With the above in mind, a greater number of routes to employee ownership are covered in this study than in others, and are done so in more detail, bringing clarity to the subject from the perspective of the individual in particular.

The chapter's second research question, matching various employee ownership routes to defined individual 'types' in order to achieve optimal fit, is tackled on the basis that what is critical are individual *attitudes* toward employee ownership. The addition of attitudes to Mygind's framework at the individual level of analysis is argued for, on the grounds that preferences (as originally listed) by themselves do not come close enough to the core motivations guiding human action. Preferences, to be clear, are rankings and by convention are revealed through choices.

Yet, a preference cannot be defined in terms of choice alone. It is attitudes pertaining to the characteristics and consequences of alternatives that lead to preferences (and behavioural choices intended to satisfy them) (Elster, 2003; Hausman, 2000; 2012). The contribution of formulating profiles of individual attitudes toward employee ownership is moving beyond a prevalent profit-control dichotomy to consider more carefully the potential contents of given ownership approaches.

Chapter two contains elements of what has been described as a cultural explanation of the limited number of firms which are fully worker-owned. A cultural explanation includes two components: the extent of shared dispositions toward employee ownership, as a broad concept, among members of a particular group, and the extent of homogeneity among a firm's members (Dow, 2003). A notable difference between the two components is that the former increases the chance of firm formation or survival, while the latter conceivably becomes more important once the firm has already been established, by way of a reduction in the costs of collective choice. Dow cautions against using culture to explain employee ownership success stories. Moreover, the author speculates that, given the idiosyncrasies involved at the firm formation stage, it will be less problematic to concentrate on the (economic) factors affecting subsequent performance and growth. Amid this discussion, a concession is made that 'cultural factors are helpful in understanding why organisational mutations have occurred in specific times and places' (*ibid*. p.139). Dow's organisation mutation term is taken to mean a variation on the norm: the creation of an alternative to the investor-owned firm. Rather than aborting the analysis in the face of apparent idiosyncrasies, an organising scheme is advanced whereby individuals can be classified according to shared interests, even where idiosyncratic conditions are at play. This means examining the personal elements of those involved in the formation of employee-owned firms at one end of the ownership spectrum, as well as those who participate in alternate types of employee ownership at more attenuated levels of employee equity.

In sum, chapter two is set up to include both a sociological analytical approach to the individual as well as relevant economic principles, in an attempt to reach an integrated perspective on employee ownership. Furthermore, the emphasis on attitudes—a key principle of social psychology with regard to determining behaviour—comes from social psychology. Attitudes have been integral to analyses of person-environment (organisation-job-vocation) congruence. To arrive at propositions for the ownership paths or stake levels to which individuals are best suited has meant drawing on several disciplines to uncover the theoretical and conceptual issues relevant to deliberations over income-earning alternatives.

The third chapter can also be located at the level of the individual, with regard to Mygind's framework. It seeks to shed light empirically, by way of mixed methods, on the antecedents to employee ownership, utilising original individual-level data collected from six Icelandic case study firms.

The interest is in the recent acquisition of ownership stakes by employees, from their perspective: which motives have been behind their progression from pure wage-earners to (partial) workplace owners? By contrast, which factors have constrained this jump in status for others? Additionally, do certain personal characteristics or resources serve to explain the incidence of share ownership? These questions target employees, yet the employer's perspective is also included to complete the picture.

The choice of Iceland as a setting for empirical work arose from the desire to focus attention where share acquisition has, on the whole, taken place more recently and where, importantly, access could be granted to employees themselves. The work was made possible by the cooperation of a series of Icelandic firms in which share purchases have transpired over the past few years in particular. The Chinese setting, by contrast, would have proved to be somewhat of a challenge as far as completing empirical work is concerned given that employee ownership was most widespread in the 1990s. Logistical difficulties concerning the identification of private firms that were previously at least partially employee-owned (and especially the identification of those individuals within them who participated in ownership) would have to be navigated. The choice of empirical setting rationalised, what has turned out to be the backdrop to these share purchases—that of an economy recovering from recession—requires recognition. The chapter duly goes beyond the theme of ownership stake level in the firm in detailing both the broader Icelandic share purchase context as well as the six case studies firms under investigation. Interview data with CEOs and employees, documenting their views on ownership, illustrate the ensuing analysis. Yet, the analytical work still revolves around the case firms being able to be situated at different positions on the ownership spectrum, from substantial employee ownership at the upper end (two cases), to lower levels of employee equity at the other end (four cases). The Icelandic context notwithstanding, the cases—the professional services firm, direct individual minority ownership—rather than being restricted to Iceland alone, are identifiable (and prevalent) elsewhere. The third chapter, then, in its study of individual-level factors pertaining to employee ownership in forms which are recognisable across advanced economies, is contended to be of value.

Research limitations

In the second chapter, the multidimensional construct, attitudes toward employee ownership and the unidimensional construct, resources required for employee ownership are introduced. Moving beyond a purely conceptual articulation of the former in particular is complicated by the intention for it to be set up as an ex ante evaluation. One empirical approximation requires surveying employees prior to their potential participation in a shared ownership arrangement.

The timing of the research would have to coincide propitiously with worker deliberations on (clear-cut) choices of action. For example, whether or not to commit personal funds to a (yet to be commenced) employee-owned enterprise, as opposed to remaining in a downsized and substantially altered place of employment (Hochner and Granrose, 1985). The extent to which attitudes can be captured empirically will also be dependent on the extent of the researcher's access to the employee group. With greater access comes more wriggle room for lengthier surveys to be distributed, carefully exploring personal attributes and sentiments.

The options for individuals to choose between in the documented Icelandic cases have generally been relatively less dramatic than in the above example. Individuals have chosen between remaining wage-earners without ownership rights or purchasing the shares that have been made available to them. This has been the consequence, variously, of merging and restructuring, extending the initial ownership base, and public listing. Due to the timing involved in issuing the survey to employees and the constraints imposed by the participating firms, only a short selection of questions could be included. Chapter three is thus set up as a narrower documentation of why individuals elected to purchase or not to purchase shares (as recalled by them, subject to associated errors), together with estimating the effect of these individuals' defining characteristics (such as level of education, tenure and income level) on the purchase decision, rather than a direct empirical test of the attitudes construct, since its operationalisation requires an adequate measurement for each of its postulated dimensions.

Reflecting upon the entirety of the empirical research process that has been engaged in, it is evident that primary methods, such as online user surveys and personal interviews, contain both advantages and disadvantages. In any case, obtaining the views of employees, in the context of employee ownership issues, necessitates the utilisation of these methods since the availability of ready-made databases that include individual-level information is limited. As a result, however, the investigation's themes and questions can be subject, to some extent, to the researcher's influence. Contextual issues may end up being addressed either directly in the questions asked or indirectly in the interpretation of responses. Furthermore, respondents can be guided toward a certain time period to narrow the scope of the investigation.

The obvious drawback in obtaining the insights of employees by oneself or in a small team is that the size of the final usable data sample is comparatively small. This affects both the empirical questions that can be looked into and the range of techniques that can be applied. More can be hoped for but cannot always be obtained in the end as to some extent one is reliant on others, in terms of the information provided and the access to subjects granted. Within chapter three itself, the methodological discussion does not ignore the fact that only a small number of case studies are presented, with a resulting impact on their generalisability. Additionally, a greater number of variables could have been included in the work if questions had received more or better quality responses, the consequence in some instances of imprecise phrasing. Related remarks connected to specific questions posed are included in the study.

Overall, the empirical research in chapter three is looked upon as an important first attempt in conducting research on a theme of interest, one that can serve as a building block for future research in this vein. It must be emphasised that the obtained results are not considered to be the final word on the types of employees who participate in ownership or the reasons why they become involved in it. Rather, they are intended to form a valid first attempt at understanding the characteristics and views of a key stakeholder group when it comes to ownership.

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The development of employee ownership in China

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Abstract

Little systematic work has been completed on the incidence of employee ownership in a Chinese context. Similar to the situation in Eastern Europe, this type of ownership has been quite widespread, particularly during the 1990s. Based on the existing literature and available statistical data, the drivers of, and barriers to, the development of this form of ownership are identified utilising a framework for examining employee ownership at three levels of analysis: the societal, organisational, and individual. It is found that employee ownership developed as a transitory stage between state and private ownership: employees acquired ownership stakes as part of the privatisation of small- and medium-size state-owned enterprises as well as collectively-owned enterprises. However, in most cases, the dynamics of ownership resulted in dominant ownership by managers. This trend became more noticeable at later stages of the major privatisation period. Chinese economic transition more broadly has been characterised by significant variation in policies and institutional changes, both over time and according to location. This extends to one of the vehicles uncovered for employees to become owners, the joint stock cooperative, in terms of the discrepancy in its use, implementation and format.

1. Introduction

In a context of economic transition, the acquisition by employees of majority stakes in their former publicly-owned workplaces through privatisation is one of the most likely ways in which employee ownership can transpire. Such occurrences have been well documented in the literature in relation to parts of Central and Eastern Europe, as well as the former Soviet Union (e.g. Earle and Estrin, 1996; Nuti, 1997; Uvalic and Vaughan-Whitehead, 1997; Mygind, 2012). Comparatively less studied has been the role of employee share acquisition as a component of the restructuring of publicly-owned firms in China, a nation which has reached the maturity stage of its economic transition process and where both the approach to (Lin, Cai and Li, 1996; Qian, Roland and Xu, 1999; Liu, Sun and Woo, 2006; Bai, Lu and Tao, 2009) and scale of (Guo and Yao, 2005; Zhu, 2012) transformation make it distinctive among the former command economies.

Two research questions are posed herein. Firstly, what has been the extent of employee ownership in China? Secondly, what have been the drivers of, and barriers to, this type of ownership? The focus is on privatisation as an essential part of the transition process. The openings for employee ownership varied over the different stages of this process, as well as between regions and types of enterprises.

To answer the research questions posed, the approaches of Wright, Pendleton and Robbie (2000), Blasi, Kruse, Sesil and Kroumova (2003) and Cin, Han and Smith (2003) are followed in which the scattered evidence is brought together to provide a general analytical discussion. Rather than introducing new empirical data, the overall contribution of this article is the provision of a comprehensive and systematic coverage of the available evidence related to the existence of employee ownership in China. The key issues behind its development are evaluated and an assessment is made of its current state.

The literature on employee ownership has, by and large, neglected Asia (Wright, Pendleton and Robbie, 2000; Landau, Mitchell, O'Connell and Ramsay, 2007). In one notable study, however, Wright, Pendleton and Robbie (2000, p.98) exclude China because 'employee ownership has to be considered in the context of transitions from communist to more capitalistic forms of economic organisation, and hence the evolution of employee share ownership is considerably more complex'. A couple of predecessors to this paper are, nevertheless, notable. Li and Putterman (2008) survey the performance impact which privatisation has had on state-owned enterprises (SOEs) but they do not allocate much attention to the other notable publicly-owned enterprise form that has undergone transformation, the township and village enterprise (TVE). A significant proportion of China's collectively-owned enterprise (COEs) sector is made up of TVEs, which are owned by lower levels of government (Jin and Qian, 1998). Zhang and Logue's (2003) employee ownership study comes the closest to this paper in terms of its objectives, but its sources are limited to the date of the study's completion. More than ten years on, important and relevant empirical studies have emerged which warrant inclusion in an investigation of employee ownership in a Chinese context.

In this study, the term employee ownership is used to refer to situations of employees owning shares in their employer, of varying proportions of total firm equity and of varying duration. It must be noted from the outset, however, that some of the surveyed literature has been quite vague regarding the proportion of equity that is actually owned by employees, exact share distributions among them, and the amount of non-owning employees. As a result, a more precise definition is not used. Furthermore, and with regard to the rights associated with ownership, it has been identified that such rights have often been appropriated by other groups. For example, when control has been executed by a manager.

The remainder of the paper is organised as follows. First, the theoretical drivers of, and barriers to, employee ownership are presented for societies in transition. This is followed by an overview of the ownership changes which have taken place during the Chinese economic reform period, in light of political developments. The available evidence on employee ownership connected to privatisation is then synthesised, and the associated trends together with the overall drivers of, and barriers to, this type of ownership are identified. Section seven concludes.

2. The drivers of, and barriers to, employee ownership during economic transition

The framework developed by Mygind (2012) is utilised to identify and structure the drivers of, and barriers to, employee ownership at the analytical levels of society, the company and the individual. These drivers and barriers are applied to a context of transition from a command economy to a market-oriented economy, involving privatisation. They are presented in figure one.

It is recognised that there are important differences in the transitional process between China and Eastern Europe, for which the framework was originally applied. In the latter, for example, political institutions collapsed and were substituted with more democratic systems, accompanied by a fundamental change in the political power structure, while the Chinese Communist Party (CCP) has continued to monopolise political power. Transition also took place in over-industrialised countries. In contrast, at the commencement of its reforms, China was predominantly an agricultural country. Overall, transition to a market economy occurred relatively quickly in Eastern Europe, while the Chinese transition has been gradual and has occurred over a much longer period.

At the societal level, transition primarily involves the transformation of institutions, such as the change in ownership structure from state ownership to different market-oriented formats. Privatisation can provide opportunities for employee ownership. However, the change to private ownership may also provide opportunities for competing owners. The actual weight of ownership among different stakeholders is determined by the decisions of both central and local governments. There could be strong geographical differences in the institutional framework for developing employee ownership, with support in some locations and obstacles present in others.

A weak corporate governance system with low protection of outside shareholders favours insiders, and is a driver of management ownership. On the other hand, limited access to credit may be a barrier for management takeovers, making it necessary to obtain capital from external investors or from a group of employee owners.

To achieve sustainable employee ownership, it is necessary to have a system for the valuation of shares, as well as the trading of shares among employees both within (and leaving) the company. Procedures for trading employee shares can be included in a nation’s company law.

Employees may secure their jobs and salaries through contracts and strong unions, or they may acquire ownership to protect their jobs and maximise incomes. Thus, weak unions and a high risk of unemployment may also drive employee ownership.

At the company level, because of collective decision making problems and possible free riding (Hansmann, 1996, Dow 2003), employee ownership is more likely to be found among firms which are relatively small and contain a homogenous workforce. Large capital per worker requirements are expected to be a barrier to employee ownership, with this type of ownership most feasible in low capital intensity production (Vanek, 1971; Meade, 1972; Putterman, 1988). At the same time, share ownership is a way to bond key employees to the company and is expected to feature in knowledge-based firms in particular.

At the individual level, low income and wealth may hinder employees from becoming owners. On the other hand, the possession of firm-specific human capital may support employee takeovers, especially if alternative employment openings are limited (Blair, 1995). The command economy created special conditions in relation to workplace culture, risk-aversion, and attitudes to ownership. Official ideology emphasised collective attitudes and active participation within the workplace and society. However, the ideology often contradicted the actual practice of hierarchical organisations with bottom-down paternalistic management and limited employee participation. Workers tended to develop a passive wage earner mentality rather than a desire for self-governance.

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Figure 1
Employee ownership: predictions of drivers and barriers for societies in transition

<u>Societal level</u>

1. Institutions supporting employee ownership (local variation can be expected):

a) Some privatisations provide opportunities for a specific period and for specific types of firms

b) Drivers for employee takeovers must be weighed against drivers for management buyouts

c) Under-development of the financial system increases demand for more owners as capital providers

d) Specific alliances between different social groups drive different ownership types

e) Weak corporate governance institutions may favour insiders, especially management ownership

2. Rules for entry/exit of employee owners:

Rules promote sustainable broad-based and equitable employee ownership, including rules for entry and exit of employee owners. Expect variation in the efficiency of implementation

3. Labour market: risk and conditions for unemployment:

The risk of unemployment and poor wage-earning conditions promote employee ownership

<u>Company level</u>

1. Collective decision problem increases with size, diverse labour, organisational complexity:

Employee-owned firms tend to be relatively small and feature a homogenous workforce, subject to the advantages made available in certain firm types during privatisation

2. Capital intensity of the firm:

Employee ownership less likely in capital-intensive firms

3. Knowledge intensity of the firm:

Knowledge-based firms benefit from the bonding of firm-specific human capital to the firm

<u>Individual level</u>

1. Employee resources:

Low employee income and wealth a barrier for employee takeovers

2. Desire for self-governance:

The desire for self-governance is a driver; a wage-earner mentality/culture is a barrier

3. Stages of Chinese economic reform and politically induced ownership change

As an overview, the Chinese transition to a market economy has been characterised by a gradual shift in the composition of enterprise ownership. Institutional change has been experienced on a limited scale, often the result of local initiative, before being endorsed more widely. Eventually, a market economy featuring private ownership came to be approved by the political elite. Some provinces—especially those around the Yangtze River Delta region—became forerunners with regard to welcoming non state-run enterprises and later privatising public firms. Overall, it was the large-scale ownership restructuring of small- and medium-size SOEs and COEs which provided the greatest window of opportunity for employees to become owners. Employee ownership was used as one of the stepping stones, so to speak, in the Chinese transition of 'crossing the river by feeling the stones'. In this sub-section, China's pre-transition organisational structure is briefly described. This is followed by a review of ownership changes in the post-1978 period, subject to institutional developments. The text is structured so that developments in the publicly-owned sector are reviewed first, before attention is given to private sector expansion.

Urban industry in the pre-reform, command economy was made up exclusively of SOEs and COEs. Both were typically homogenous, middle sized, single plant operations nominally owned by workers. The reality, however, is that they were administered by governments at various levels. SOEs in particular were used as a means of government control and the pursuit of national objectives. (Putterman, 1995; Naughton, 2007). SOEs comprised 77% of national industrial output in early 1978, with COEs making up the remaining 23% (Che and Qian, 1998). Workers were allocated to employers by government labour bureaus. Despite low salaries, lifetime employment was guaranteed. Services, among them health care and education, were also taken care of, tied to the work unit (Bai, Lu and Tao, 2006). Agricultural collectives owned land and managed the rural economy. Some rural industry, organised into commune and brigade enterprises, was also evident. This made up 9% of the COE sector's national output share (Naughton, 2007). While TVEs have their origin in commune and brigade enterprises, according to Huang (2008), they should be considered as new market entrants.

Economic reform began after 1978 with the decollectivisation of agricultural land and the granting of permission to trade land-use rights in rural areas. After their introduction in the first half of the 1980s, TVEs became the core unit for the expanded industrialisation of rural areas. Although they were formally publicly owned, local entrepreneurs and groups of employees could, in practice, at least in some cases, appropriate control. They were an instrument for local initiative, channelling the increasing surplus from reformed agricultural production into local investment. By 1995, TVEs accounted for 128.6 million employees and 27.3% of industrial production

(Yearbook of China's Township and Village Enterprises). Their high growth was assisted by the recipience of increased production autonomy, but, in addition, advantages in contract procurement and access to finance. These advantages would not last, nor would a lack of competition. Local governments were eventually pushed, on account of budgetary constraints, to sell many of them off. A surge in TVE ownership restructuring ensued, concomitant to a shift in national government policy regarding privatisation and a lifting of taboos regarding private business (Kung and Lin, 2007; Naughton, 2007; Nee and Opper, 2012).

Concerning SOEs, inspired by the success of the household responsibility system in agriculture, a select number of them in urban areas were first permitted to trade small quantities of inputs and outputs in free markets, in addition to being able to retain a small fraction of profits. The amount of profit permitted to be retained increased gradually and eventually spread throughout the SOE sector, accompanying greater decision-making autonomy in the hands of managers with regard to output, employment and wages (Groves, Hong, McMillan and Naughton, 1994; Bai, Lu and Tao, 2006; Yan, 2010). This was an early attempt to improve operating performance in the sector, one that avoided the politically sensitive topic of formal ownership change. It was deemed necessary as the allowance of non-state firm entry—from TVEs, individually-owned enterprises limited to eight employees and foreign-invested enterprises—had begun eroding SOE profitability and would later continue to do so. Yet, internal restructuring could only achieve so much (Jefferson and Su, 2006). At a time of renewed market orientation following Deng Xiaoping's 'Southern Tour' of special economic zones featuring factories developed with private and foreign capital, further industrial reform centered around SOE Corporatisation in 1994. Corporatisation laid the groundwork for eventual privatisation (Naughton, 2007), which had become a necessity as subsidies from the state-controlled banking sector to cover SOEs' financial losses could not be sustained. Smaller SOEs in particular ended up having to be privatised. The 15th National Congress in 1997 formally endorsed a plan for letting the state 'grasp the large and release the small' public enterprises. This became the major privatisation period, lasting for several years, up until around 2004. Already by 1998 though, over 80% of the SOEs (and COEs) operating at the county government level or below, typically the smaller enterprises, had been through some form of privatisation. Overall, the number of SOEs in the industrial sector declined from 114,000 in 1996 to 34,000 in 2003 (Garnaut, Song, Tenev and Yao, 2005; Garnaut, Song and Yao, 2006). It was in this privatisation period that sizeable opportunities for employee ownership emerged.

The emphasis on SOEs in industrial production has been further downgraded since the major privatisation period, so that the state only maintains majority ownership stakes in a number of large strategic enterprises in sectors such as banking, energy, telecommunication and defense.

These SOEs are now combined in 120 business groups and are under the supervision of the State Owned Asset Supervision and Administration Commission (SASAC) (Szamosszegi and Kyle, 2011).

Non-existent in 1978, small-scale privately-owned enterprises were permitted to come into existence in the first reform decade, albeit subject to legal and regulatory structures which discriminated against them. At the time, non-state employment was viewed undesirably among workers and entrepreneurship was heavily stigmatised in Chinese society (Chen and Touve, 2011; Nee and Opper, 2012). Outright private enterprises in urban areas were initially restricted in size to eight or less employees (Jefferson and Su, 2006). By 1983, these could also be established in rural locations. While it was stressed that labour exploitation would not be tolerated, cooperative ventures which could employ greater numbers of workers *were* permitted. These cooperatives differed from private units by their voluntary pooling of assets. They were 'socialist' and part of the collective economy (Whiting, 1999; 2000). However, the cooperative format could also be used by private entrepreneurs to expand beyond the limits allowed for private enterprises and to enjoy collective enterprise benefits. These became known as 'red hat' collectives.

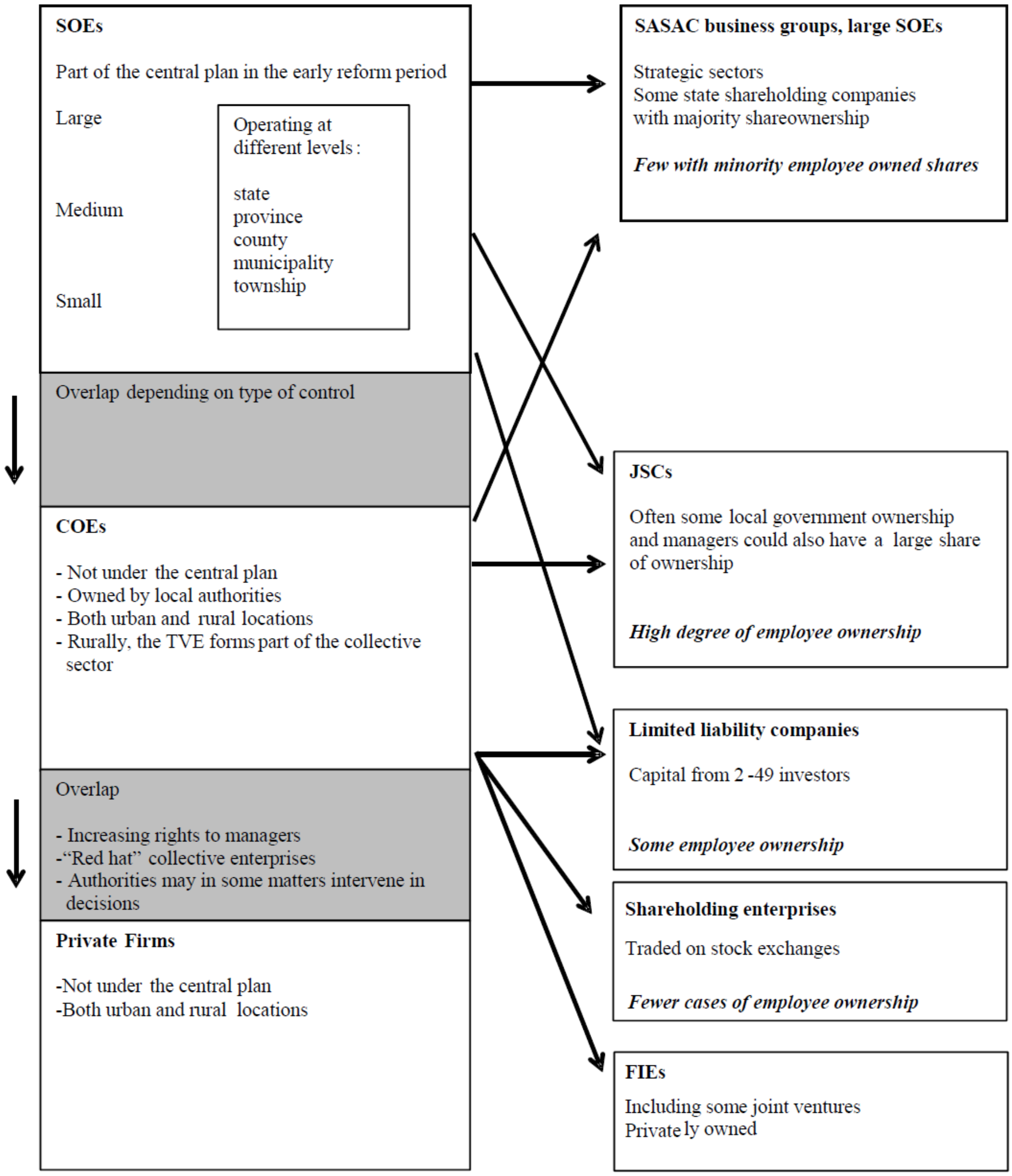
In this early reform period, private ownership could not be said to have expanded linearly. The setting up of several experimental zones in which private firms could employ more than eight employees was followed by the role of private enterprise being discussed at the 13th party congress in 1987, but cooperatives were still viewed as a more palatable middle ground between public and private ownership. Consequently, the local government of Wenzhou (Zhejiang province) began to feature rural cooperative shareholding enterprises as part of its experimentation with non-public ownership. The very next year, the National Congress revised the constitution to legitimise private firms with more than eight employees (Yan, 2010). However, this change was met by a political counter-reaction and there was an economic rectification campaign between 1989 and 1991. At this time, the CCP stated that private entrepreneurs exploited their employees and that they therefore could not become party members. Wenzhou came under attack for its 'capitalist' practices (Whiting, 1999; 2000).

A more favourable, if still somewhat uncertain, political climate for private industry investment was witnessed immediately after 1992's 'Southern Tour'. By the time significant state sector job retrenchment had commenced, the burgeoning private sector was nonetheless in a position to absorb a considerable amount of surplus labour, the pre-existing social stigma regarding non-state employment having evaporated. Political support for private ownership indeed became clearer and more prominent in the latter half of the 1990s. Previously imposed operating restrictions were lifted and the conditions for management buyouts improved. The private sector developed both through firm transformations and de novo creation.

4. China's overlapping ownership forms and vehicles for employee ownership

Figure two presents a graphical overview of ownership dynamics in Chinese privatisation, with links made to employee ownership.

Figure 2
Important ownership forms and links to employee ownership during Chinese privatisation



It is notable in the figure that there are some overlaps in ownership forms. In the early reform period, SOEs were under the central plan, while COEs were, to a larger degree, subject to the market (Kung and Lin, 2007; Peng, Tan and Tong, 2004). However, both could be under the control of local authorities. Indeed, Chinese ownership structures have tended to be only vaguely defined and it was not until the turn of the millennium that the nation possessed a more precise company law, as well as legislation regarding shareholder rights

As SOEs increasingly became subjected to the market and managers received greater autonomy, a grey area was created whereby SOEs overlapped with COEs in terms of ownership structure at the local government level, although they took different legal forms. Some firms have shifted legal identity from SOE to COE, and the downward pointing arrow in figure two illustrates this. The label that is given to a firm depends to a large degree on how it was registered earlier in its history (Jefferson and Su, 2006).

The overlap between COEs and private firms, as a result of managers wearing the 'red hat', is illustrated as a grey shaded area in figure two. When advantages for COEs disappeared and private ownership became formally accepted, the red hat was typically taken off. With increased marketisation and privatisation of the economy, there was a gradual shift downward, marked by the arrows on the left-hand side. Formal privatisations are illustrated by the arrows leading to new legal forms on the right-hand side.

From the available evidence, it can be identified that a significant vehicle for employees to become owners in Chinese firms was through the transformation of small and medium-size SOEs and COEs into joint stock cooperatives (JSCs). Consequently, attention is devoted below to reporting what is known about them. Insodoing, it must be stressed that there is no uniform version of the JSC when it comes to format, implementation or geographic distribution. This observation is partially supported by Cao, Qian and Weingast (1999, p.111), who note, with regard to format, that 'stock cooperatives are not one form, but incorporate many varieties'. It is apparent that the imprecision of the literature on this shareholding form reflects JSC diversity.

As a starting point, in its stylised form, a JSC can be said to feature majority share ownership by employees and managers together, as well as representative governance (Sun, 2000; 2002). For intended design, the Chinese Agricultural Ministry's stance as of 1994 with regard to the conversion of rural TVEs into JSCs, provides some indication. Two types of shares were to exist in JSCs: one owned by the village and the other by employees. Employee shares were to be further composed of two parts, one from newly invested stakes in the firm and the other from assets earlier invested. Employees have surplus rights in the form of dividends, but cannot sell shares. When leaving the firm, these shares are returned (Zhang and Logue, 2003). For the conversion of smaller SOEs into JSCs, official guidelines stipulated the allocation of shares to employees based on rank. The JSCs emerging from this source can also limit the number of permissible shareholders and can feature either individually- or collectively-held shares (with the former issued only to a firm's employees, providing a dividend entitlement) (Lin and Zhu, 2001; Garnaut, Song and Yao, 2006).

While the potential for majority employee ownership and representative governance would seemingly bring JSCs somewhat closer in line with more conventional employee ownership vehicles such as a workers' cooperative, the reality is considerably different. In particular, the state has remained a shareholder when workers and managers have been unable to afford asset purchases alone (Ma, 1998; Vermeer, 1999; Oi, 2005) and the classic cooperative principle of 'one-person-one-vote' has only been adhered to in some cases and for parts of the shares (Clegg, 1996; Lin and Zhu, 2001; Dong, Bowles and Ho, 2002). Moreover, attempts at combining cooperative features with those of a shareholding company have proved unworkable in practice, often lacking the attributes of either. This has been argued to be the result, ultimately, of government interference (Vermeer, 1999).

In practice, there can also be variations in the JSC organisational form according to transition stage and the distribution of stakeholder power at certain locations. This can first be illustrated below with a brief review of their background, before inspecting some case examples.

JSCs began to emerge through a combination of deliberate policy experiments by the State Council in the mid-1980s, as well as through local bottom-up spontaneous privatisation. Their numbers later expanded due to the relaxation of the pre-1992 requirement that shares within TVEs were to be distributed mainly to the community rather than to individuals within the firm, meaning that insiders were both permitted and incentivised to participate in ownership. Soon, the use of this ownership form was adopted more fluidly than in the initial experimental stage, and JSCs also began to appear in greater numbers as an avenue for the restructuring of SOEs (Sun, Gu and McIntyre, 1999, Sun, 2000; Zhang and Logue, 2003).

Related local-level cases are detectable in the literature. For example, in the provinces of Shandong and Hebei, there has been some discrepancy in the privatisation methods used and in the distribution of shares. Initially, the local community retained large ownership stakes but insiders gradually received a larger share. In the 1992-1995 period, JSCs were then utilised as a 'middle road' between collective and private ownership (Vermeer, 1995; 1999). After experimenting with cooperatives as early as 1985, several locations within Zhejiang province (Yueqing and Hualing), meanwhile, witnessed substantial growth in its use over the next decade as a step toward private ownership dominated by managers. This stands in contrast to Wuxi (Jiangsu province) and Shanghai, in which local authorities did not experiment with cooperatives to the same degree or for the purposes of achieving a greater share of private ownership. Instead, their main objectives were to maintain municipal control in spite of ownership change and to capture employees' financial input (Whiting, 2000). On this note, the process of TVE to JSC conversion in Shanghai and its immediately surrounding rural counties proceeded unevenly. After its initial start in the late 1980s, it slowed to almost a complete halt by the early 1990s before continuing with increased momentum in the mid-part of this same decade. The conversion process has been described as 'bewilderingly complex and (it) could differ substantially from township to township and even from enterprise to enterprise' (Buck, 2012, p.168). Again, a reluctance to relinquish township decision-making autonomy has been emphasised in this location, slowing down and minimising the extent of change brought on by JSC introduction. Further south, in Guangdong province, with community members becoming more mobile as the pace of national economic change shifted up a gear in the 1990s, select counties undertook cooperative experiments. Ostensibly, this intra-provincial variation was tied to recognition at the local government level of the importance of keeping the local workforce intact, shareholding status acting as the economic incentive to do so (Qian and Stiglitz, 1996).

Outside of concentrated case studies, further remarks pertaining to JSC variety are also identifiable. Broader geographic discrepancies in JSC implementation constitute one consistent theme. Wen, Li and Lloyd (2002) remark that, across the country, only some Chinese TVEs have transformed into JSCs, and similar remarks have been made in reference to SOE transformation (Zhu, 1999; Kikeri and Nellis, 2002). With regard to design, it has been claimed—in contrast to an abovementioned official design seeking to limit the number of employee shareholders—that some cooperatives resemble partnerships in that they hire many employees, particularly in southern Chinese regions (Qian and Xu, 1993).

In short, the JSC would appear to be a rather amorphous shareholding format, seemingly an empty shell to be filled according to local-level stakeholder needs and interpretation at given points in time. In terms of what it has actually meant to be a shareholder in a JSC, employees appear to have been partially entitled to economic returns, rather than being able to participate in control.

Employee ownership can be identified in other formats as well, including limited liability and joint stock companies. The latter was intended to be applied more frequently in the restructuring of larger SOEs, rather than smaller SOEs for which the cooperative form was officially preferred (Ma, 1998; Gu, 1999). As was the case with JSCs, experiments towards establishing a joint-stock system also began in the mid-1980s, with employee shares issued in SOEs located in Beijing and Shanghai becoming pilots for the system (Walter and Howie, 2001; Chiu, 2003). Shares were issued at par value and with fixed dividends, resembling a company based bond (Zhang and Logue, 2003). While shareholding experiments in larger SOEs continued in subsequent years, these typically featured only minority employee holdings.

Employee ownership has also been notable via the existence of internal employee shares created before a company became listed (Zhang and Logue, 2003). Such shares were typically sold to employees at a significant discount, opening up the possibility for future capital gains. Although the shares were not intended to be traded externally, an illegal market developed. Companies had not usually obtained official approval for public share issues, and when public stock exchanges were established in Shanghai and Shenzhen, internal employee shares could not be legally registered for trading. In 1994, the issuance of these shares ceased and the category died out (Green, 2004). As a share class in general, employee shares in listed firm are marginal (Walter and Howie, 2001; Wei, Xie and Zhang, 2005).

5. Employee ownership in Chinese privatisation: a review of the evidence

5.1. The incidence of employee shareholding

The available evidence indicates that privatisation pervaded rural Chinese industry and significantly transformed TVEs in the collectively-owned sector. Of the various methods for restructuring TVEs utilised, JSCs made up a sizeable proportion overall. Specifically, by the end of 2000, out of those TVEs that had undergone complete restructuring, 13% had converted to the JSC form. Among the 802,000 firms in the collective sector at this time, there were 163,000 JSCs (20%) and 25,000 joint stock companies (3%). The remaining firms maintained conventional collective ownership, with some provisions for managerial autonomy (77%) (Sun, 2002). Additional studies highlight the contribution of the JSC form to privatisation in rural industry. In a sample of TVEs in the provinces of Shandong and Hebei, 12% had converted to JSCs already by the mid-1990s (Vermeer, 1995; 1999), while JSCs were contributing 46% of Yueqing county's (Zhejiang province) output by 1994 (Whiting, 1999; 2000), indicating that they had a significant role to play in this particular region's privatisation approach.

The privatisation of SOEs also involved considerable usage of the JSC form. In a survey of 62% of industrial SOEs in operation across the country in 1998, JSCs comprised 16% of those that had been restructured (Lin and Zhu, 2001). In an alternate nationally representative survey conducted in 2002, several years into the major privatisation period, employee shareholding represented the largest of the various methods utilised to restructure SOEs. Of the 103 employee shareholding cases, the limited liability company form was chosen in 53% of them and the JSC form was chosen in 34% of them (Garnaut, Song and Yao, 2006). In an alternate study, 45% of the restructured firms in Sichuan province contained employee ownership by 1998, and 13% of these were JSCs (Tenev, Zhang and Brefort, 2002).

Overall, the literature points to a considerable role for employee ownership, especially through the JSC format, relatively early in the major privatisation phase and in coastal provinces. However, it also points to the falling importance of this type of ownership over time as management ownership came to be prominent.

Table one reveals some information with regard to the changing weight of different ownership forms as employment providers, as taken from the officially disseminated China Statistical Yearbook. The JSC form, although not defined individually by the National Bureau of Statistics, is understood to correspond with the official ownership category labelled 'cooperative enterprise'. It must also be stated that Chinese yearbook data relies on firm registration status which may be somewhat troublesome because an enterprise that took on a different corporate form after privatisation may still have been recorded in its original form (Cao, Qian and Weingast, 1999). Also, the prevalence of mixed ownership in the economy means that one cannot know with confidence the true identity of the dominant owner of an enterprise. For instance, what can often appear on the surface to be public ownership may in fact conceal significant informal or hidden privatisation (Jefferson and Su, 2006; Liu, Sun and Woo, 2006). With these limitations in mind, reported below is what has been obtained.

Urban JSCs employed 1.4 million workers in 1998. It is assumed that most of these were transformed from urban COEs, which fell steeply over the preceding period. An increasing proportion of COEs became corporatised, or became private firms with management as majority owners. Employment in urban JSCs peaked in 2004 with 1.9 million employees, falling to 1.5 million in 2012. JSCs made up only 0.7% of urban employment in 2004, falling to 0.4% in 2012.

The bottom line of table one adds employment figures in rural JSCs from the TVE yearbook. Already by 1994, 8 million workers were employed in this type of enterprise, rising to 9.3 million in 2000. In this same time period, the data indicates that there were 204,000 rural JSCs, falling to 188,000. By 2002, there were only 79,000 of these firms remaining, employing 3.7 million workers. Employment in rural JSCs fell again to 2.5 million workers by 2011. Nevertheless, the absolute number of rural JSCs has gradually increased over time so that by 2011, they numbered 203,000 (3.2% of the number of registered TVEs, not including single person enterprises), contributing 2.8% and 2.0% of total employment and output, respectively.

Some further information can be gleaned from the national economic census of 2004 and 2008, covering the secondary and tertiary sectors. By the end of 2004, there were 107,000 JSCs. By 2008, their number fell to 64,000, a fall from 3.3% to 1.3% of the total number of firms. The proportion of JSCs is slightly higher in manufacturing than in construction and trade. Employment in manufacturing JSCs fell from 2.1 million employees in 2004 to 1.1 million employees in 2008.

Table 1
Employed persons at year-end by registration status

Employed persons - 10,000	1991	1992	1994	1996	1998	2000	2002	2004	2006	2008	2010	2012
Urban employed persons	15260	15630	16816	19815	20678	21274	24780	26476	29630	32103	34687	37102
State-owned units	10664	10889	11214	11244	9058	8102	7163	6710	6430	6447	6516	6839
Urban collective-owned units	3628	3621	3285	3016	1963	1499	1122	897	764	662	597	589
Cooperative units				-	136	155	161	192	178	164	156	149
Joint ownership units	49	56	52	49	48	42	45	44	45	43	36	39
Limited liability corporations				-	484	687	1083	1436	1920	2194	2613	3787
Share-holding corporations ltd.			292	363	410	457	538	625	741	840	1024	1243
Private enterprises	68	98	332	620	973	1268	1999	2994	3954	5124	6071	7557
Funds from HK, Macao, Taiwan	69	83	211	265	294	310	367	470	611	679	770	969
Foreign funded units	96	138	195	275	293	332	391	563	796	943	1053	1246
Self-employed individuals	692	740	1225	1709	2259	2136	2269	2521	3012	3609	4467	5643
Rural employed persons	43093	43802	44654	49035	49279	49876	48960	48724	45348	43461	41418	39602
Township village enterprises	9609	10625	12017	13508	12537	12820	13288	13866	14680	15451	15893	16400
Private enterprises				551	737	1139	1411	2024	2632	2780	3347	3739
Self-employed individuals				3308	3855	2934	2474	2066	2147	2167	2540	2986
Cooperative units*			800	726	-	930	365	267	265	263	255	252

Source: Statistical Yearbook of China. *Yearbook of China's Township and Village Enterprises

5.2. Stakeholders involved in decentralised privatisation

Privatisation was a contested protest, both in the ex-ante decision regarding share distribution and after the initial distribution. Key stakeholders included the government at the central and local levels, alongside managers and employees. The central government, while initially supportive of share sales to employees, came to favour a highly skewed distribution of shares, with ownership concentrated in the hands of managers (Oi, 2005; Garnaut, Song, Tenev and Yao, 2005). This occurred in parallel with the approval of private property rights. At the local government level, meanwhile, bargaining between officials and managers had the greatest impact on resulting shareholding distributions (Dong, Bowles and Ho, 2002; Zeng, 2010; Sun, Wright and Mellahi, 2010). The broader employee group was only entitled to the shares not initially allocated to the preferred parties of management and (a few key) employees. However, managers' fear of a negative reaction to restructuring plans and, in some cases, rules stipulating approval for firm restructuring from workers (Garnaut, Song and Yao, 2006; Oi, 2005) led to shareholding becoming a form of compensation for those relinquishing job security, especially in SOEs. As summarised by government officials in Jinhua (Zhejiang province), 'employee ownership satisfied three constraints: governments' fear of making political mistakes, managers' fear of losing power, and workers' fear of losing jobs' (Tenev, Zhang and Brefort, 2002, p.32).

Extant evidence, based on local level cases, illuminates the role of stakeholders in determining privatisation outcomes. For example, in 39 TVEs privatised via sales to insiders in three counties within the provinces of Shandong and Jiangsu, the primary goal for local authorities was to provide more incentives for managers by making them majority owners. Managers received the majority of shares in 33 of the cases, while employees received the majority in six. Overall, 77% of the shares in privatised TVEs were held by managers, 18% by non-managerial employees and 3% by local governments, with independent private investors making up the remainder. It appears as if substantial levels of employee ownership arose where managers either found it too risky to purchase shares, or could not afford the takeover themselves. Such ownership was more prevalent in the transformation of larger and more capital-intensive firms, and where aggregate county income was lower (Dong, Bowles and Ho, 2002; Ho, Bowles and Dong, 2003). Differences in privatisation outcomes between Wuxi (Jiangsu province) and Wenzhou (Zhejiang province) in the 1997-2000 period, meanwhile, are documented by Zhang (2008). In Wuxi, the local authorities and managers of TVEs shared strong networks with significant influence. Hence, they were the only stakeholders included in the privatisation process. The result was that all 18 observed companies were taken over by managers, often at low prices settled in closed-door negotiations. By contrast, privatisation in Wenzhou, with a relatively weak local government and a stronger private firm presence, involved a higher degree of independence and decentralised initiative. Share distributions were thus more transparent and employees were able to participate in the process.

Beyond the above-mentioned studies, most of the relevant empirical research indicates that firm ownership by managers came to dominate Chinese privatisation, to the detriment of employees (Li and Rozelle, 2000; 2003; Garnaut, Song, Tenev and Yao, 2005; Guo, Gan and Xu, 2008; Gan, Guo and Xu, 2010). Some evidence, nevertheless, points to the more sustained involvement of employees in ownership. In a panel data set of urban and rural manufacturing enterprises from Nanjing (Jiangsu province) covering the 1994-2001 period, both rural and urban enterprises were privatised primarily to insiders. 8% of the SOEs, 30% of the COEs and 24% of the TVEs transferred to the JSC format. While privatised TVEs exhibited a rising trend of managerial ownership over time, employee ownership in urban firms increased, resulting in a roughly equal share of ownership between managers and employees (Dong, Putterman and Unel, 2006). Similarly, in a sample of 20 SOEs undergoing reform in two cities of Shandong province, employees owned on average 76% of their firms in 1994, and 67% six years later in the city of Qingdao. In nearby Zhucheng, employee ownership was also surprisingly stable. Employees owned on average 73% of their firms, both in 1994 and in 2000 (Tseo, Sheng, Zhang and Zhang, 2004). However, it should be noted that the more aggregated data points to a greater transformation from collective ownership forms, including JSCs, to private ownership, and an increasing share of management ownership over time.

In summary, the management group, sometimes including key employees, took over the majority of shares in most privatisation cases. In some cases, especially in the early years of ownership reform, broader groups of employees were involved. The actual distribution of initial ownership stakes depended to a large degree on the specific processes involved and the balance of power between different stakeholders, of which the local government, managers and employees were the most important. An alliance between local authorities and managers would, in the early privatisation phase, lead to the continued involvement of the local government. Later, with changing economic conditions, outright privatisation was implemented and managers could take over enterprises with the consent of local government. However, when financial contributions from employees were required for a firm takeover, there would be some temporary employee ownership until managers could finance a takeover themselves. Managers have strengthened their position over time, playing a greater role in privatisations and claiming ownership where broader employee ownership had initially featured. Although the literature reveals some examples of enduring broad-based employee ownership for the period investigated, it is difficult to find current examples of companies where employees own the majority of company shares on a more or less equal basis.

5.3. Individual-level factors in share acquisition

Chinese workers have experienced steep wage increases throughout the economic reform period and the household savings rate has been high. Thus, many workers have been able to afford share purchases. This is a reason why employee ownership during Chinese privatisation has generally resulted from direct share purchases, rather than the use of vouchers witnessed in some Eastern European countries (Ellerman, 2001). This brings up motives behind the share purchase decision as an area of investigation, since a choice must be made by a given individual with regard to purchasing shares and thus becoming an employee owner, or remaining a wage earner instead. Empirical studies of employee share ownership at the individual level are rare. One notable exception, however, is the investigation completed by Dong, Bowles and Ho (2002) in which the main motives behind share purchases were found to be financial gain and employment security. Only a small proportion of non-shareholders claimed that they lacked the personal finance to purchase shares, indicating that low individual income and wealth was not a barrier to employee ownership. Indeed, the vast majority of non-shareholders in this case claimed that their main reason for not purchasing shares was simply that they had not received the opportunity, the share purchase choice constrained by enterprise-level and local government policies on share ownership by employees.

Additional findings indicate a range of reactions toward share offers. For instance, although employees have viewed shareholding favourably as a means of enhancing job security (Tenev, Zhang and Brefort, 2002; Tseo, Sheng, Zhang and Zhang, 2004), Kung (1999) writes that attempts to introduce employee shareholding were unsuccessful in Shengfeng village (Jiangsu province) since workers perceived managers as untrustworthy and viewed investments as financially unattractive. A similar reluctance by employees to purchase shares is found by Yao (2004) in relation to Shunde city (Guangdong province). It has further been posited, more generally, that shareholding may not necessarily have been welcomed by workers, particular where investments in loss-making firms have been called for (Oi, 2005).

Workers have also not always been found to have purchased shares of their own free will. In a review of the documented evidence on 640 firms nationwide, workers were found to have been forced to purchase shares in 63% of the cases (Cheng, 2013). Meanwhile, in a case study of a firm with more than 700 employees which had undergone ownership reform in 1998, workers were required to purchase shares valued at a minimum of 5000 Rmb (800 USD). Around 100 workers refused to purchase shares, and they were laid off or fired (Cai, 2002). Additionally, in Jiangxi province, workers were given a maximum of 10 days to purchase shares in order to save their jobs and prevent the forfeiting of their pension and welfare benefits (Lau, 1999). In Dong, Bowles and Ho's (2002) aforementioned survey, 7% of respondents reported purchasing shares because employees were required to do so.

6. The drivers of, and barriers to, employee ownership in China

The overall drivers of, and barriers to, employee ownership in China are summarised in figure three. At the societal level, the primary driver behind the development of employee ownership was the gradual change in the institutional framework which opened up for market forces and private ownership. In this process, the transformation of small and medium-size SOEs and COEs provided a window of opportunity for employees to become owners, with the collective format functioning as a transitory stage before full private ownership.

Figure 3
Employee ownership in China: the associated drivers and barriers

Societal level

1. Institutions supporting employee ownership:

a) Gradual political shift favouring more market-oriented enterprises

b) Employee ownership a temporary vehicle for first-stage management takeovers

c) Lack of access to capital meant the acceptance of employee investment

d) Some advantages for employee shares at local levels in some locations, depending on prevalent constellations of power.

e) Dominance of insider privatisation in small- and medium-sized enterprises connected to privatisation advantages and barriers for external investors

2. Rules for entry/exit of employee owners:

In general, legislation did not include rules to protect broad-based majority employee ownership

3. The labour market, risk and conditions for unemployment:

Risk of unemployment may have influenced the employees' decision to acquire shares

Company level

1. Collective decision problem increases with size, diverse labour, organisational complexity:

JSCs developed in relatively small manufacturing firms

2. Capital intensity of the firm:

Managers took the smallest and cheapest enterprises. When the required capital was beyond their means they needed to include contributions from the broader employee group

3. Knowledge intensity of the firm:

Less evidence found for greater employee share participation in more knowledge-intensive companies, although managers and key employees often received the bulk of shares

Individual level

1. Employee resources:

In many cases, employees could afford a relatively large capital contribution because of the high household savings rate

2. Desire for self-governance:

Capital gains or job security were the main motives behind ownership for employees

There is still some way to go in relation to developing the judiciary for law enforcement and the financial system in China (OECD, 2010; 2011). Insiders are in a strong position compared to external owners, while managers have a dominant position in relation to all other owners including employees. They have had the scope for channeling economic value into their own pockets. Indeed, in most cases, managers have dominated the transformation of smaller SOEs and COEs. The evidence indicates that many enterprises already contained majority management ownership at the outset of the major privatisation period and that such ownership increased further over time. Independent external investors were rare in the insider-dominated privatisation process. It is apparent that a weak corporate governance system, featuring only limited protection of minority shareholders and a lack of transparency has made it difficult for external investors to monitor investments, especially in non-listed small and medium-size enterprises. With the prevalence of insider ownership and increasing management ownership, the Chinese ownership cycle largely follows the pattern evident in parts of Eastern Europe.

One vehicle for employee ownership was the JSC, a form which received initial political support and was experimented with as early as the 1980s. In rural areas, JSCs provided around 7% of employment at one point in the 1990s. Some featured majority ownership by a broad group of employees, but in many others, only managers and a few key employees became owners. Indeed, the JSC format was generally an instrument for management buyouts rather than a genuine attempt at developing broad-based employee ownership. Eventually, political support turned toward private ownership. Previous advantages that could be obtained from being connected to the collective sector were taken away and many JSCs including 'red hat' collectives were transformed to private ownership forms. There has been no legal framework to secure a sustainable structure for employee ownership.

The frequency of management takeovers and the role played by JSCs varied by location. Developments were subject to central government influence, the possibilities and conditions for local experimentation, and the balance of power between different groups at the local level. An alliance between local authorities and managers often secured buyouts with employee participation only to the extent that it helped to help finance a takeover. In some cases, employees were formally required to approve privatisation plans and, at the same time, their rights connected to earlier public ownership forms, especially in SOEs, were given up. Hence, rights to secure wages and pensions could be 'traded' for employee shares.

In the early 1990s, there were examples of joint stock companies featuring employee shares, some of which were listed on the nascent stock exchanges, but instances of such companies were rare and the issuing and trading of such employee shares later became restricted. Today, employee shares make up only 1-2% of the share capital in listed companies.

Throughout the major privatisation period, the threat of unemployment was ever-present. While the emerging private sector could absorb excess labour from the restructuring of public enterprises in coastal provinces, it was an overall concern of local authorities to avoid large-scale worker lay-offs, in relation to both economic growth and political stability. Hence, there was an overlap of interests between employees and local authorities, and such an alliance may have played a role in promoting employee ownership to help stabilise employment. The continued rise of the non-state sector since can be seen to have provided sufficient employment opportunities for job seekers, largely limiting the need for employees to become enterprise owners and potentially the desirability of doing so.

At the company level, the JSC was utilised in the transformation of mainly small and medium-size enterprises. The restructuring of those larger in size was relatively less pertinent to employee shareholding. Managers were able to take over the smallest and cheapest enterprises themselves. To take those with slightly higher capital requirements, managers required the contributions of the broader employee group. Thus, employee ownership also appeared in the relatively more capital-demanding enterprises, contrary to theoretical prediction and the Eastern European experience. The largest and most capital-intensive enterprises remain mainly state-owned, and, with few exceptions, do not contain considerable levels of employee shareholding.

Human-capital dependent firms had been predicted to contain employee ownership as a bonding mechanism for key employees. These types of firms, a handful of which feature employee ownership, are conspicuous today in the knowledge intensive part of the service sector, such as consulting, IT and the media, despite still lagging behind manufacturing firms. In the transition stage which featured the pronounced selling off of publicly owned enterprises, this article’s focal point, such firms were less commonly found.

The drivers of, and barriers to, employee ownership at the individual level have some specific Chinese characteristics. This is especially the case with regard to income growth. Contrary to the situation in Eastern Europe, Chinese employees have experienced increasing incomes as economic reforms have progressed. Recognising discrepancies in the distribution of income, at least some employee groups have possessed the ability to invest in their enterprises (without necessarily needing favourable provisions in privatisation design), and this has been important for the development of employee ownership. For example, there are examples of employees having invested amounts exceeding their yearly pay.

There have been cases of direct pressure being placed on employees to contribute their savings in order not to lose their jobs. When faced with an unrestricted choice in terms of whether or not to purchase shares, the limited evidence points to the opportunity to achieve a capital gain and job security as the main motives driving employee ownership.

7. Conclusion and discussion

This article has provided an overview of the existing data and literature, and concluded that employee ownership in China, like in Eastern Europe, has been a transitory phenomenon. It was used in China as an intermediate point between state and private ownership as the prevailing political climate was not initially conducive to fully embracing the latter. Indeed, at the societal level, institutional changes were directed toward a gradual opening up for market forces. Employee ownership became one of the steps in the transition toward an economy with increased private ownership. The JSC format played an especially important role, most prominently in the mid- to late 1990s in rural areas. However, when further steps were taken toward an acceptance of private ownership, most JSCs were transferred over to managers. This process varied both with specific implementation at the local level and with firm-level conditions.

At the company level, the transformation of small and medium-size SOEs and COEs had a more substantial element of employee ownership than in the transformation of larger SOEs, at least temporarily. Contrary to theoretical prediction and to the experience in Eastern Europe, employees were in a position to own stakes in more capital intensive companies as managers looked to them for funding.

Individual share ownership opportunities have been principally tied to institutional developments. Often the last in line as shares in reformed enterprises have been divvied up, employees can be seen to have been brought in as owners largely out of convenience. When called upon, rising incomes and accumulated savings facilitated the purchase of shares. Queried as to their main motives for doing so, the limited evidence points to job security and a return on investment as paramount.

That share ownership has been viewed in instrumental terms requires some contextualising. The CCP's policy of 'let some get rich first' under Deng Xiaoping in the early economic reform years, with regard to coastal region development (Oi, 1999; Wang, 2002; Wang and Zhang, 2003), represented a dramatic shift in ethos from the egalitarianism of the Maoist era. Such a stance openly encouraged the competitive pursuit of material wealth and set in motion a process of cultural change by which Chinese society has become progressively more individualistic, capital accumulation and personal advancement coming to be prioritised where frugality and self-discipline had once prevailed. Opportunities to 'get rich' have proliferated after 1989. The rigid formal institutions of Maoist socialism with regard to how labour was to be supplied to firms and the permissible composition of organisational forms both eventually dismantled, the second reform decade witnessed a wave of individual market sector entrants, including both professionals lured by lucrative positions in non-state firms and those attempting private gains through business start-ups (Wang, 2002; Wu and Xie, 2003).

At the same time, though, securing remunerated employment appears to have been a common interest. It can indeed be seen that the party-state's implementation of economic and social policies, from endorsing the privatisation of loss-making public enterprises (and the associated relinquishing of once-received work unit benefits), to more recent reform projects spanning the privatisation of housing and the marketisation of education and medical care (Yan, 2010), has made looking out for oneself necessary. It is thus against a backdrop of cultural change specific to the Chinese setting that personal concerns guiding equity purchases have been uncovered. A legacy of genuine participation by labour in the running of the workplace, as opposed, for example, to an enforced pre-reform era status quo of enterprise administration by state actors, may have served as somewhat of a countervailing force to Chinese individualism in this domain. Share sales in restructured enterprises could have been interpreted as a means of returning them to their rightful owners. Yet, it appears as if such a legacy is non-existent.

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Attitudes and income-earning preferences: a conceptual exploration

Abstract

Attention is focused herein on the drivers of, and barriers to, employee ownership at the analytic level of the individual. The decisive factors at this level are preferences (attitudes) and resources. Two questions are posed for investigation: 1) what are the individual-level routes to employee ownership? and 2) how can individuals be sorted among these different routes? Posing the first question is justified on the grounds that the extant literature does not effectively demarcate the disparate ownership routes. In working through it, the foundation for answering the second question is provided. I detail several routes: cooperative, professional partnership, controlling ownership, share ownership plan mechanism, share option mechanism, and direct ownership. This synthesis established, I formulate dichotomous individual profiles encapsulating attitudes toward employee ownership, and propose the ownership routes to which individuals might best be matched. To get to this point, I separate attitudes from preferences, and argue for their prominence over resources as both an enabling and constraining force. The overall contribution of the study is the provision of a coherent conceptual treatment of the individual-level antecedents to employee ownership, an income-earning alternative to (pure) wage-earner status and private entrepreneurship.

1. Introduction

It has come to be expected that a given individual will choose to supply labour to a single firm when the remuneration on offer increases, up to a point. Correspondingly, in a straight choice between comparable wage-earning alternatives, the firm offering greater remuneration may end up being preferred. However, where a choice exists to supply labour to one of multiple firms, differentiated by ownership configuration, the expected outcome is less clear-cut with respect to preferred employer. The differentiation of firms by ownership configuration refers to the fundamental rearrangement of ownership and management functions, so that workers are the ones performing them rather than investor-owners (or managers on their behalf). Such a situation can transpire in a cooperative. While the choice to supply labour to either a cooperative or an investor-owned firm, ceteris paribus, may well end up being based on remuneration, it is difficult to accept that financial interests alone tell the whole story. The diversity of any labour force necessitates that for some individuals, interests are held which go beyond pay (Chatman, 1991; Lazear and Shaw, 2007). Attraction to the payment on offer can be tempered by potentially conflicting interests regarding, for instance, the organisation of work (how decision-making rights are distributed) or the realisation of wider goals (the taking up of causes at the local community level). Such interests can go so far as to dominate pay in the resulting preference ordering. Non-monetary interests, where they are held, will inevitably have to be either prioritised or compromised. This occurs both explicitly, after careful consideration, as well as implicitly, without significant prior reflection. It is the presence of firms featuring alternative ownership arrangements that facilitate the pursuit of non-monetary interests, which may otherwise be untenable.

Selecting between a cooperative and an investor-owned firm as a place of employment, although not hypothetical, is nonetheless location-dependent. Cooperatives are a feature of the Mondragón region of Spain and the Emilia-Romagna region of Italy, for example. Yet, the cooperative is but one of several pathways to employee ownership on the whole. In light of this, and taking the heterogeneity of interests into account, the focus of this study is theorising the compatibility of defined individual 'types' with specific ownership structures.

There are several points of reference for the above-mentioned focus. The classification of individuals into discrete categories in order to capture regularities in the distribution of preferences has been a feature of recent work by behavioural economists (Ben-Ner, 2013). Meanwhile, firm-worker matching is a feature of both personnel economics and psychology. Both are concerned with optimal matches or 'fit'. In asymmetric information models in personnel economics, the firm can incentivise workers in possession of desirable skills (Lazear and Shaw, 2007; Lazear and Oyer, 2013). In psychology, person-environment congruence is studied in terms of the broader characteristics of an organisation, such as its norms and values, and the defining characteristics of the individual, such as one's attitude and goals (Chatman, 1989; Cable and Judge, 1994; Kristof, 1996). Herein, I lean more toward the psychological perspective, as I concentrate on attitudes toward employee ownership. Still, the nature of employees' skills and knowledge, together with components of the firm's internal organisation structure, such as the incentives on offer and the degree of decision-making autonomy extended, are also considered in the matching discussion.

My first specific research question can be expressed as follows: What are the individual-level routes to employee ownership? As straightforward as the question might seem, the diversity of routes to employee ownership means that an indiscriminate, one-size-fits-all usage of this latter term, as is often the case in the corresponding scholarship, is both inappropriate and misleading. A synthesis of feasible employee ownership forms, together with how individuals access them, is the foundation upon which a conceptual analysis can be built.

Clarifying pathways to ownership from the perspective of the individual comes about as a result of my contention that the ultimate driver of, and barrier to, any employee ownership form stems from the individual level in particular, and contrasts with studies which address the question of how such ownership has arisen from the firm and/or societal level(s). In so doing, there is a certain taken-for-grantedness of the individual's role in employee ownership. A human story needs to be told, one which has been, to date, largely glossed over.

Individuals cannot reasonably be expected to become owners by fiat, except in unique cases[2]. On the contrary, there is almost always a personal choice to be made between acceptance of the status quo (first electing to become and later electing to remain a wage earner) and an alternative (electing to become an employee owner, for example). Electing to become an employee owner cannot be done with complete nonchalance either. Following this path requires individuals to operate the firm or be a part of a proposed ownership plan, after all. In practical terms, individual-level choices involve the offering up of personal savings to purchase an ownership stake or formally agreeing to participate in an ownership scheme. A change in situation may incentivise an individual to pursue a certain direction and, in some cases, the decision itself may be little more than a formality in light of the benefits which overwhelm any potential costs, but a choice needs to be taken nonetheless. I contend that there are elemental interests by which individuals can be differentiated. It is these interests which should lead to particular choices being taken. With this in mind, there is scope to match held interests to assorted ownership pathways. To this end, I pose my second research question: how can individuals be sorted

[2] Throughout Chinese economic transition, there has been evidence of workers being threatened with (and experiencing) job losses or the forfeiting of accumulated pension and welfare benefits if equity was not bought up in those firms which were embarking on ownership reform (Faigen and Mygind, 2015).

among the different routes to employee ownership? This involves thinking about the perceived value of ownership. It will be argued that variations in attitudes toward employee ownership, as explicitly defined herein, explain why some individuals are better suited to certain ownership pathways than others.

In analysing how workers choose to allocate themselves among firms, light can be shed on the formation (as well as demise) of different firm types, thus accounting for the prevailing pattern of ownership (Jensen and Meckling, 1979; Conte, 1986; Ben-Ner and Putterman, 1998). Indeed, the life cycle of the firm is inextricably tied up with that of the individual as a decision-maker (Milgrom and Roberts, 1992). Attributing such influence to individual actors requires qualification, however. The extent to which an individual's labour supply choice is a free one is contingent on circumstance. Where personal savings are being run down and unemployment is on the rise, market power returns to the hands of labour demanders. In such a setting, the freedom to bide one's time and pursue the most preferred employment option is reduced. Moreover, the opportunities available to choose among are likely to be globally unequal. Indeed, to concentrate on one level of analysis, in isolation from developments which are clearly linked, is dangerous. Doing so would be akin to 'falling into an individual-level reductionist trap' (Aldrich and Stern, 1983, pp.384-85). In short, I do not disregard the firm and societal levels, since the final choice of whether or not to become an employee owner does not exist in a vacuum, connected as it is to the conditions present or the opportunities available.

Here is a road map. Section two begins with a typology of employee ownership, with six routes to ownership detailed. Section three discusses the theoretical and conceptual issues pertinent to the second research question in particular. This is followed by the introduction of the two key analytical constructs and the explication of the ownership pathways to which individuals are likely to be best suited in the subsequent two sections. Section six concludes.

2. A Typology of Employee Ownership

Table one divides employee ownership into its majority and minority variants. Therein, specific ownership routes are listed. Some of these involve mechanisms rather than forms per se, yet the distinction is notable enough to warrant the inclusion of both. I have outlined the method of accessing each route for a given individual: whether shares are acquired for free or involve a purchase cost, and with a distinction made between one's ability (and need) to contribute to the commencement stage of a particular ownership route and the accession of ownership at a later stage. I also approximate the manner in which shares are held, which determines

Table 1: The routes to employee ownership

Employee ownership classification	Employee ownership route	Accessibility	Manner of shareholding	Beneficiary(ies)	Context
Majority employee ownership	**1. Cooperative**	Establishment cost (commencement stage), entrance cost (joining stage)	Collective	Employees	De novo creation or buyout (and subsequent conversion) of an existing firm.
	2. Professional partnership	Establishment cost (commencement stage), typically free acquisition (joining stage)	Individual	Employees	Voluntary contracting, motivate and retain employees.
	3. Controlling ownership	Free acquisition or purchase cost (commencement stage)	Individual, Individual-collective combination	Employees, non-employee shareholders	*Via an ESOP*: retiring owner, takeover defence, collective bargaining outcome, buyout (and subsequent conversion) of an existing firm, privatisation of a state-owned enterprise. *Without an ESOP*: buyout (and subsequent conversion) of an existing firm.
Minority employee ownership	**4. ESOP mechanism**	Typically free acquisition (joining stage)	Individual-collective combination	Non-employee shareholders, employees	Promotion of employee identification and motivation in order to achieve increased productivity, legislative developments and taxation benefits, collective bargaining outcome. Prevalent in the USA.
	5. Share option mechanism	Purchase cost (joining stage)	Individual	Non-employee shareholders, employees	Taxation benefits. Prevalent in the UK.
	6. Direct ownership	Purchase cost (joining stage)	Individual	Non-employee shareholders, employees	Listed firms, firms experiencing financial difficulty, typically a minority stake in the privatisation of a state-owned enterprise.

the owners' rights conferred[3]. Furthermore, an attempt is made to list the beneficiary category(ies) in each of the employee ownership routes, with primacy given to firm performance (surplus) (Gui, 1991; Díaz-Foncea and Marcuello, 2013)[4]. Finally, the context behind the emergence of each ownership route is introduced in line with Pendleton's (2001) appeal for more careful attention to be paid to this area. Indeed, context can be thought of as the societal and firm level forces comprising the individual 'decision making environment' (Dong, Bowles and Ho, 2002, p.417). As per the table, six key routes to employee ownership are documented below.

Cooperative

In the majority of western countries, worker cooperatives comprise only a very small fraction of the total distribution of firms, around one per cent on average in each country (Malleson, 2013; 2014). Outside of professional services, such firms are most likely to be found in craft manufacturing, low-skill service tasks, construction, processing and transportation (Hansmann, 1998; Pencavel, 2002; Dow, 2003).

Despite their minute number in relative terms, cooperatives provided roughly 100 million jobs worldwide at the commencement of 2000 (Altman, 2010). Hence, the cooperative movement should not be dismissed out of hand, as so often appears to be the case. Hansmann (2014, p.1), for instance, counters the popular view of cooperatives as a 'sideshow'. In his view, 'cooperatives are not…. just a peripheral or incidental or anachronistic or culturally limited form of organisation. Rather, they are big business of a distinctly modern type' (Hansmann, 1999, p.387).

Contemporary cooperative examples include those of the Mondragón Cooperative Corporation (MCC)[5], the world's largest cooperative group with operations across diverse industries

[3] Individual ownership enables employees to share in the performance of the firm, as well as to realise a capital gain upon leaving. Control rights are typically based on the principle of one-share-one-vote. Collective ownership, on the other hand, involves an intermediate association or fund. Surplus funds are returned to the central intermediary and the right to a capital gain is either partially or fully restricted. Control rights are based on the principle of one-member-one-vote (Mygind, 1990; 1992; Hansmann, 1996).

[4] This is akin to asking which one of the firm's stakeholders could benefit *most* from ownership, rather than all of the stakeholders who may be affected by an organisation's activities. Given that each of the ownership routes listed here represent ownership by employees, in varying degrees, it is relevant to ascertain whether there is an additional stakeholder group possessing the right to income flows, non-employee shareholders being the clear candidate. With regard to table one, then, employee shareholders are listed as beneficiaries in each of the six ownership routes, but they are done so alongside an additional beneficiary category where relevant. In the case of two beneficiaries, the category likely to benefit most appears first in terms of aggregate income flows, all else assumed to be held constant.

[5] Estimates vary in regards to the number of cooperatives in the Mondragón group, from around 350 or so as part of the MCC (Cheney, 1999) to a more recent figure of 110 constituent coops (The Economist, 2013). According to Malleson (2014), the Mondragón cooperatives contain around 40,000 worker-members. By comparison, Rothschild (2009) reports a substantially higher number of worker-owner-members: 150,000. Beyond regional snapshots or industry-specific estimates, national figures or global trends pertaining to cooperatives are a challenge to come by. Obtaining up-to-date, more comprehensive cooperative data is a current project of both the International Cooperative Alliance and the International Labour Office.

in the Basque Country of Spain, stretching to areas traditionally less associated with cooperatives such as education and research (Bradley and Gelb, 1981; Cheney, 1999), the cooperatives engaged in manufacturing around Bologna, among other locations and industries, in Italy (Smith, 1994)[6], and the cooperatives in the Pacific Northwest of the United States in the plywood and reforestation industries (Pencavel, 2002)[7].

A cooperative may be formed de novo or via the conversion of an existing conventionally-organised firm. Within these broader categories, Cornforth (1983) identified two de novo cooperative types: those designed specifically to create jobs and those attached to social movements. Alternatively, the cooperative form can be utilised in order to preserve existing jobs or wind up as an outcome of ownership change, either by transfer or purchase. That is to say, there may not be any clear generic version of the cooperative, although for simplicity it is often modelled as such.

Cooperative formation involves individuals offering up their own assets, with others doing the same. This reduces individual costs relative to a situation where assets are contributed by a single entrepreneur. Assuming that incumbent cooperative members are not against extending ownership rights to new employees, joining a cooperative as a non-establishing member is also an option. This entails a personal cost, in the form of an entrance fee, particularly apparent in the case of the Mondragón cooperatives (Bradley and Gelb, 1981; Doucouliagos, 1993)[8]. Whether the cost of joining an existing cooperative outweighs the cost of establishment is not clear-cut. Given individual share ownership, joining members are entitled to claims on existing assets yet may consequently be required to buy-in at significant cost. Since favourable terms may be offered to enable such a purchase, however, it is arguably of greater personal cost to form a cooperative de novo since personal savings may have to supplement (or substitute for) external financing.

[6] In sum, Italian cooperatives provide approximately two to three per cent of national employment, the largest proportion of any labour force among western nations (Dow, 2003; Malleson, 2013; 2014). While the Emilia-Romagna region appears to be the most well-known region for cooperatives outside of Italy, according to Bartlett et al. (1992) its share of national cooperatives was only 7.5%. Putting geographic distinctions to one side, Italian cooperatives tend to be attached to the *Lega delle Cooperative*, a national cooperative federation (Pencavel, Pistaferri and Schivadi, 2006).

[7] Whereas cooperatives were responsible for one-quarter of all plywood production in the Pacific Northwest region in 1954, the entire industry peaked in 1972. By the time his account of the industry was published, Pencavel (2002, p.20) remarked that 'the plywood co-ops may well be in their twilight', with only three remaining in operation.

[8] Exceptions to this generalisation exist. For example, in some French cooperatives, a significant proportion of the labour force is composed of hired hands. If an individual worker so desires, he or she is permitted to become a member of the cooperative. Admission to membership status is considered free, even where a 'minimal capital stake' must be paid out, since this stake is a nominal one. The amount paid can, however, vary upwards in amount according to member contributions (Estrin and Jones, 1995, p.4).

Classically organised cooperatives adhere to the principle of one-member-one-vote and limit the potential for personal financial gains from ownership. In this sense, employee-members would possess the right to (collective) control and to some amount of surplus, but not the right to wealth. Sometimes, an arrangement combining individually-and collectively-held shares can be observed, as in the case of the Mondragón cooperatives (Mygind, 1984; Doucouliagos, 1993). The dominant beneficiary category with regard to this route would be the employees themselves.

Ownership of the firm by its employees does not always mean an equal distribution of shares, however. A skewed share distribution whereby some workers hold considerably more shares than others can eventuate. Deviations from perfect equality in the distribution of shares, and from the ideal cooperative type more broadly, are further dependent on the amount of externally owned capital and the number of non-shareholding workers (Mygind, 1986; Elster, 1989b).

Professional partnership

On the surface, a professional partnership appears to resemble a cooperative (Meade, 1972; Jensen and Meckling, 1979). This is because founding members come together voluntarily to set up the firm and share ownership of it, potentially completely (and equally). Indeed, the most prevalent cooperatives are of the partnership variety (Dow, 2003) and the most prevalent form of firm organisation in professional services such as law, medicine, accounting and consulting, in turn, occur by way of partnerships (Russell, 1985a; Milgrom and Roberts, 1992; Rousseau and Shperling, 2003).

As per the generic cooperative case, individuals pool assets to form a new partnership. In an existing firm, partnership occurs by way of invitation and prospective partners may be required, on some occasions, to pay a joining fee (Jensen and Meckling, 1979; Russell, 1985b). However, particularly in larger firms, becoming a partner tends not to incur a cost. The offering of partnership status, from existing partners to additional (non-partner) employees, can be viewed as a form of reward. The reasoning behind this, from the firm’s perspective, is to motivate and retain the services of employees who possess skills and knowledge integral to firm operations and performance (Russell, 1985a; 1995; Robinson and Zhang, 2005), as well as to insure any training costs expended (Pérotin and Robinson, 2003). From an employee’s perspective, partnership status encourages and protects investments made in firm-specific human capital, such as idiosyncratic practices pertaining to contract acquisition, or the cultivation of long-term relationships with the firm’s clientele.

At least in smaller partnerships, such as medical clinics, co-owners can be expected to share equally in control as well as in the residual income of the firm. A degree of flexibility can nevertheless be expected with regard to the re-injection of surplus funds and the ability to realise personal gains when necessary. Again, the dominant beneficiary category with regard to this route would be employees.

Controlling ownership

Majority (but not necessarily complete) ownership of the firm by the employees working within it[9] has predominantly been observed to come about as part of an ownership change. This is the context I assume to be relevant for this route to employee ownership.

Controlling ownership is an alternative to the cooperative as an end result of the conversion of an existing conventionally-organised firm. Conversion often occurs via an ESOP mechanism (Elster, 1989b; Olsen, 2013), but it may alternately transpire via direct employee purchases (Hammer and Stern, 1980; Pendleton, 2001). It is ESOPs which are focused on below.

A distinction can be made between ESOPs according to who is involved in firm transformation. 'Representative' ESOPs contain substantial employee involvement, 'risk-sharing' ESOPs are initiated by managers, and 'paternalist' ESOPs are initiated by owners (Pendleton, 2001).

As far as mechanics are concerned, the ESOP mechanism involves the acquisition, holding and distribution of employee shares by an intermediary such as a trust (Pendleton, 2001; Kaarsemaker, Pendleton and Poutsma, 2010). The financing of such an arrangement may occur by means of the provision of a loan to the trust. This route constitutes indirect ownership and, typically, free acquisition for employees.

Firms can also be sold to incumbent employees through ESOPs (Klein, 1987; Ben-Ner and Jun, 1996). For example, a retiring owner can take advantage of the ESOP's internal market to transfer equity to an employee group (Rothschild and Russell, 1986). This entails a purchase cost. However, where a purchase is made through a leveraged ESOP, such as the complete buyout in 1982 of the Weirton Steel division of National Steel, a company employing 10,000 workers in West Virginia, to prevent it from closing, no employee investments are made (Rosen, 1986).

Mechanisms resembling ESOPs were deployed, on occasion, as one of several privatisation methods across Eastern European countries (Mygind, 2012). If shares in public enterprises were given away or sold at discounted prices, ownership offers could be difficult to turn down. Nonetheless, advantageous formal rules for employee takeovers during privatisation render the Eastern European case a unique one, which is less generalisable.

[9] This route is defined in terms of control of the firm, rather than the share of ownership held by workers. While dominant control could, strictly speaking, result from the ownership of less than 50% of a firm's equity (Ben-Ner and Jun, 1996), herein I equate it with majority ownership. In other words, where 50% or more of a firm's shares are in the hands of employees.

ESOP mechanism (minority employee ownership)

In its minority variant, the ESOP is typically put in place as a reward mechanism, representing compensation over and above base pay. The provision of share ownership is a demonstration of commitment from the firm to its employees, and its introduction would be expected to promote reciprocal commitment to the firm and concomitant firm-specific investments. Its mechanics are comparable to that of the majority variant.

Here, I focus on ESOPs as they pertain to the US context, given their permanence in the broader employee ownership literature. I do not distinguish between sub-types such as whether the ESOP is democratic in nature or serves, in reality, to be mere window dressing as far as a structure for employee involvement in decision-making is concerned. Instead, I use ESOP as an umbrella term.

In this ESOP version, employees acquire shares free of charge[10], constituting additional remuneration in the form of capital income (Kruse, Blasi and Park, 2010; Blasi, Freeman and Kruse, 2013). ESOPs are typically found in privately-held firms, with a median holding of 10 per cent of the total shares of the sponsoring firm (Hansmann, 1990). A recent estimate is that there are 10,300 firms with ESOPs, covering about 10 million American workers (Blasi, Freeman and Kruse, 2013). Participation in an ESOP typically requires a minimum period of employment as a pre-condition. While employees have the right to decline to participate, the free benefits on offer are usually too good to refuse.

The manner in which shares are held as part of any ESOP is not black and white. The variety of ESOPs in existence, not just in the US but worldwide, lead to this observation. It can be argued that shareholding in an American ESOP is primarily individually-based, since owners are granted rights to surplus and wealth, yet there is also a collective element of ownership since a central fund holds the shares, rather than employees themselves, at least for a period (Mygind, 2012).

Employees possess control rights in both majority and minority versions of the ESOP. In reality, however, the extent to which share ownership actually confers such rights in the latter tend to be limited: shares either do not carry voting rights or if they do, voting is on a one-share-one-vote basis, in line with their unequal distribution. Indeed, the rights of employee owners when it comes to minority ESOPs should primarily be thought of as financial, rather than governance rights.

Employees and (non-employee) shareholders would be split as beneficiaries in the majority version of the ESOP, according to the share distribution breakdown, while non-employee shareholders would likely

[10] Alternatives to the free distribution of shares, as part of the minority employee ownership grouping, exist nonetheless: some firms encourage employee share purchases by providing share contributions of an equivalent amount (Pencavel, 2002; Kaarsemaker, Pendleton and Poutsma, 2010).

benefit ahead of employees in a minority ESOP, as well as in other routes that fit into the broader minority employee ownership category, on account of a lopsided share distribution.

Share option mechanism

Share options provide another means for individuals to access ownership as part of the 'minority' employee ownership category.

A prominent share option plan in the UK goes by the name 'Save As You Earn' (SAYE). In fact, based on the number of participants, it is the most popular form of share ownership in the UK (Lowitschz, Hashi and Woodward, 2009). One estimate is that 85 of the largest 100 listed firms possess SAYE plans, with around one million employees becoming involved in them each year (Pendleton, 2005).

Given its popularity and emergence as a research topic, I focus on SAYE in discussions of share option schemes.

SAYE can be broken down into a three-step decision process. It involves a current employee of a firm voluntarily electing to take out an 'option' to become a partial owner at some future point, where this option plan is in place (decision one). Practically, the future point can range from three to ten years, within which employee savings are accumulated to pay for the options. Once the savings period has ended, a choice must be made between withdrawing the savings with interest or purchasing shares on favourable terms (decision two). If the latter option is selected, a further choice must be made between selling the shares or retaining them as a personal investment (decision three) (Baddon et al., 1989; Pendleton, 2001; 2010).

It is not inevitable that individuals will choose to take part in such plans since deferring income involves an opportunity cost (Dewe, Dunn and Richardson, 1988; Hyman et al., 1989). In theorising whether or not one desires to participate, I combine decisions one and two above.

To be eligible for participation in a SAYE plan, employees will typically have to have been employed for some minimum amount of time before being able to join. While the amount of equity made available is diminutive, as in minority ESOPs, SAYE entails a cost for the individual, rather than the shares being gifted.

Direct ownership

This is a less common route to ownership, but a possibility nonetheless. Direct ownership involves employees putting up their own funds, without an intermediary, to purchase a limited amount of shares, both as a single holding and as an overall proportion of firm equity. It should be contrasted with the aforementioned forms of minority employee ownership, such as an ESOP—in which a trust is present—and share options, in which buying is not unencumbered, being dependent on agreeing to save first. Direct ownership tends to be found in firms of a larger size (Toscano, 1983; Kaarsemaker, Pendleton and Poutsma, 2010).

In this ownership route, (the oftentimes tax-advantaged) individually-held shares are comparable to commonplace shareholdings in listed conventionally-organised firms. Here, employees have a choice, like any other member of the general public, to purchase shares if a portion is reserved for them. The difference then being that some portion of wealth becomes intertwined with labour income as the shares purchased are in one's place of employment.

Direct ownership can be considered similar to share purchase plans, whereby employees obtain shares in their employer, often at below-market prices, achieved both with and without deductions from pay (Englehardt and Madrian, 2004). Where shares are obtained through a retirement fund, however, this would constitute indirect ownership, rather than employees purchasing shares themselves[11].

Contextual developments take on particular importance with this route to employee ownership. For instance, share sales to employees may be brought on by a firm experiencing financial difficulties. The most immediate comparison here is a buyout whereby employees acquire at least a controlling stake in the firm and can then transform it. The smaller number of shares purchased by employees in this case means that transformation is not an option, and the shares are, in effect, akin to a personal investment.

The occurrence of direct share purchases by individuals in their place of work has been of note in Denmark, for example, after the introduction of government legislation in 2003 and its subsequent refinement in 2005 to support this phenomenon (Lowitschz, Hashi and Woodward, 2009). In China, direct share ownership turned out to be a common route to employee ownership for a short interval, as part of the privatisation of state-owned enterprises, due to the absence of ESOP structures to administer the entry (and exit) of employee owners.

[11] As an example of an indirect share purchase, a worker might first make payments (potentially matched by contributions from the individual's employer) into a retirement fund, before then selecting to allocate some part of this total amount to include shares in his or her employer (Kruse, Blasi and Park, 2010).

3. Theoretical and conceptual issues

Having documented various routes to employee ownership, this section elaborates on the theoretical and conceptual issues applicable to individual decision-making over income-earning activities, from a final choice back to an initial evaluation of the alternatives.

Choice of organisational form

In a base period, such as labour market entry upon the completion of compulsory education, an individual selects among multiple income-earning activities. There is the traditional employment relationship option, whereby individuals supply labour to investor-owned firms. Alternatively, there is self-employment, which can be of either the private or group entrepreneurial type (a cooperative) (Conte, 1986; Conte and Jones, 1991; Díaz-Foncea and Marcuello, 2013)[12].

The two aforementioned self-employment options have radically different implications in terms of start-up costs, surplus retention and risk bearing. An established argument is that the ability to retain any generated profits exclusively may end up directing potential cooperators away from employee ownership, toward (private) entrepreneurial activities (e.g. Aldrich and Stern, 1983; Ben-Ner, 1988a; 1988b; Stryjan, 1994). Still, the rationale behind initiatives involving more than one person may differ from that possessed by an independent actor so that the sharing of profits is viewed more positively. In comparison to a sole proprietor who must bear the entire financial risk, risk-pooling and the corresponding lower expected income this entails for cooperators is inconsequential next to the alternative if workers do not take over a firm scheduled for closure, for example. For new starts, meanwhile, in particular those emerging out of shared informal activity, co-founders will aspire to business success if that permits the continuation of the activity. This is especially the case given hobby-based beginnings. Alternatively, the financial performance of the planned enterprise may be important only insofar as the proceeds are reinvested to sustain the provision of a social service (Spear, 2006; Borzaga and Tortia, 2006).

In the choice between supplying labour to an investor-owned firm (wage-earner status) and employee ownership, there are a number of considerations to take into account. On one hand, wage-earners can be seen to possess the 'exit option', or the flexibility to leave the firm and seek alternative employment. On the other hand, the capacity to affect genuine organisational change,

[12] For a straightforward demarcation between the two self-employment types, I conceptualise cooperative (and partnership) creation herein as involving group-based efforts rather than private efforts, such as the associated approach in denovo cases and recuperated enterprises in transformative cases specified in Díaz-Foncea and Marcuello (2013).

such as having a say over the production process, is comparatively lacking. To the extent that some scope for voice exists with regard to ancillary workplace concerns, the fear of job loss and associated uncertainty may hinder one's willingness to speak up. This is consistent with the common perception of the wage earner 'suffer(ing) in silence' (Hirschman, 1970, p.38). When the lack of ability to mold the firm according to one's wishes becomes unbearable, employee ownership appears more attractive. In contrast to wage-earners, cooperative workers enjoy the benefit of control rights, subject to the cost of collective decision making. Yet, firm exit (potentially due to an accumulated sense of frustration with frequent and drawn-out group deliberation) would be expected to occur less swiftly due to the personal finances that have been already been committed to the firm, tying the worker down to a greater extent.

Viewing income-earning choices from a dynamic perspective, if one is initially unable to find work, additional options may open up in a future period. At that time, the initial income-earning decision is repeated, yet there may now be (freer) choice in finding wage employment, given institutional developments. If wage employment still cannot be obtained, however, an alternative is to form a cooperative with others who have found themselves similarly disenfranchised.

An individual who *is* able to initially hire him or herself out at a fixed wage must decide whether to remain employed in this capacity or to switch employment. For the sake of the analysis here, if an individual decides to change jobs, the income-earning options available are assumed to pertain to self-employment. In one scenario, an individual who has first attained gainful employment would later desire workplace democracy. This is, in essence, a desire for greater voice in the workplace than can be granted given the restrictions of the conventional setup. Workplace democracy could thus be seen as something of a luxury item, desired when times are good (Putterman, 1982). In short, the decision to become a member of a cooperative after having accumulated sufficient work experience would have to involve a compelling normative motive, all else unchanged in the economic environment; the shift out of wage employment is not a costless one since it necessitates the relinquishment of a dependable income stream. Indeed, considerable inertia to change may have built up with work tenure.

The scholarship on entrepreneurship has covered, in both theoretical and empirical terms, the issues surrounding the individual's decision to switch out of wage-earner status and into (private) self-employment (e.g. Taylor, 1996; Braunerhjelm, Acs, Audretsch and Carlsson, 2010). Reading through this work leads to several take-ways. An individual's utility comparison is indispensable to the income-earning choice and is a function of expected income and other nonpecuniary factors. In connection with this point, individuals differ in their tolerance of risk and this will sort individuals among the two employment paths. These points will be returned to in the subsequent discussion.

Individual-level drivers of, and barriers to, employee ownership

Attitudes or dispositions toward employee ownership, be they favourable or unfavourable, lead to final preferences over income-earning activities. For example, starting from a positive attitude toward employee ownership, a final preference to become an employee owner, as opposed to remaining a pure wage or salary earner, is revealed through action (Sen, 1973; Williamson, 1980). I follow Rokeach (1973, p.18) in defining attitudes as 'an organisation of several beliefs around a specific object or situation'[13]. For praxis, attitudes connote one's general willingness to participate in an activity of a particular kind and are guided by one's values. Desires or interests are nominal reflections of attitudes and are essentially equivalent to preferences in all aspects except one: preferences involve a ranking order (Hausman, 2012). Traditionally, preference formation has been relegated by economists to other disciplines (Gintis, 1974; Hausman, 2012). By separating attitudes from preferences, one gets closer to the core motivations guiding human action, since preferences on their own, as represented by utility functions, are merely the tip of the iceberg in terms of behavioural choice. Therefore, I take attitudes, rather than preferences to be a critical factor in deliberations on employee ownership at the individual level of analysis, alongside resources.

Associated with a psychological perspective on the organisational task of staffing (Murray and Dulebohn, 2008), person-organisation fit theory has been defined as the 'congruence between the norms and values of organisations and the values of persons' (Chatman, 1989, p.339), or the broad 'compatibility between individuals and organisations' (Kristof, 1996, p.3). According to this theory, the initial allocation of individuals to organisations does not occur randomly. From the perspective of the individual, attraction to specific organisations is based on a perception of the prevailing culture, certain aspects of which are deemed to be important (Schneider, 1987). Recognising that different types of individuals exist, held values (guiding attitudes) produce variations in 'fit', not only at the attraction stage, but also at the application and selection stages (Chatman, 1989; 1991).

If attitudes are understood as one's willingness to become an employee owner, then resources requirements are the potential stumbling blocks, threatening to impose a harsh reality on even the best laid plans. The discussion now turns to the relative weights of attitudes and resources as individual-level factors in the development of employee ownership.

[13] This is a definition also utilised by Chatman (1989; 1991) and Cable and Judge (1996). An alternative definition is provided by Ajzen and Fishbein (1977, p.889); 'a person's attitude represents his evaluation of the entity in question'. Where the attitudinal definition contains the word belief, this latter term can be taken to mean a conviction. It might also be thought of as a cause or a reason (for a particular course of behaviour or action) (Elster, 2008; Hausman, 2012). Beliefs belong to the cognitive component of attitudes, together with thoughts and attributes (Maio and Haddock, 2010).

Two contrasting positions have been advanced regarding the weight of resources as a barrier to employee ownership. One school of thought, and by far the most common, is that limited access to finance, as one resource component, is a major reason for the lack of cooperatives in particular. According to this view, workers are almost universally considered to possess less wealth than investors and are therefore unable to free up the funds necessary for firm creation (Bowles and Gintis, 1994; Putterman, 1993; Dow and Putterman, 2000). Seen practically, workers that have been engaged in wage-employment, even over a considerable period of time, would not be expected to be capable of financing large-scale investment (of the necessary materials and equipment for firm start-up, for example), unless they have been saving regularly and successfully on the side. Limited worker wealth further restricts the ability to contract for external finance since the necessary collateral cannot be put forward. From the perspective of external financiers, funding may not be forthcoming due, additionally, to the unfamiliarity of the cooperative form of organisation, the potential existence of moral hazard concerns and the unavailability of control rights (Bowles, 1985; Bonin, Jones and Putterman, 1993; Bowles and Gintis, 1994; Dow and Putterman, 2000).

An alternative, more nuanced view is put forward by both Conte (1986) and Hannsmann (1996). Although the possession of some minimum amount of wealth to expedite firm formation is not entirely dismissed, personal resource stocks are not seen as the ultimate impediment to employee ownership. The nature of the firm's assets becomes decisive: assets that can be redeployed elsewhere will present less of a challenge to finance than those that are specific to the firm[14]. One instance of an industry most likely to feature generic, transferrable assets for which extensive capital can be obtained relatively trouble-free is agriculture, particularly in the US. Another is transportation. Here, vehicles may be bought and resold with relative ease (Hansmann, 1996). The historical record showing employees owning a significant stake in United Airlines is notable in that routes and airport facilities could be traded with depreciation not being a relevant concern (Dow and Putterman, 2000).

Stringent resource requirements for employee ownership can be further relaxed in accordance with events, so that a firm formed via a buyout will find it easier to obtain finance than one commenced de novo (Browning and Lewchuk, 1990; Olsen, 2013). This is because the firm's assets, whether general or specific, are already in place, so that any borrowed capital will be geared toward

[14] Even here, a moderate amount of firm-specific assets may be financed internally, rather than through official lending channels, meaning that cooperatives need not feature labour-intensive production exclusively or contain negligible amounts of assets per worker (Hansmann, 1996). That is not to say that the habitually repeated theoretical argument that employee ownership is generally most appropriate in industries featuring low capital intensity (e.g. Dow and Putterman, 2000) is invalid. Rather, the capital intensity of an employee-owned firm cannot be seen in black and white.

replenishing existing equipment. Furthermore, the shares made available for purchase in a transformed firm are unlikely to be prohibitively expensive for the individual employee, as the privatisation experiences of some countries during economic transition can attest to. Granted, it is difficult to make this claim without recognising the presence of accommodating state policy in the Eastern European case. In the Chinese example, it was not for lack of funds that employees did not end up as share owners. Instead, opportunities for ownership were often simply not made available.

Contextual examples aside, the preceding discussion has pointed to discrepancies in access to finance as a make-or-break issue for firm formation. Even if resource requirements do pose a potential barrier, individuals if they so desire will arguably find a way to access what they need, whether that be through self-help or otherwise[15]. There are those who genuinely yearn for the idea of being not just independent owners, but for doing so alongside others, no matter how peripheral these people may appear.

To allocate individuals effectively among ownership routes demands more than answering the comparatively straightforward question of whether finance is in place (or can be accessed). I thus choose to focus analytical attention on attitudes toward employee ownership, rather than access to finance. If attitudes are important for the maintenance of the employee-owned firm, then they need not be unimportant nor automatically superseded by the amount of financial resources possessed at the foundation stage as well. Indeed, the benefits of employee ownership often do not appear in the short-run, yet some individuals will proceed anyway, in spite of this. This must be due to the possession of attitudes favourable to the idea of being (collective) owners. Moreover, some people attach importance to solidarity, even where the entailed responsibilities are more modest or control rights are not possessed, such as in shared living arrangements or collegiality at the workplace.

Beyond access to finance, it is a point of contention whether it is necessary for workers to acquire the specific skills necessary for cooperation in a work setting before they are able to embark on such an enterprise. Proponents of such a view include Meek and Woodworth (1990) and Doucouliagos (1996). These authors remark that workers who have been previously socialised to embrace hierarchy are ill-equipped to handle the demands of a democratically governed workplace.

[15] Concern over one's immediate economic future no doubt raises the stakes of securing the necessary financial capital. Doing so nonetheless requires enthusiasm for the task and a degree of persistence. These qualities also help to rally financial support from external stakeholders. Take the workers of Canadian Porcelain for example. Faced with the impending closure of their employer, they tabled a bid of $1.1 million for the firm's assets, the idea being to convert the firm into a cooperative. The would-be cooperators raised the funds, either through loans or outright, from local parliament members, religious and cooperative financial organisations, and from their trade union (Browning and Lewchuk, 1990).

As the yardstick for cooperative success worldwide, it is worth looking, at this juncture, at the role played by training in the Mondragón cooperative system. As it turns out, Mondragón features training processes tailored to support its growth and stability. Not only do students at two of its key learning centres acquire technical skills and business competencies, the centres themselves operate according to the same principles as the cooperatives they are surrounded by. Consequently, it is reported that students absorb the values (and at least to some degree, practice the democratic decision-making skills) necessary for cooperation, buttressing the commitment to the democratic organisation of work that has hitherto preserved the region's unique cooperative system (Jackall and Levin, 1984; Meek and Woodworth, 1990).

Reflecting on the above, it appears as if at the centre of Mondragón's operations is a unique and well-functioning educational infrastructure. Yet, it must be recalled that there are a multitude of democratic institutions which citizens already engage in as part of their everyday lives: political elections, membership in community groups and trade unions, as well as the governing of shared residential property. Accordingly, the mechanics of participation cannot be completely unfamiliar (Hansmann, 1990) and need not be passed on via formal training. As Hansmann (1990; 1996) stresses, it is the extent of homogeneity of a given cooperative's labour force which will sooner or later come to bear on their ability to reach consensus, and thus support the firm's survival chances, rather than deficiencies in the practical skills and experiences required to undertake this type of work. Any shortcomings in relation to the specific governance mechanisms required to manage a firm can be made up hastily. Even the financial and managerial skill requirements presumed to present an obstacle for blue-collar workers in becoming owners can be downplayed when it is recalled that cooperatives only require workers to put into practice their ability to elect a manager to undertake concomitant responsibilities on their behalf.

Influences on attitudes toward employee ownership

In this sub-section, I examine some of the influences on attitudes toward employee ownership. These are divided into phases: early-development connected with the social environment, such as self-identity and, particularly, education, next to subsequent influences.

With regard to education, the informal and formal lessons learned during one's formative years in a learning institution endure throughout adult life and cannot easily be shaken off. Education is, to be sure, a powerful socialising agent. The issue, as far as the formation and development of an organisational alternative to the investor-owned workplace is concerned, is that education has a major influence in reinforcing its polar opposite. Not only does education, and exposure to norms, values and ideas more broadly, foster familiarity with the characteristics of the conventional firm, but it shapes persuasions regarding the identity of, and tasks performed by, labour as opposed to capital (Rousseau and Shperling, 2003), and serves to render as ‘alien’, a workplace featuring democratic governance and ownership by workers (Doucouliagos, 1990, p.49). Moreover, the social environment in which one grows up can block aspirations of alternative lifestyle choices from the outset (Elster, 1989a). These arguments pertain to personal traits: the awareness of, and willingness to, engage in a cooperative form of organising work, a fundamental departure from the norm.

In their now-classic treatise on the deficiencies of the American school system in the 1970s, the central argument put forward by the economists Samuel Bowles and Herbert Gintis was that of a ‘correspondence principle’ between the social relationships exhibited in schools (put differently, the type of students educators set out to produce) and the needs of a workplace organised according to capitalist principles. While the explicit skills and knowledge imparted during adolescence remained the obvious manifest function of schooling, latent functions were asserted to have played at least as important a role. Specifically, the subtle transmission of some of the core values necessary for the reproduction of the prevailing form of organising work, that of an acquiescent workforce both familiar with, and accepting of, hierarchy (Bowles and Gintis, 2002).

While scholars may not have neglected to recognise the importance of education in shaping values and attitudes, as they concern employee ownership (Rothschild-Whitt, 1979; Doucouliagos, 1996), the point is worth underscoring here through a reformulation since the dominance of traditional income-earning preferences are wrapped up within it. The link can be articulated thus: the notion of working in an employee-owned firm, in the form of a cooperative, either comes to be rejected as an undesirable, impractical and ultimately non-viable venture if it is known about at all, or is seen as elusive due to the absence of a deeper understanding of, or familiarity with, its workings. Take the discipline of economics, as it is commonly taught at undergraduate level, as an example of the latter. The theory of the firm considers proprietorships, partnerships and corporations. The cooperative form of business organisation, on the other hand, is omitted entirely in the reading material commonly used in introductory courses (Hill, 2000; Kalmi, 2007). In this case, the issue is not about actual firm establishment. Rather, the neglect of the cooperative form leaves a notable gap in one’s theoretical understanding of organisations, a reasonable expectation of economics graduates.

Despite education’s likely reinforcement of the ubiquity of the investor-owned workplace, favourable attitudes toward cooperation have been evident historically. In other words, attitudes are, in general, shaped by a myriad of forces. For instance, in one of its basic functions, the familial environment can tame the remarks that are found to be most objectionable. Of relevance here, family members pass on worldviews that are themselves shaped by working experiences and political affiliations. Immediate family background is also integral to the shaping of identities (and the attitudes which evolve from them).

Identity, as cognitively processed, depends on social category: self-definition occurs by way of the social category to which one assigns oneself (and the categories to which one divides others). Moreover, the social category to which one belongs contains a set of norms epitomising ideal behaviour (Akerlof and Kranton, 2010). Family or class background as a pertinent social category, becomes inseparable from status, at least initially. Negative views associated with being an owner, for example, may be linked to worker status, so that ownership is seen as the reserve of a select group, far removed from the realities of wage employment.

Seen broadly, identity is tied up with one's environment and features many dimensions, among them kinship, ethnicity and culture (Ben-Ner and Ellman, 2013). Some ethnic groups, for example, may possess the traits necessary to make the cooperative form successful from the outset, such as trustworthiness and reciprocity. Such groups are surmised to inherently view worker ownership more favourably than others, before actual participation in it. Basque culture, characterised as it is by ethnic pride, has been argued to have shaped the development of Mondragón to some degree. It has fostered solidarity and an emphasis on egalitarian values and democratic governance among the people of the region (Whyte and Whyte, 1991; Dow, 2003). Other examples of solidaristic cooperative founders and joiners sharing common roots can be pointed to: Scandinavian immigrants of the plywood cooperatives of the northwestern US and Soviet immigrants in the taxi driver cooperatives of Los Angeles (Russell, 1985b; Ben-Ner and Ellman, 2013).

Beyond one's formative years, transitioning to a life structured by the demands of the conventionally-organised workplace is both familiar and largely unavoidable. This is the mainstream route. Mainstream values are called that for a reason: they appeal almost universally and are difficult to resist. Only a minority do so, and these individuals often end up shunned. The view that cooperative founders, particularly those connected to cooperatives that fall into the 'alternative' category[16] share values that fall outside of mainstream society, has some truth to it. Wider social movements can legitimate hitherto nonconformist views and provide the spark for personal change that was previously lacking. Indeed, the counterculture movement of the 1960s and 1970s has been documented as the catalyst for a wave of cooperative births in the US (e.g. Rothschild-Whitt, 1979; Russell, 1988).

Less idealistically, a change in economic conditions can make cooperatives appear more attractive. For example, where a high unemployment rate persists so that alternative options for labour suppliers are

[16] Production to meet a social need, with this aim achieved through democratic control (Cornforth and Thomas, 1990)

restricted to a significant degree[17]. Such circumstances serve to reduce formation barriers to some extent in terms of the otherwise more challenging task of identifying suitable co-cooperators, and make grouping together more viable due to the advantages associated with size.

Demonstrable evidence of success stories with regard to the performance of cooperatives would further serve to encourage favourable views of them. This is in line with sociological accounts of organisational choice whereby selected forms are the result of a legitimation process so that successful prototypes can spur cooperative births (Russell and Hanneman, 1992; Russell, 1995). Knowledge of the workings of a pre-existing cooperative can partially help to overcome both the limited information on them and lack of support for their establishment, which is otherwise costly to acquire.

In sum, attitudes are malleable. Positive views of employee ownership can be shaped by the social and economic environment, as well as develop in spite of the mainstream. Yet, such views can be subsequently altered. After all, one can only hold out against the mainstream for so long, especially when, in reality, cooperatives tend to represent only a small fraction of visible production arrangements, and when practical needs and wants are viewed as being best met via the safety of what is already available.

4. Construct definitions

Following on from the previous section, the analytical constructs—firstly, attitudes toward employee ownership and secondly, the resources required for employee ownership—used to match up individuals with particular ownership routes are defined below.

The multidimensional construct *attitudes toward employee ownership* is depicted in table two. The construct exists at the same level as its dimensions, rather than at a more embedded level. It is therefore defined as a combination of its dimensions (Law, Wong and Mobley, 1998; Wong, Law and Huang, 2008).

[17] On this point, some scholars have argued for the existence of a relationship between cooperative formation and economic downturns (or worse) (Pérotin, 2006; Kalmi, 2013), while others have not been able to identify a clear empirical link between the two (Russell and Hanneman, 1992; Staber, 1993).

Table 2: The attitudes toward employee ownership construct

With the below dimensions:			
Orientation	Practically-driven	Primarily practically rather than idealistically driven	Explicitly idealistically driven, coexisting with the fulfilment of practical needs
Objective level	Individual objectives	Group objectives, only insofar as they relate to the individual	Group objectives
Degree of solidarity	Low degree of solidarity with others	Solidarity with others, to the extent that it is self-serving	High degree of solidarity with others
Hierarchical relations	Social hierarchy valued	Change in social hierarchy downplayed	Change in social hierarchy desired
Form the profiles to the right:	**Individualist**	**(Individualist-Collectivist) Hybrid**	**Collectivist**

Three dichotomous individual profiles are developed, pertaining to the general idea of becoming an employee owner[18]. The dimensions pertaining to the three profiles have been put together after having reflected on the applicable evidence of individual involvement in employee ownership.

This evidence notwithstanding, approaches to ownership have generally been discussed simplistically in the employee ownership literature, with references made to individual expectations of either profit or control. In assembling the aforementioned profiles, I am aiming for something more extensive, namely a consideration of more of the contents of an array of ownership approaches. In so doing, the hope is to address, conceptually, the 'void in the understanding of employee expectations…across the different forms of ownership' (Pierce, Rubenfeld and Morgan, 1991, p.124). Below, I go through the profile dimensions in more detail.

Orientation captures what is wanted out of ownership. Idealism may colour one's reasons for getting involved. For instance, employee ownership may be seen as the vehicle through which alternative values can be established, participation by labour can solve problems, and capitalism can be transformed (Hochner and Granrose, 1985; Russell, 1995). Here, idealism should not be taken to mean irresponsibility or the complete detachment from reality. While pay may not be a motivating factor (and can be meagre in 'alternative' cooperatives in particular), it should be sufficient for one to get by. Cooperative involvement, then, can be motivated by a 'coalescence of material and ideal interests' (Rothschild-Whitt, 1979; p.515). Ambitious agendas notwithstanding, the act of making work-related decisions, rather than the contents of the job itself, can be rewarding where personal change and fulfilment are treasured (Elster, 1989a; 1989b).

Employee ownership might, in contrast, be approached more pragmatically, so that the reasons for involvement are primarily financial, such as wanting to receive greater total pay (otherwise referred to as the maximisation of income per worker, once one is already engaged in the cooperative), or to secure employment in the midst of a threat to the firm's survival. Pragmatic ends might be deemed more achievable through alternate ownership arrangements, however. More humbly, the maintenance of wage-earner status may be sought, out of an aversion to a change in either the structure or regularity of pay, and/or potentially to avoid blame and responsibility.

[18] The dimensions of a multidimensional construct are unobservable abstract constructs themselves, rather than being directly observable measurement items (Wong, Law and Huang, 2008). By combining the characteristics of the different dimensions, a series of profiles of the multidimensional construct are generated. These profiles should be interpreted as such. This is the method for handling constructs of a theoretical nature, as opposed to an algebraic summation. The purpose of having different profiles is to classify a collection of individuals (Law, Wong and Mobley, 1998; Wong, Law and Huang, 2008). The three individual profiles formed here are the result of a coherent and consistent set of interests relevant to the idea of employee ownership. Naturally, many more combinations would be possible through cross-grouping, yet I have decided not to pursue this direction, in the interest of simplicity.

Objective level refers to the general decision-making span of the individual, encapsulating neoclassical economics' prototype of the self-interested agent on one hand, and a relatively selfless individual (agent) on the other. In forming a cooperative, for example, founders' subordination of self-interest to the good of a larger group is usually identifiable (Russell, 1995). The founders of Israeli worker-owned institutions, such as the collective agricultural settlements known as kibbutzim, for instance, displayed such a characteristic. Examples of unalloyed altruism, whereby an individual's *well-being* is subject to the well-being of a broader group, do not, however, abound. They are conceivably identifiable in private sporting club membership. For them to exist in a work setting, group identification is key, and this is considerably facilitated by commonalities, be they shared ethnic ties and backgrounds, or the uniqueness of the job being performed (Russell, 1995; Dow, 2003). The interdependence of members of the San Francisco-area scavenger cooperatives, for example, is more evident to each member directly than in other work settings where workers are separated and the fruits of one's labour do not benefit others. In this case, thinking of others rather than oneself is encouraged since the amount of money that becomes 'the common pot', accessible to all, is dependent on the efforts of each and every individual (Perry, 1998). In between the two extremes lies the individual who cooperates, but does so for private gain, in the sense that the benefits of involvement outweigh the costs. A truly altruistic individual, in contrast, is one who cooperates irrespective of net costs, potentially because it is intrinsically pleasing to do so (Bowles and Gintis, 2011). The *degree of solidarity* dimension follows the breadth of these considerations, and is inherent in them, yet is arguably important to spell out as an unobservable abstract construct in its own right since the term solidarity appears so often in discussions of cooperatives in particular.

Hierarchical relations pertain to the preparedness of an individual to counter the established social hierarchy, as reproduced in the workplace. Group identification or other-regarding preferences by themselves are powerless to bring about hierarchical change when wage-earning status, or the prerogative accorded to the individual investor-owner, is accepted. Such preferences must be combined with a desire for (shared) self-governance (Mygind, 2007). This is most likely to never have been contemplated. Yet, for some, it is actively sought. Contrast this with idealistic orientations (the first dimension of the attitudinal construct), which may be linked to the accomplishment of political or social goals, are broader in scope, and may not necessarily focus on the day-to-day aspects of enterprise ownership. As an intermediate position, shared control may have eventuated, despite not having been initially emphasised in the planning and undertaking of job saving actions.

In short, one is a collectivist with regard to employee ownership if one comes to such an arrangement with the employee group firmly in mind. To be a pure individualist, in this context, is to not want to be part of a shared ownership arrangement at all. Between these two poles, one can look to share ownership first and foremost as a means to a private end (a ‘hybrid’ attitude).

The profile advanced of the collectivist employee-owner throws up a challenge to the quintessential economic modelling of agent behaviour. It captures an individual who possesses an orientation that is not purely pragmatic (economic) and who is not exclusively self-interested. In contrast, where there is antagonism toward employee ownership, such that individuals are decidedly self-interested and pursue related objectives, this fits the modelling standard more closely. Indeed, such behaviour has traditionally been viewed as ‘rational’. A more enlightened approach, in which human behaviour is viewed as being considerably more complex, is advocated herein. According to such an approach, the possession of group objectives such as the equalisation of wages, the extension of democracy in the workplace, or a desire to see one’s firm survive beyond the date of personal departure (Mygind, 1992), as part of a favourable attitude toward employee ownership, would be viewed as rational. These objectives are rational in that they are subject to prior deliberation, they are merely non-economic in the sense that they pertain to fairness, altruism and relative standing (Ng, 2005).

Thorough discussions of attitudes toward any ownership form cannot neglect risk. A starting position in the employee ownership literature is that workers are intolerant of risk (e.g. Bowles and Gintis, 1996; Dow and Putterman, 2000; Blasi, Kruse and Markowitz, 2010). In taking this position, there is no distinguishment among risk attitudes: all workers are treated as equally risk averse and across the board risk aversion can only be moderated by asset possession (e.g. Ben-Ner, 1988a; 1988b; Bonin, Jones and Putterman, 1993; Bowles and Gintis, 1994; Pérotin, 2006). Indeed, the commitment of both labour and capital income to the same venture is unappealing to most people. The accumulation of firm-specific human capital raises the stakes of being tied to the firm as both an employee and a financier even higher (Putterman, 1993).

Rather than treating all workers as risk averse, however, a contrary position exists whereby some workers are seen as less risk averse than others, irrespective of their stock of wealth (Browning and Lewchuk, 1990; Pencavel, 2002; Dow, 2003; Podivinsky and Stewart, 2012). Consequently, and leaving the private entrepreneurship option off the table for a moment, the prospect of supplying labour to either an investor-owned firm or a cooperative, caters to different types of individuals. Yet, the risk in choosing the cooperative option is heightened when workers end up committing their entire savings to the enterprise. Additionally, cooperative workers are potentially subjected to wage uncertainty if the firm adjusts pay to cope with falling output prices. As compensation, the cooperative can offer employment security, with labour inputs potentially less volatile than those of its capitalist twin, even when faced with adverse economic conditions.

Those who are more tolerant of risk would be expected to select cooperative employment, while those who are comparatively risk averse would be expected to select the more conventional employment provider, the investor-owned firm, capable of providing the insurance of fixed remuneration. The above scenario played out accordingly in the American Pacific Northwest, a location in which cooperative plywood mills have had a prolonged existence, alongside conventional mills (Craig and Pencavel, 1992; Pencavel, 2002).

Although cooperatives are not always available as a complement to investor-owned firms, professional services and family farming are two more noticeable examples of employee ownership. In comparison to receiving a guaranteed wage or salary, these are relatively risky income-earning activities. Yet, for those selecting such activities, the concentration of wealth in a single asset is not an irrational act. As Hansmann (1996, p.78) remarks, 'there is a substantial segment of the working population that is quite willing to bear substantial risk in return for other efficiencies'. The upside of the risk commitment here can be taken to mean the ability to participate meaningfully in firm governance, rather than providing relatively minor inputs into the working environment at best, as is usually the case in capitalist firms. In short, I follow the latter position that differing attitudes toward risk exist, rather than treating every worker as nominally risk averse[19]. While it is not included as a stand-alone dimension, attitude toward risk is built-into my attitudinal construct.

A second, unidimensional, construct to be introduced is the *resources required for employee ownership*. In general terms, a resource embodies what is required to carry out a firm-based activity. In this case, the running of a firm by its employees. I narrow the construct so that it is denoted by current access to, or the potential to access, financial capital. The ability of an employee to 'buy in' concerns those routes where ownership is an entitlement, earned via purchase, rather than a reward. In scenarios where specific skills and knowledge are needed to make effective use of the assets already present, this is also included in the discussion as an important resource requirement. A level of non-firm-specific human capital sufficient to make individuals capable of starting an employee-owned firm de novo or coming to an existing firm and being an effective team member is assumed to be possessed.

[19] In taking such a position, it cannot be avoided that adverse selection may be involved, to some extent, in the assemblage of individuals into cooperatives. To exhibit tolerance toward risk is one thing, to be needlessly reckless is quite another, and there can sometimes be only the finest of lines between the two. Such behaviour belongs to the class of 'unstable individuals, excessive risk-takers, and people lacking in pragmatic orientation' that Putterman (1982, p.152) warned of. For the sake of organisational longevity, the presence of such individuals in a cooperative would need to be in the minority.

5. Matching workers to diverse employee ownership routes

In the following discussion, which is informed by the available empirical evidence[20] on why employees have (or have not) participated in, together with what is known about, various employee ownership routes, I explicate the ownership pathways to which the three postulated attitudinal profiles are likely to be best suited. The criteria for 'fit' overwhelmingly favour the satisfaction of individual interests, most closely approximating a needs-supplies conceptualisation of person-organisation compatibility (Kristof, 1996). Yet, where interest fulfilment is judged to come at the expense of firm viability, a more balanced perspective is taken so that matching takes both the individual and the firm into account.

The aforementioned interests are taken to pertain to the ownership rights on offer, generally, in the different employee ownership routes: the right to a return, either separate from, or in conjunction with, the right to control (Ben-Ner and Jones, 1995; Mygind, 2012). While the organisational structure of a (pure) investor-owned firm can be analysed in terms of the allocation of decision-making, incentives and monitoring (Ben-Ner, 2013), it is more appropriate to focus on owners' rights, given the alternate structures considered here. Still, the right to control parallels the extension of discretion in decision-making to workers, and rights to surplus and/or wealth can be seen as rewards for performance, it is just that these rights are linked to a reorientation away from exclusive investor ownership.

The discussion is split into two parts. In the first part, several routes to ownership—share option schemes, direct ownership, share ownership plans and partnerships—are judged to most appropriately meet the needs of individuals in possession of the so-called hybrid attitude toward employee ownership over the collectivist one. The matching of workers to these routes is conducted on the basis of either financial returns or employment creation. The second part is more nuanced. Controlling or full employee ownership (achieved through a buyout, for example) and cooperatives (creation and development) can feasibly accommodate multiple approaches to ownership. I discuss when this is acceptable and when one worker 'type' is, ideally, preferable over another.

Note that by matching individuals to income-earning activities at the attitudinal stage of an elongated decision-making process, I am proposing why different individuals would be, in principle, most suited to certain activities, rather than attempting to predict behaviour (the actual selection of a given income-earning activity). Prediction is, in any case, fraught with uncertainty.

[20] It is recognised that several of the sources drawn upon in this section in particular are of a certain vintage. Consequently, there may be differences with respect to more recent studies in terms of the research perspectives applied, the terminology used and developments contextualising the work. The inclusions have, however, been carefully scrutinised and are judged to be appropriate for the specific ownership routes that are under discussion.

For example, values can change, so that attitudes (and thus final preferences) change as well. Additionally, an individual may not pursue the activity to which he or she is most suited.

Figure one presents an overlay of the proposed matching. It puts together this paper's two chief analytical constructs. On the horizontal axis are the attitudes toward employee ownership, featuring the three postulated individual profiles. On the vertical axis are the resources required for employee ownership. The ownership paths are distributed according to these constructs. Rather than increasing linearly, risk is thought of as a force pushing and pulling an individual between these paths.

5.1.1 Financial return-based matching

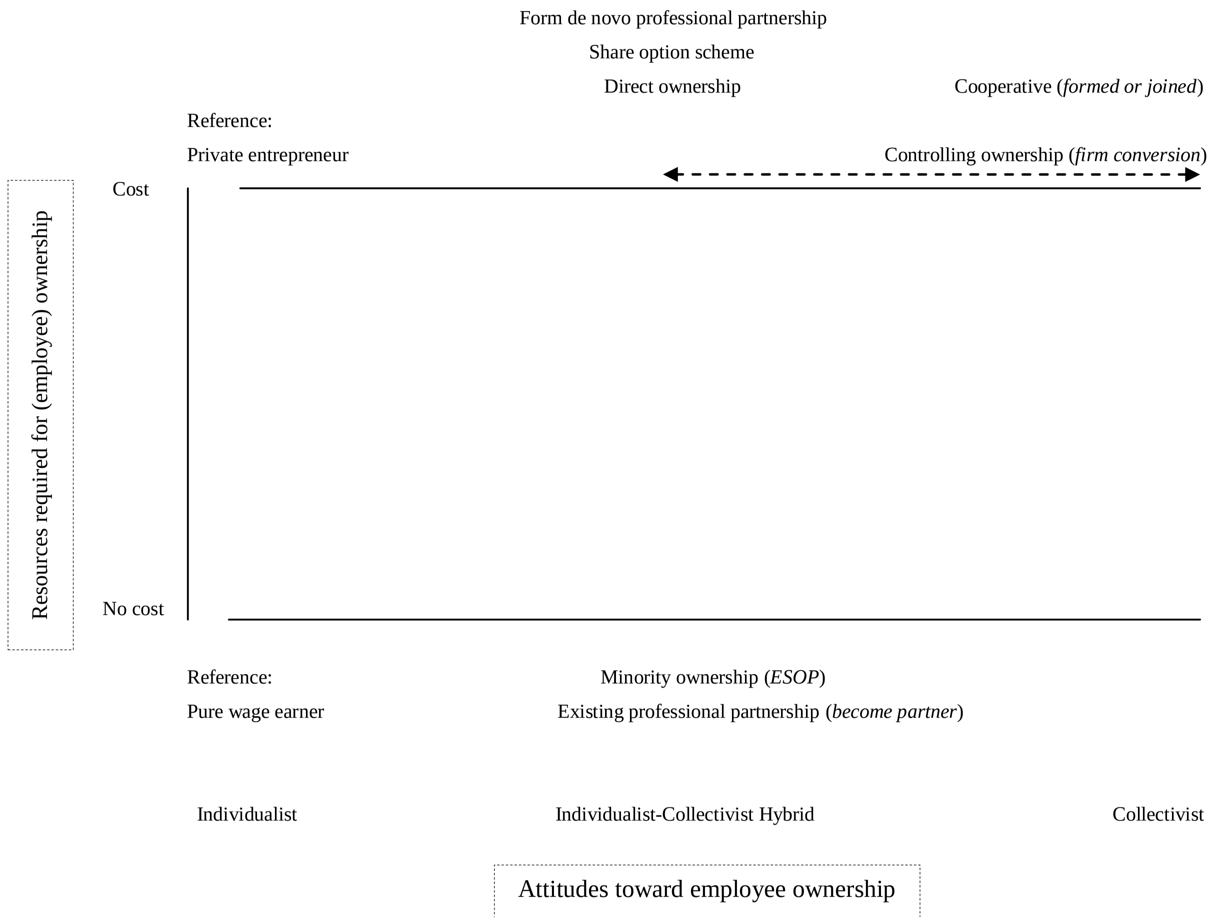
From the standpoint of employees, as gleaned from survey responses, personal interviews, or a mixture of the two, a common motive for share option scheme participation in British firms (as in the example of SAYE) appears to have been the seeking of a financial return (Dewe, Dunn and Richardson, 1988; Baddon et al., 1989; Pendleton, 2010). Yet, this has not always been the sole motive. Participation, or the intention to participate, has also been found to be guided by non-financial considerations, such as the desire to become more involved in operations, in a sizeable proportion of responses.

Lack of access to finance has constituted the main barrier to participation, rather than any objections to share ownership on ideological grounds, or because of an insistence on maintaining the established capital-labour dynamic. It is possible that the limitedness of what is on offer in a share option scheme dampens the enthusiasm for ownership, which might have otherwise been enough to circumvent the financial roadblock.

It is apparent that SAYE participation does not demand that employees make substantial upfront payments. Rather, personal circumstances will dictate the extent to which personal wealth can be re-allocated. In this regard, a certain amount of financial resources are required. Still, participation in the scheme would seem to be risk-free in relation to alternative investments where the injected funds cannot be 'guaranteed', in the sense of being withdrawable at the end of the savings period with interest, supplemented by a tax free bonus.

Since SAYE is set up as a savings plan, the expectation is that this facility has typically been at the forefront of the decision to opt in. This line of thinking may be further solidified depending on how the plan is introduced by upper management and the degree of acceptance that the share purchase will not be accompanied by the right to control. What is conceivable is that those employees seeking greater influence in the firm, or a more radical departure from the hierarchical norm, as some of the evidence has pointed to, are bound to be disappointed.

Figure 1: The organising framework



SAYE does entail some attachment to a group, albeit a tenuous one: incomes received on top of salaries are closely tied to company performance, as measured by the behaviour of the firm's share price, with all participants standing to benefit. Individuals can, for the most part, carry on being concerned with the particulars of their immediate job and their status in the firm.

In short, becoming an owner via this mechanism only requires a minimum financial commitment, and the benefits on offer make the decision to reject pure wage earner status rather straightforward. With regard to the initial decision to take out a share option and the follow-up decision to purchase shares, which I combine, the following is proposed:

Given access to financial capital, a share option scheme, when available, is likely to be a good fit for an individual in possession of a 'hybrid' attitude toward employee ownership.

Long's (1981; 1982) in-depth field study of a Canadian electronics firm that underwent changes in its ownership and participation structure is the most obvious place to start a review of the evidence pertaining to the reasons behind the purchase of company shares by employees, unconnected with an ESOP mechanism. The research site is nonetheless atypical in that one-third of the company's common stock was purchased by employees, rather than the nominal amounts one normally associates with this type of ownership. Additionally, one of the more customary forces for ownership change appears to be non-existent, as the firm was not facing internal financial difficulties. Instead, it appears as if a diversification of ownership was mutually agreed upon. Of the around 150 employees, 83 per cent elected to participate in the share offer, which Long remarks was motivated by desires for greater decision-making involvement. Little details are provided beyond this, as the remainder of the study concentrates on attitudinal change post ownership acquisition.

More recently, Degeorge, Jenter, Moel and Tufano (2004) examine the partial privatisation of a French public utility firm in which 2.3 per cent of shares were set aside for employee purchase. 60 per cent of the eligible employees were found to have made purchases. Outside of discrepancies in the personal characteristics of purchasers, there is little information in the study of direct relevance here, in terms of the motives behind the share purchase decision. What can be said about non-purchasers is that the decision to abstain from the offering was at least partially connected to the amount of labour income received and wealth possessed.

Whether or not one purchases shares, in regard to direct ownership, appears to be a financial decision. The smaller the amount of funds personally invested in one's place of employment, the lower the risk involved. Indeed, minute investment by employees in listed firms is just that, an investment, and would not be expected to be accompanied by a desire for greater involvement.

In any case, those individuals looking for more than simply a financial return are, once again, likely to be disappointed: extensive control rights are not associated with any of the minority employee ownership forms. Group linkages remain limited to benefitting from an increase in the firm's share value, which participating employees contribute to in teams. Still, there may be some sense of camaraderie generated among those who have agreed to participate in a share offer, even if the reasons for doing so do not extend beyond a satisfactory return on investment.

When a firm is experiencing financial difficulties, employees may view shareholding as a means of proving assistance and thereby securing employment. They may also see the surrounding turmoil as an opportunity to have more of a say, to avert future disaster. Where a somewhat greater number of shares are on offer to the broader employee group, such wishes may be satisfied.

For direct ownership, as it pertains to minority employee ownership, and with contextual influences held constant, I propose the following:

Given access to financial capital, direct ownership, when available, is likely to be a good fit for an individual in possession of a 'hybrid' attitude toward employee ownership.

The sharing of at least some of a firm's residual earnings or assets with its employees, without cost, as a supplement to take-home pay, sounds almost too good to be true at first glance. Yet, through complex taxation arrangements, that is exactly what the minority variant of an ESOP entails. What it generally does not entail is the inclusion of employees in decision-making, be it in terms of movements toward a more participatory style of management, or in the voting of stock (Rosen, 1986). Seen in these terms, an ESOP is a financial benefit, pure and simple. Much like the SAYE mechanism, an increase in the value of the firm's stock benefits all participants. Consistent with these ideas, Rosen, Klein and Young (1986) study the reasons for ESOP participation and find that employees seek first and foremost financial returns from ownership. Little expectation of becoming more involved in the firm is found (and in any case, cannot be accommodated). Ownership is appreciated insofar as held stock accounts increase.

There would indeed be little reason for share recipients to see an ESOP as anything other than a financial benefit. Of course, a given survey respondent might claim that plan participation is an avenue to gaining an ownership stake, as more than a financial return, yet such claims hold little water, or at the least are difficult to prove, when funds have not been personally invested. Genuine workplace democracy, to the extent that it is sought, is not just given away. Rather, willing cooperators will be required, to put their money where their mouths are to attain it, so to speak.

The downside of receiving shares without having personally paid for them is that ownership may be viewed as a facade: it comes cheaply and does not significantly alter the relationship between employer and employee. In short, ownership without responsibility undermines its authenticity (Kaarsemaker, Pendleton and Poutsma, 2010). For some, however, having increased responsibility is not as desirable as stable (and less demanding) job roles, compensated by fixed salary. While the presence of a share ownership plan dictates that at least some of the firm's financial risk is shared with workers (Kruse, Blasi and Park, 2010), as long as participation in the share plan does not come at the expense of fixed pay, there is little to fear (making the ESOP too good an opportunity to turn down).

Minority employee ownership (via an ESOP), when available, is likely to be a good fit for an individual in possession of a 'hybrid' attitude toward employee ownership.

Rather than joining an existing professional partnership per se, I am concerned here with what insiders in such firms refer to as 'making partner'. To do this, a significant time commitment is required to be put in, in order to be eligible for the elevation in working status. This is particularly the case in a larger services firm, in which some level of apprenticeship is potentially included. The human capital acquired throughout the time employed supplements the initial skills and knowledge which professionals such as lawyers and engineers bring to the firm.

Partnerships in some design fields such as architecture, or in particular strands of law, may have company goals that are socially-oriented. In such cases, partners could conceivably be strongly committed to (non-financial) firm objectives. These specific cases aside, and in the absence of more abundant evidence, it is surmised that the benefits of partnership status (especially in the professional service firms widely engaged in commercial law, accounting and finance) are thought of almost exclusively in pecuniary terms by workers suitable for it, and that the features of this route to ownership best match a pragmatic disposition. Assuming that joining an existing partnership incurs no personal cost, I propose that:

Given firm-specific human capital, becoming a partner in a pre-existing professional services firm is likely to be a good fit for an individual in possession of a 'hybrid' attitude toward employee ownership.

5.1.2 Employment-based matching

In theory, partnership formation is the result of a small group of highly-skilled individuals uniting to capitalise on their stock of human capital. The desire to do so is borne out of (general) human capital's non-tradability, the likelihood that it represents a disproportionately large proportion of wealth, and the nature of its related income flows which would otherwise be subject to variation over time (Meade, 1972; Jensen and Meckling, 1979; Milgrom and Roberts, 1992). Higher incomes for lawyers and dentists working in a partnership structure, as opposed to working independently, have indeed been reported (Russell, 1985a). Entering into a business arrangement with a selection of hand-picked fellow professionals is above all convenient for splitting establishment and running costs, as well as providing cover for one another when in need. By joining forces, the sum of the services offered becomes greater than its constituent parts, providing the firm with the clout to attract clients.

In short, I judge professional partnership formation to pertain more to practical considerations than to idealism. Non-economic agendas, such as the provision of a valuable human service in the case of a medical practice, for example, would be viewed as secondary to the benefits of organising in this capacity.

Given access to financial capital, a professional partnership formed de novo is likely to be a good fit for an individual in possession of a 'hybrid' attitude toward employee ownership.

5.2

Worker buyouts of conventional firms are numerous and they have a long history. If the purchase of a considerable stake in one's workplace by an employee group is the result of a last-ditch attempt to either stem the financial bleeding or prevent looming closure, then the motive behind it would appear to be entirely unambiguous: job (and with it, skill) preservation. The featuring of job preservation in this story is inevitable, yet there may be more going on. To verify if there is, the historical record must be examined.

Faced with the closure of their workplace, the workers of Canadian Porcelain viewed the cooperative organisational form as useful for protecting their jobs, giving less thought to its more inclusive nature (Browning and Lewchuk, 1990). In another Canadian case study, the workers' aim in acquiring majority ownership of the formerly loss-making Algora Steel was to prevent a significant reduction in the workforce and what subsequently would have been a large-scale relocation from an isolated rural community (Gunderson et al., 1995). Similarly, participants in the buyout of an unprofitable Turkish state-owned steel mill, following a national economic crisis, were focused squarely on job saving and were, to use the words of the author, 'apathetic about ownership' (Yildirim, 1999, p. 577).

The findings from these three case studies indicate that industrial workers have been concerned solely with job saving in buyout situations. Such concerns logically follow from the plants in question being major employers in their respective local communities, the limitedness of alternative employment prospects, and the poor health of the wider economy.

The aims involved are not always cut and dry, however. Take the workers of a rural manufacturing firm in the US who purchased a plant facing liquidation as an example. Their motives behind share purchases in the restructured company were not just limited to job preservation. Additional motives included a positive reaction to the idea of employee ownership, understood to entail autonomy and empowerment (Hammer and Stern, 1980). Furthermore, the Philadelphia-based supermarket chain workers who pledged funds to take over several closing stores were found to do so not only to avoid unemployment but also out of an adherence to collective ideals, namely a belief in increased participation in workplace decision-making (Hochner and Granrose, 1985; Granrose and Hochner, 1985).

The speed with which a takeover occurs can vary, from an elongated negotiation process on one hand, to a more sudden development on the other hand. Where a struggle for control with the incumbent management ensues, a sense of community and an identification with the cause may be reinforced (Stryjan, 1994) where it might otherwise not exist, or there may be an all-round change in outlook as a consequence of being subjected to a sustained period of economic pressure (Ben-Ner and Ellman, 2013). Ownership thus becomes about more than simply ‘the right to a job’ (Hammer and Stern, 1980, p.87). Indeed, for some, the opportunity to try out self-management, the desire for which may have been pent up over a longer period of frustration, becomes perceptible.

The buyout situations that have presented themselves underscore that there are differences in terms of how ownership might be valued. The disparate approaches to ownership in a buyout context can co-exist, however, at least at the outset. For example, the right to control becomes available through a takeover. Some will wish to do more with it than others, for whom it is simply an unwelcome accompaniment to a retained position. For such individuals, the job saving process necessitates group attachment, but any feelings of solidarity are surface level only.

Whether the converted firm will be financial successful and/or remain employee-owned is another issue. The return to a more conventionally-owned and operated enterprise may imaginably be restrained, or slowed, if workers are ideologically committed to the cooperative form. Nevertheless, initial pragmatic approaches to ownership, consisting of private rather than group objectives, is an inevitable and not unneeded characteristic of those involved in worker buyouts, especially if they are to get off the ground.

It is therefore proposed that:

Given access to financial capital and firm-specific human capital, the conversion of an existing conventional firm, in light of contextual developments, is likely to be a good fit for an individual in possession of either a 'hybrid' or 'collectivist' attitude toward employee ownership.

Individuals, whether they are founders or joiners, are not drawn to cooperatives by idealism alone. Historically, industrial cooperatives have been formed in the US out of necessity. They have often featured as a collective solution to fend off competitors, to gain bargaining power in relation to employers, or to maintain a sense of dignity by working when alternative employment possibilities have been limited (Shirom, 1972; Aldrich and Stern, 1983; Ben-Ner, 1987).

The workers of the much-documented plywood manufacturing cooperatives, meanwhile, appear to eschew almost completely the democratic aspects of their jobs (Whyte and Blasi, 1982; Pencavel, 2002). The incentives to work in them are material, rather than solidary or purposive (Aldrich and Stern, 1983). Greenberg's (1981) in-depth research into the plywood cooperatives is instructive here. His interview data shows that individuals, of whom almost all are noticeably working-class and have previously experienced unemployment, continue to join them for job security and financial gain.

Still, more evidence supports the view of cooperative workers being motivated by anything but financial considerations, seeking an alternative to the norm of working in a capitalist enterprise that is consistent with held values (e.g. Rothschild and Whitt, 1986). What can be important to a cooperative member, beyond a broad ownership stake, is the quality of work being performed, the nature of co-worker relationships, and associations with social or environmental causes. On top, what would be the desire for greater decision-making involvement in a conventional firm becomes participation in self-management in this setup. That non-financial considerations do not have to come at the expense of employment security and decent pay is an extra advantage.

Nonetheless, a selection of individuals coming to a cooperative with overwhelming pragmatic concerns is not problematic in itself, provided that these individuals are productive workers and do not free ride on the efforts of others, which is easier to do given the autonomy afforded in the cooperative structure. On the other hand, a surge of new members, joining the cooperative one by one, out of material self-interest, and without displaying the initial togetherness, enthusiasm and general altruism of the initial member group can be problematic for firm performance and may hasten the eventual dissolution of the cooperative structure. This is because collective decision-making becomes more troublesome, the costs of monitoring increase and the types of incentive schemes put in place to generate greater effort become increasingly complicated (Elster, 2007; Ben-Ner and Ellman, 2013).

The wish of incumbent members not to extend membership to newcomers, resulting in the degeneration of the cooperative form, is a recurring theme in the employee ownership literature. Indeed, only a cooperative of the ideal-type would not feature hired labour, whether that be in theory or in unique cases, perhaps confined to the early life-cycle stage. Furthermore, in a strictly ideal sense, only workers in possession of an appropriate attitude would establish and later come to the cooperative. The reality is quite different. Even Mondragón contains newer, career-minded workers less concerned with the common good than was the case with the previous generation (Cheney, 1999). Selection mechanisms for recruiting suitable workers, such as detailed search and screening, and a prolonged membership probation period, have been advocated to replicate a cooperative's original membership base and to guard against the attraction of unproductive or untalented members of the labour force to a less punishing reward system (Ben-Ner and Ellman, 2013). In this way, some degree of interest homogeneity might be maintained.

The collectivist employee-owner profile put forward in this paper is that of an individual who is unselfish, pluralistically motivated and is, in sum, a more or less ideal cooperator. What is proposed below is linked to a best case scenario. Namely, what is in the interests of sustaining the initial organisational form. In such a scenario, cooperative members would be able to satisfy practical needs through receiving a respectable wage for example, yet would be suitably disposed to work in an environment distinguished by shared control.

Given access to financial capital, a cooperative (either formed de novo or joined) is likely to be a good fit for an individual in possession of a 'collectivist' attitude toward employee ownership.

6. Conclusion

In the preceding text, a series of attitudinal profiles pertaining to employee ownership as a concept have been formulated. Both favourable and unfavourable views are conceived to emerge prior to the actual experience of employee ownership. An attitude toward employee ownership slots alongside a series of particular routes, in each of which the allocation of ownership rights is known. The matching undertaken here has considered those routes that can best conform to held attitudes.

Several forms and mechanisms suit individuals in possession of a 'hybrid' attitude toward employee ownership. Opportunities for ownership can come about as a result of a change in economic conditions or in firms' reward structures. An opportunity having arisen, more often than not proceeding involves little more than the pledging of financial capital. Pure wage earner status would then be seen as comparatively inferior, if labour market developments have not made it unattainable.

Private entrepreneurship would remain the more lucrative alternative, its pull diminished by the necessary bearing of risk and the likelihood of requiring financial and managerial expertise.

Cooperative membership is the most demanding route to employee ownership, in terms of having to relinquish the insurance of a fixed wage or salary, not to mention the time costs involved in frequent group deliberation. Yet, being in a cooperative entails greater control rights than could be obtained elsewhere. It is potentially a path to be followed by a selection of individuals for whom alternate employment arrangements are insufficient or incompatible.

Is there a shortage of 'collectivist' attitudes toward employee ownership, as conceptualised here? There is sufficient evidence that pockets of the general population are predisposed to view cooperation in a work setting, in the form of an employee-run firm, positively. For the majority of individuals, however, working in a cooperative becomes more attractive under the right circumstances. In their absence, significant barriers to cooperative formation must be overcome. The nature of some social institutions and a lack of visible cooperative arrangements serve to reinforce this organisational form as a marginal phenomenon. That is to say, favourable attitudes toward employee ownership, if they were to develop, can easily be altered.

In sum, this paper has concentrated on the individual-level factors—preferences and resources—that can either drive or hamper employee ownership. The focus has been on preference formation, specifically the notion that preferences derive from attitudes and it is the latter which ultimately guide behaviour. The suitability for individuals of various employee ownership pathways, each of which is detailed carefully within, is postulated on the basis of specified attitudinal profiles. These profiles broadly concern how ownership might be approached, the contents of which move beyond simplistic desires for profit or control as in the case of previous conceptualisations.

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Employee ownership in an Icelandic context: an empirical study

Abstract

Making use of original individual-level data collected from six Icelandic firms in which share purchases by employees have transpired, empirical work is conducted on the antecedents to employee ownership, focusing on the determinants of this ownership form before moving onto an exploration of views concerning the motives for participation (and the reasons for non-participation). The case study firms span both majority and minority forms of employee ownership and the data collection methods include both a questionnaire and interviews. The level of analysis involved is principally that of the individual. This stands in contrast to much of the minority employee ownership literature in which the societal and/or firm-level of analysis is prioritised and attitudinal outcomes are pre-eminent, as well as the majority employee ownership literature in which the question of why individuals choose to become co-owners has been de-emphasised. Logit model results reveal that income, tenure and age influence ownership status. Some support is found for the expectation of employees placing a greater emphasis on financial goals in minority employee-owned firms. Employees were hindered from becoming owners either due to a lack of funds or due to other internal hierarchical barriers.

1. Introduction

Firms, those organisations that fulfil productive and commercial tasks on a scale beyond that of households in market economies, can be owned by at least one of several of their patron groups, be they investors, suppliers, customers or employees (Dow and Putterman, 2000; Hansmann, 2013). Ownership by the latter group occurs more frequently than might be expected, particularly when the professional services sector is brought into the picture. Professionals group together to own firms, often exclusively, in fields such as law, engineering, consulting and medicine. Non-professionals, meanwhile, such as those engaged in lower-skilled service and manufacturing tasks, have also been observed to perform dual functions, as both workers and owners. Going by industry sector, then, firms that are at least majority owned by their employees are a diverse bunch. Putting sector to one side, though, distinguishing between them may be achieved by a consideration of the extent to which ownership is accessible: it can be available to all who desire it (and can afford to purchase stakes, if need be), or it may operate on an invitation-only basis. At the opposite end of the spectrum is the ownership of smaller proportions of stock by employees in the firms in which they work, through financial participation schemes. Again, such schemes can vary in terms of their inclusivity, from being open to all interested employees on one hand to being limited to managerial staff on the other. The number of firms featuring financial participation schemes, of both types, has been increasing, not just within the last decade, but previously as well, particularly in Europe (Poutsma, Blasi and Kruse, 2012; Mathieu, 2015).

In what follows, a series of case studies of Icelandic firms in which the acquisition of ownership stakes by employees has transpired are presented. As per the preceding discussion, the cases span majority and minority ownership, entailing both open and restricted share access. In all of them, shares have had to be purchased, rather than being distributed free of charge. Mostly non-existent previously in all but one of them, this type of ownership has come about for reasons of bankruptcy, merger, owner initiative and market listing. Of particular interest herein is the employee perspective on these developments. Specifically, which motives have been behind their progression from pure wage-earners to (partial) workplace owners? By contrast, what have been the reasons that have constrained this jump in status for others? Additionally, do certain personal characteristics serve to explain the incidence of share ownership? The latter pertains to the defining attributes of individuals, as per the determinants of ownership, while motives and reasons pertain to expressed sentiments.

From the outset of this particular investigation, it has been apparent that share take-up has not been universal. There has, rather, been a distinct split between participants and non-participants, and this has been an appealing feature of the cases to tease out. On this note, the fact that share ownership entails a purchase cost in the firms studied facilitates comparisons between these two groups

(Klein, 1987). In contrast, when a share plan is in place as an all-encompassing reward mechanism, participation should be seen as a no-brainer rather than a decision to potentially be agonised over (Bryson and Freeman, 2010). Additionally, and as mentioned, majority and minority variants of employee ownership are captured in the cases. A fairly even distribution of respondents among them has ended up being obtained, providing the chance to compare individual sentiments across contrasting structures. Alongside the employee perspective, views gleaned from upper management representing the firm-level perspective are also considered in an attempt to arrive at a well-rounded exploration of the instances of share acquisition.

With some exceptions, both individual-level determinants of ownership, as well as direct empirical insights into employee views of share ownership, with regard to why some participate in it while others do not, are relatively scarce in the employee ownership literature (Kalmi, 2004; Pendleton, 2010; Kaarsemaker, Pendleton and Poutsma, 2010; Poutsma, Blasi and Kruse, 2012). Indeed, taken in its entirety, the literature on minority employee ownership has tended to overlook the individual-level of analysis. Where individual-level work does exist, the focus has been on outcomes, rather than antecedents. Findings on attitudinal change are sometimes used to discuss the initial expectations of, or motives behind, ownership acquisition rather than exploring these on their own terms. When it comes to majority employee ownership, on the other hand, the individual level has received greater attention. Where this literature comes up short, however, is in the lack of depth of its understanding of why workers enter into cooperative arrangements[21]. This paper's main contribution is to shed light on the antecedents to employee ownership based on original empirical material composed of both a survey and a series of personal interviews. Studying the antecedents to the purchase of shares by employees across ownership forms which are not just restricted to Iceland is contended to be a worthwhile endeavour. A concern over comparable studies of UK-specific share option plans (e.g. Jackson and Morgan, 2011) is that distinctions made between individuals are more difficult to generalise, given the specificities of the mechanism involved[22]. What the Icelandic context

[21] A cooperative arrangement is one in which individuals, working together, have ultimate control over operations and earn income from them. Such a situation can be called, interchangeably, a producers' cooperative, a worker-owned enterprise or a labour-managed firm (Putterman, 2006; 2008). For the purposes of this paper, the professional partnership can also be considered a cooperative (as per Meade, 1972; Jensen and Meckling, 1979; Dow, 2003).

[22] In a British savings and share-option plan named 'Save-As-You-Earn' or 'Sharesave', employees are required to take out an option to become a share owner at some future point, accumulating savings over a three to ten year period, and then must decide whether or not to become a (partial) share owner at the end of the period. It is also worth pointing out here that the accumulated savings are protected by a third party and not subject to the same variability as the value of shares purchased in, say, a publicly limited firm.

provides is a means of assessing individual approaches to ownership in ownership types—the professional services firm, direct minority ownership—that are identifiable elsewhere.

In choosing to focus on the views of employees, the intention is to draw attention to this class of the firm's patrons as key decision-makers, affecting firm survivability in relation to the degree of willingness to make available financial capital, and impacting upon other qualitative aspects of the work environment with regard to the preparedness to 'buy into' an introduced share ownership scheme. That said, the likelihood of receiving an opportunity to purchase company shares is dependent on societal- and firm-level conditions. For example, supporting institutions provide a framework for ownership and include the ability to access financial capital. Company type influences the extent to which ownership is available, while information and agenda-setting at both levels may further influence the motives of employees for acquiring shares.

More broadly, ensuring that employees get a chance to participate in the share of national income going to capital is one pillar of the proposal for a more inclusive brand of capitalism (Summers and Balls, 2015), a topic that has gained traction on both sides of the political aisle, and reflects, at least at some level, the human cost of the recent global financial crisis.

The paper proceeds as follows. Firstly, a brief overview of the relevant literature is provided. A distinguishment is then made between majority and minority ownership of a firm by its employees in connection with the cases that have been documented. The Icelandic context is described in section four before section five presents, in detail, the case studies. It is split into several sub-sections: methodology, firm details, ownership determinants, the perspectives of both employees and employers on ownership, and a discussion of the results. Section six concludes.

2. Previous research

There are a select few relevant studies of employee ownership at the individual level of analysis to build upon[23]. As a starting point, in connection with the temporary acquisition of ownership stakes by employees in their former publicly-owned workplaces in a context of economic transition, Dong, Bowles and Ho (2002) use hand-collected data to test the determinants of employee ownership in two Chinese regions. Kalmi (2004) attempts something similar, with data collected from a series of Estonian case study firms. In the former, the probability of shareholding increases with seniority, level of education, and family income but decreases with age. Furthermore, share purchases were more likely to be made by managerial personnel and by male rather than female employees. Tenure is found to

[23] The ownership determinant studies reviewed are those which contain a purchase cost for employees, since these are relevant to the types of cases presented in this paper.

be an important predictor of share ownership in the latter, alongside level of education and position. Rather than not possessing sufficient funds, non-shareholders responded that they were not granted equal access to ownership.

In a non-transition, market economy context, meanwhile—the partial privatisation of a French public utilities firm in which around 2% of shares were reserved for employee purchase—some further information can be gleaned on the characteristics of participating employees. Workers possessing greater financial wealth and on higher salary levels, corresponding with job category, were found to have purchased shares. The effect of firm-specific human capital is small. Older workers were found to refrain from the share purchase, and women were more likely to participate than men (Degeorge, Jenter, Moel and Tufano, 2004).

With respect to British share option plans, pay, tenure, employment status, age and gender are found to be important influences on employee participation in them (Pendleton, 2010). The allocation of funds to a French employee savings plan, as a point of comparison, is found to be affected by how the plan is communicated and whether the plan's introduction is perceived to be a component of more inclusive workplace (Caramelli and Carberry, 2014).

Beyond ownership determinants, important touchstones are studies of the motives of US supermarket chain workers who pledged funds to take over several closing stores (Hochner and Granrose, 1985; Granrose and Hochner 1985; Granrose, 1986). The sources of motivation explored centred on situational factors and evaluative beliefs (both individual entrepreneurial and collective participative ideals). While job saving and financial returns were confirmed to be important, participation in workplace decision-making was also found to be relevant. Participation in share option plans, in contrast, has been motivated by instrumental rather than participative reasons (Dewe, Dunn and Richardson, 1988; Pendleton, 2010; Jackson and Morgan, 2011) and the initial reason for participation influences the subsequent decision to sell or retain stock after the option has been exercised (Pendleton, 2005).

3. Employee ownership: majority versus minority instances

Table one organises a selection of pathways to employee ownership along two dimensions: ownership coverage and the amount of equity possessed. Majority employee ownership is a situation where employees own 50% or more of a designated firm's equity. A professional partnership is one example of such ownership. A labour-managed firm or workers' cooperative is another. By comparison, minority employee ownership indicates the presence of a smaller amount of employee-held shares. An employee share ownership plan (ESOP), whereby a trust owns shares on behalf of an employee group, is one example of such ownership[24]. Direct ownership, absent an intermediary, and share option plans are other examples. Ownership is assumed to cover three rights: to control, to surplus and to wealth, albeit in different allocations depending on type.

Table 1: Employee ownership classificatory scheme

Share of employee owners

Share of ownership

	Broad group of employees	**Narrow group of employees**
Majority	Complete or controlling ownership by the firm's employees, potentially with open membership e.g. workers' cooperative, majority ESOP	Only a select group of employees are invited to participate in ownership e.g. professional partnership
Minority	Used as an incentive scheme and/or finance for the firm e.g. direct ownership, minority ESOP, share option plan	Compensation scheme for key employees

The cases investigated herein are judged to resemble three of the four categories in the table. Firms in which only a small group of key employees own a minority of shares are not covered. Instead, the minority employee-owned cases are of the broad-based variety. The two majority cases feature complete ownership of the firm by employees. One of these fits into the broad-based category of table one, since ownership has been, in principle at least, open to all employees. Alongside it is a case in which only a narrow groups of employees are owners, as in a partnership[25]. With the above in mind, some brief, general details on the three ownership categories, connected to the firm type contained within them, are provided below.

Broad-based majority employee ownership

Under the heading of broad-based majority employee ownership, external owners with less than 50% of ownership could exist, as could a number of employees who are not owners. As a reference, the ideal employee-owned company is completely owned by all employees on an equal basis.

[24] Although ESOPs have also operated in majority employee-owned firms as well.

[25] The Icelandic institutional setting does not support ESOPs, while traditional workers' cooperatives are difficult to uncover in manufacturing and services.

This includes traditional worker cooperatives based on open membership. The term ‘cooperative’ will not be used for the firm in the sample approximating this category of table one however because it does not appear to fit the definition of a cooperative or operate explicitly in line with its values, as specified by the International Cooperative Alliance (ICA) (Wilson and MacLean, 2012). Furthermore, the sample firm features individual ownership, whereby individual employees own shares which can be sold at a market-based price. Most traditional worker cooperatives, by contrast, feature collective ownership whereby worker members only receive a nominal membership stake when leaving the firm.

Narrow-based majority employee ownership (the professional partnership)

Professional partnerships can feature external ownership or be exclusively in the hands of insiders. Where the firm’s physical capital requirements are modest, as is typically the norm in human-capital-intensive professions, the degree of external ownership is reduced (Richter and Schröder, 2008). Although the firm may be exclusively in the hands of insiders, ownership would typically be limited to a subset of the employee group (and shared equally among them) by strict design: ownership is only made available to selected employees after a rigorous apprenticeship period. It is the curtailment of ownership rights that is taken to distinguish the professional partnership from broad-based majority employee ownership, notwithstanding industry sector. Still, the number of owners in a given partnership, depending on its size, could be several hundred. It is the ratio of partners to associates which is key and which would normally be expected to be heavily tilted in favour of associates, particularly in professions such as accounting (Jensen and Meckling, 1979; Russell, 1985a; 1985b; Hansmann, 1998).

With regard to the characteristics of those working in partnerships, as opposed to investor-owned firms, for instance, such individuals would be expected to perform comparable tasks and possess similar talent (corresponding with a high degree of mobility). These are what Hansmann (1996; 2013) considers to make up homogenous interests. The recipience of partnership status nonetheless differentiates employees and would be considered an important career step involving significant material benefits: partners share in the profit of the firm and gain a voice in firm governance.

While these types of firms continuously promote staff, it is evident that a large number of employees have little chance of becoming co-owners. This would conceivably be exacerbated by the presence of any sort of discrimination. Through socialisation at work, the formal expectations of future partners are made clear, at least. Particularly in, but not limited to, law, ‘up-or-out’ policies demand that associates exit the firm if they cannot make partner within a pre-determined period. Becoming a partner in the firm acts as a strong motivating force for associates, since in addition to the benefits on offer, it is a means of holding on to one’s job. When the chances of making partner are observed to be limited, given a high level of competition, the partnership environment remains attractive for a period of time because of the comparatively high salary level on offer and the uniqueness of the professional training provided (Russell, 1985b; Maister, 1993).

Broad-based minority ownership

The acquisition of shares in the sample firms approximating this category of table one does not entail the use of an intermediary and these firms are also investor-owned. The ability of employees to participate in ownership within them, even if the equity stake held in total is capped, can serve to align the objectives of the two parties to an employment relationship, the desired end result being an increase in productivity and, consequently, profit (Bryson and Freeman, 2010). Employee shares may also contribute to the company’s capital financing requirements, although this will be dependent on the amount of equity made available.

4. The Icelandic context

Due to extensive mass media attention, it is well known that Iceland was particularly badly hit by the financial crisis. One of the first countries to be affected, its banking system collapsed in October 2008 (two weeks after the fall of Lehman brothers) and was followed simultaneously by a currency crisis and economic recession. The sharp reduction in output and employment was the third and fourth largest, respectively, among the 30 OECD countries. The contraction in growth came to a halt at the end of 2010 however and a robust economic recovery is underway, with the unemployment rate is on its way back toward the nation’s structural unemployment rate (Icelandic Chamber of Commerce, 2015).

It has been claimed that, as an accompaniment to the deteriorating economic conditions, a ‘crisis of societal and political trust’ (Ólafsson, 2011, P.4) ensued. Reflecting this, Boyes (2009) as well as Wade and Sigurgeirsdottir (2012) have documented Icelanders taking to the streets in protest shortly after the onset of the financial collapse. Further anecdotal accounts suggest that individuals and households have had their fingers burned in the share market, so to speak, and that the mistrust of public institutions, as well as business and finance, lingers due to the severity of the collapse and the suddenness with which events unfolded. Yet, by and large, there is a shortage of solid empirical evidence on the societal impact of the crisis. What is known is that, as of March 2010, a Central Bank of Iceland study established that household debt had become unsustainable for around 20 to 25% of the population, figures lower than they could have been in the absence of government welfare measures (Ólafsson, 2011).

With the above in mind, there are certain aspects of the local context related to the individual decision to purchase (or not to purchase) employer shares that appear relevant to be included empirically. For example, variables attempting to capture awareness of the presence of unemployment, access to financial capital and confidence in firms' management appear to be pertinent inclusions.

Setting the individual's decision-making environment aside for a moment, the extent to which ownership opportunities have been crisis-induced needs to be understood. In three of the cases investigated, shares have been offered to employees in the 2012-2013 period—when ownership of the firms in question had stabilised and at a time when real gross domestic product had already rebounded—connected to market relistings. In other words, a process of ownership change was brought on by the financial crisis, culminating in the offering of equity to employees. Of the remaining cases, in only one does the economic downturn appear to have directly had a hand in bringing about share ownership by employees, to resuscitate the firm in question (see section 5.2 for more details).

So where does this leave us? It appears as if the specific turmoil of the 2008-2010 period had a smaller role to play than expected in the development of employee ownership in Iceland going into this investigation. It seems instead as if this type of ownership has been driven by more general firm-level considerations.

5. Case studies of employee ownership

5.1 Methodology

The case study research strategy, 'focuse(d) on understanding the dynamics present within single settings' (Eisenhardt, 1989, p.534) has been selected to learn more about the antecedents to employee ownership at the individual level of analysis. In particular, and in line with the research questions posed, the aim is to analyse the determinants of ownership as well as to explore the motives behind share purchases (and the reasons for non-purchases).

The cases combine data collection methods and the evidence is both quantitative and qualitative, the idea being for the latter to add colour to the former. What is presented herein has been collected from six firms (the details of which, together with how this number was arrived at are subsequently described). This number is in line with the firms investigated in related studies, such as Kalmi's (2004) five and Jackson and Morgan's (2011) three. Yet, even if this may be so, it is fully recognised that there is a natural limit to the amount of useful information that can be gained from only six firms, even before the overall number of respondents to the survey (and the useable responses from each of them) are considered. The particularities of the context in which any case study is conducted will further reduce analytical generalisability. In presenting the details of these cases, then, the hope is to point toward themes that hold some resonance for the wider topic of employee participation in share ownership.

The previously made contention that the forms being investigated are recognisable in the organisational landscape of other advanced economies can potentially help in this regard. This said, effort has been devoted toward pooling the included firms, or grouping them according to ownership category rather than concentrating on single firms in isolation.

The following describes what carrying out the research entailed. The necessary data collection work was conducted during the Autumn-Winter period of 2014. The process to get to this point began with the casual observation that employee ownership had begun to feature more prominently in Iceland over the past few years. This was initially presumed to be the direct result of the financial crisis. To ascertain the extent of the phenomenon, the intention was to contact as many of the 300 largest Icelandic firms as measured by turnover in 2013 as possible to find out how many of them featured employees as owners. The initial list was whittled down to 275, to exclude state ownership. Contact was established with 127 of these, and responding firms were specifically asked whether they had experienced any changes in ownership from 2008 onward. 78 experienced no change in ownership, 30 experienced a change in ownership that did not involve equity going to employees, and 8 declined to respond further. This left 11 firms in which employees had come on board as new owners (in addition to there being employee owners prior, in some instances). Out of this 11, access was granted to 6, covering both minority and majority ownership and constituting a decent spread in terms of size and industry.

For the first research component, a survey was sent to the employees of the participating firms. It was placed online and a link to it was sent out via email along with an introductory letter by the human resource manager, or a person of a comparable position, in each of them. In some firms, all of the staff on the payroll received the link, in others only those who were believed to have purchased shares received it. Less control was had over this part of the research process and the result has been an oversampling of purchasers relative to non-purchasers in two of the firms in particular. In the explanatory letter accompanying the survey, the term ‘employee ownership’ was used in reference to employees acquiring by various means shares in their current workplace, the most recent opportunity to do so prioritised. The letter and survey questions were stated in both Icelandic and English as some employees were non-Icelandic. Anonymity of the respondents was assured.

The survey was divided into four major sections: 1) general questions about job characteristics, 2) education and training, 3) remuneration, 4) share acquisition and 5) current share status. The questions were developed based on a broader knowledge of the employee ownership literature, previous survey work conducted in the Baltic region and insights from industry obtained through pilot testing. The survey remained online between the 16th of September and the 10th of December 2014. Between these dates, two reminder emails were sent to employees, urging them to participate.

For the second research component, semi-structured interviews were conducted on site in Reykjavik between the 11th and 14th of November 2014 with the chief executive officers (CEOs) of each of the firms, as well as a handful of employees[26]. Ten such interviews are drawn upon herein[27], with each having lasted up to sixty minutes. All of them were conducted prior to obtaining any of the raw survey data.

5.2 Case details

The six case study firms studied will now be briefly introduced, with an emphasis on recent ownership developments and some of the related details concerning employees, based on the CEO interviews. Grounds for the extension of ownership are illustrated with quotations. Key firm information is assembled in table two[28].

Case ‘A’ operates in the insurance industry. Prior to 2008, it was primarily owned by a combination of holding companies and pension funds. This firm was then delisted and ended up in the hands of the state as part of the nationalisation of the banking sector before coming to be owned by pension funds in conjunction with assorted legal entities from 2009. In 2012, it returned to listed status and as a part of this, all employees were offered the chance to purchase shares (but not at reduced prices). Between 5 and 10% did so and the total equity held by them is about 1%.

> We wanted to connect the interests of employees as shareholders, to other shareholders. This is our long term strategy in order to encourage employees to succeed in their employment

Case ‘B’ is also in insurance. Having been listed for a decade, it was taken over by an investment company (which subsequently went into liquidation, resulting in delisting in 2008) and was later sold on to an investor group. In connection with this sale and just prior to relisting in 2013, all of the firm’s employees were offered the chance to purchase shares that had been put aside for them but the amount of

[26] Those employees with whom permission to speak was given were selected by the CEOs. Each of them owned shares in his or her employer. It is recognised that these chosen few can hardly be considered representative of a larger employee group(s) even if, inevitably, opinions were offered on the actions of co-workers. Originally, focus groups of employees from each participating firm had been envisioned but this could unfortunately not transpire. Quotations from these interviews are added to the discussion where it is felt they can assist in painting a picture of what has been uncovered in the quantitative results but the concentration is on the distributed survey as far as the employee perspective is concerned.

[27] A total of fourteen interviews were actually conducted as part of the qualitative research stage, with three additional firms participating from which employees had not completed the distributed survey. Of these three firms, two considered introducing employee ownership but ended up deciding against it and these CEOs filled in the story of why this was so. One of the firms did feature employee ownership however. The interview data obtained from these four firms are not included in the results section.

[28] Three of the firms are publicly-owned and thus certain information on them can be validated. Otherwise, what is reported in rows 5-9 is limited to the interview source. In other words, this information is estimated rather than being factually documented.

shares available was proportional to hierarchy. Over half the employees participated in the share offering, but the total equity held by them is diminutive.

> They (the owners) weren't very happy about how the company went through the crisis and everything was not running very smoothly. It was maybe an opportunity for the owners to show some gratitude or at least, give people a chance to be shareholders in the company

Case 'C' is in consulting. Unable to pay the debts it had accumulated by the end of 2008 (as an investor-owned firm), upper management entered into a drawn-out negotiation process with creditors to salvage the business, restructuring the conditions of outstanding loans while reducing costs and selling off sub-units. Eventually put through bankruptcy, it started anew in 2010. Some existing assets were purchased and past employees were offered to come across to the fledgling firm. Starved of external equity sources, all were in principle further offered the chance to purchase shares in it with approximately half doing so. Despite ownership being exclusively in the hands of employees, any one individual's stake is limited to 10% of total equity. Departing employees are required to sell their shares and an internal market operates to match sellers with buyers.

> Normally (in a company like this)…you offer some a particular part of the company you know but we didn't do that. That was mainly because of lack of funding in a way. We were simply in the situation that we needed all the money that we could bring in. So we just offered everybody the chance to buy

Case 'D' operates in the computer and software industry. Having been sold to investors, it was bought back by its original founder in 2007 and then merged with a smaller start-up under the latter's control. In the absence of external ownership and with the appeasement of existing staff in mind, sizeable equity in the firm was made available to employees in early 2008. Again, around half acted on the offer. By 2014, the amount of equity in the hands of employees had dropped from around 21% to 15%. In the absence of an internal market, employees can sell shares back to the firm if they wish to do so.

> We together, the owners of the company and the employees, we needed to take a journey. We needed to take a journey where we completely restructure our operations, from the balance sheet level as well as the operational level…and they (the employees) have been with us on that journey…having them as owners in a small community like that makes the company far more agile, far more victorious than not…get them on the treadmill and really go for it…we needed the buy-in from the employees to really (say): 'I'm working for my company, I'm going the extra mile for my company'

Case ‘E’ is engaged in oil distribution and retail. Brought under public ownership during the 2008 crisis, a collection of pension funds soon afterward acquired a large proportion of equity. The firm relisted shares in 2013 (after having been listed for several years previously), attached to which a small amount were set aside for employees, at market rates. While the opportunity to purchase shares was open to all employees, information on the number of employees who actually did so was not disclosed during the interview process.

> It (the share offer) would further the interest of the employees in following news about the company and it would be an incentive for the employees of course to further the profit of the company

Case ‘F’ is a long-standing employee-owned engineering firm. Owners constitute one-third of the firm’s around 300 employees and this ratio has more or less been maintained over the past eight years. To attain ownership status, a minimum of three years’ service is required, as is a nomination from an annual promotions committee in recognition of work performance. Once nominated, employees are required to buy in, contributing at least 15% of the cost of an ownership stake (equivalent in full to around four times a pre-tax annual salary), with the balance made up of a long-term low-interest loan from the firm. Up until most recently, shares in the firm have been distributed equally. An upper limit has since been scrapped.

> There is a very dynamic discussion which takes place within our ownership meetings (annual promotions committee)… we want them (the employees) to be able to own considerable shares in the firm…to see it as an interesting investment opportunity (but also) to express themselves (in owners meetings)

Looking at the data that has been obtained from these six cases, a total of 268 employees responded to the distributed survey[29]. Their numbers in the firms studied vary between 99 and 454. Although the aggregate response rate is estimated to be 21%, this rate fluctuated on a firm-by-firm basis, from a low estimate of 6% to a high of 52%. This reinforces the decision to handle the responses by grouping them into either broader majority or minority ownership categories, or looking at them together for the purpose of a determinants regression. For the full sample, 109 (41%) report currently owning shares in their employer, 44 (16%) previously owned shares but no longer do so (shares have been sold), and 115 (43%) are not, and have never been, share owners. 53% of the survey’s participants are from minority employee-owned firms and 47% are from majority employee-owned firms.

[29] Although not necessarily in full, rendering some questions unusable. For the variables desired to be included, the number of observations used in the regression analysis drops to 189.

Table 2: case overview

1. Case study firm	A	B	C	D	E	F
2. Ownership: private or publicly held	Public	Public	Private	Private	Public	Private
3. Related employee ownership category	Minority	Minority	Broad-based (majority)	Minority	Minority	Partnership (majority)
4. Industry	Insurance	Insurance	Consulting	IT	Oil distribution and retail	Engineering
5. Annual turnover (ISK), 2014	16,074,000,000.00	11,953,750,000.00	1,419,000,000.00	5,000,000,000.00	56,960,198,000.00	4,984,165,000.00
6. Number of employees, 2014	195	127	99	101	454	309
7. Most recent year of share sales to employees	2012	2012	2010	2008	2013	n/a
8. Total equity owned by employees, at the time of share sale	1%	1%	100%	21%	1%	100%
9. Related percentage of employees purchasing shares	5-10%	56%	50%	50%	–	n/a
10. Number of responses to the survey (response rate)	41 (21%)	57 (44.8%)	52 (52.5%)	15 (14.8%)	29 (6.39%)	74 (23.9%)
11. Percentage of respondents who are owners (current + previous)	49%	74%	48%	100%	41%	53%

5.3 The determinants of employee ownership

The employee survey data can first be utilised to analyse the determinants of share ownership. The latter takes the value one if the respondent owns shares (both currently and previously) and zero otherwise[30].

It is to be expected that the better one's financial situation, the greater the chance of purchasing shares. This is measured by average annual income received[31]. In a handful of instances, monthly rather than annual income was reported, requiring adjustment. The vast majority of respondents indicated that remuneration was not dependent on the performance of the firm. In other words, fixed salary was the norm in these cases with any bonuses tending to come on top of it. Marital status and number of children were also included on the grounds that these may be relevant to the share purchase decision, proxying financial means to some extent. A question pertaining directly to the level of wealth held was not included in the survey.

Tenure in the firm, as well as level of educational attainment, are both expected to influence ownership status (Mygind, 2012). Tenure, in particular, is associated with the acquisition of firm-specific human capital[32] (Lazear, 2000). Ownership may be seen as a way to protect skills and knowledge that have been picked up, or to minimise the chance of lay-off which can feasibly become more problematic after a prolonged period of employment in the one place. Looked at together, more experienced and better educated employees may be more involved in the firm, more informed about its goings-on, and in possession of the ability to understand the decisions taken by owners. Tenure is treated as a continuous variable (the number of years a respondent has been in the firm) and educational attainment is treated as a categorical variable, taking the value one if the respondent is university educated and zero if not.

[30] An alternative measurement such as the number of shares held would have been useful and was actually asked in the survey but the question was not satisfactorily filled out.

[31] This question could have been asked in relation to a specific year instead. If shares had been acquired prior to 2014, as in most of the cases, then this measurement serves as an approximation rather than the precise income received at the time of a share purchase.

[32] An additional variable attempted to capture the type of skills and knowledge acquired on the job. 34% of respondents reported the completion of general skill training and 31% reported the completion of skill training for a job role(s). 35% did not report the completion of any additional training. The correlation between this variable and tenure is statistically significant but weak ($r=0.1630$, $p<0.05$). The wording of potential responses to the related question could have been made clearer and as it stands, its link to different classes of human capital is ambiguous. Its removal from the subsequent regression model has only the most negligible impact on goodness of fit. Along similar lines, a question pertaining to friends and family that have experienced unemployment since 2008 was not included in the regression model because it restricts the time period under consideration—shares have also been purchased prior to this time, in some instances. Its removal also had a minimal impact on goodness-of-fit.

A job category variable, meanwhile, is set to one for managerial-level personnel and zero for non-managerial personnel. Managers would be expected to be share owners for similar reasons to those cited above. Additionally, there may be a signalling effect whereby share ownership reflects a commitment to remaining with the firm or an affirmation of identification with it (Pendleton, 2010). For analytical purposes, managers are also thought of as employees herein (as per Jackson and Morgan, 2011).

Although it is a characteristic with relevance to ownership status, the exact effect of age cannot be predicted with any certainty. With a shorter time-horizon to retirement, older workers may be against making a share purchase (Granrose, 1986; Degeorge, Jenter, Moel and Tufano, 2004). On the other hand, older workers' accumulation of financial assets and relatively greater total family incomes may make the purchase more affordable than for younger workers (Caramelli and Carberry, 2014), whose access to credit is also likely to be limited due to the institutional constraints brought on by the financial crisis.

In a general sense, gender may account for differences in investment decisions, linked to relative self-confidence (or its obverse, conservatism) (Degeorge, Jenter, Moel and Tufano, 2004; Pendleton, 2010). Yet, in terms of the individual ownership dilemma studied here, there is also no clear a priori expectation as to whether women should be more or less likely to purchase shares in their places of employment than men. Gender is, in any case, a demographic characteristic with some likely effect on ownership and is therefore included in the regression analysis.

Although risk aversion is an important consideration with definite relevance to the topic at hand, it has not been included as a stand-alone measurement. Such a measurement may, in any case, not be possible to include as just about all variables can be correlated with it, limiting the interpretability of the obtained results (Degeorge, Jenter, Moel and Tufano, 2004). For instance, risk may decline with income and wealth. There may also be differences between genders as well as changes with age.

Employment status is also not included as a predictor of share ownership. Rather, this category is used to narrow the testable sample so that only permanent workers and those on long-term contracts are contained within it. In any case, other worker categories made up only 1.2% of the full sample[33]. The number of hours worked on average at the firm per week is, however, included. The thinking being that longer average working hours is a sign of dedication to the firm which can be further outwardly expressed through the pledging of funds to secure ownership.

[33] An additionally included survey question whereby respondents were asked to fill out their working status as a proportion of 100% (equal to full time work) was deemed in hindsight to be open to misinterpretation and the submitted answers suggests it was in fact misunderstood. It is therefore not included as an independent variable.

Finally, a dummy variable is included for employee ownership category (majority versus minority ownership, where majority is set to one), to control for latent effects pertaining to ownership structure not specified in the independent variables. An alternative specification would be to include dummy variables for each of the individual firms surveyed, yet it was deemed appropriate to maintain majority-minority groupings under the assumption that firm-specific effects are less important than effects pertaining to structure of the firm, given the existence of commonalities in the amount of equity owned by employees among the cases. All variables are listed in the appendix.

Descriptive statistics—after standardisation and the removal of outliers pertaining to annual income, as well as the taking out of temporary workers and the tiny fraction of workers who claimed, somehow, not to have purchased shares—are presented in table three. The typical annual salary is around eight million Icelandic kronur (57,000 Euro) before taxation. On average, workers are 44 years old and have been employed in the firm for eleven years. The majority are male, have a university education and are married. Managers make up a small proportion (13%) of the sample.

As can be seen in the table, at a 95% significance level, share ownership is significantly correlated with annual income, tenure, managerial status, gender (male), age and number of children. Income is significantly correlated with several variables, including age ($r=0.275$, $p<0.01$), education ($r=0.261$, $p<0.01$) and, of greater concern, job category ($r=0.629$, $p<0.01$). In general, high pairwise correlations between regressors could be a sign of collinearity. In this instance, independent effects of income and job category on ownership can prove difficult to disentangle from the effect of these variables in combination. Initially, however, both are included as predictors of ownership.

Although age and tenure are also highly correlated ($r=0.663$, $p<0.01$) both are, again, initially included as independent variables in a determinants regression. This is in line with the approach of Dong, Bowles and Ho (2002) and the choice to proceed in this manner had originally appeared necessary since the average number of years of employment reported is considerably less than average age, suggesting that many survey participants have been employed elsewhere prior. In other words, the descriptive statistics do not necessarily point to career employment of the type described by Pendleton (2010). The correlation between age and number of children ($r=0.460$, $p<0.01$) is also on the high side.

Table 3: means, standard deviations and correlations between dependent and independent variables (N =189)

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Ownership	0.57	0.50	-									
2. Income	8,106,096.00	3,514,863.00	0.391***	-								
3. Tenure	11.38	8.52	0.498***	0.119*	-							
4. Age	43.70	10.63	0.531***	0.275***	0.663***	-						
5. Job category	0.13	0.34	0.216***	0.629***	0.127*	0.195***	-					
6. Working hours	41.44	8.05	0.037	0.277***	-0.094	-0.091	0.203***	-				
7. Education	0.73	0.45	0.008	0.261***	-0.179**	-0.298***	0.072	0.192***	-			
8. Gender	0.69	0.47	0.172**	0.240**	0.165**	0.173***	0.102	0.153**	0.161**	-		
9. Marital status	0.86	0.35	0.028	0.082	0.098	0.107	0.027	-0.025	0.010	0.130*	-	
10. Number of children	2.19	1.18	0.285***	0.137**	0.288***	0.460***	0.064	-0.064	-0.053	0.109	0.346***	-

Note: the table presents pairwise correlation coefficients. For the purpose of the accompanying discussion, the income variable is presented in its originally recorded form and its log transformation later appears in the regression table.

* Significance at 10%
** Significance at 5%
*** Significance at 1%

Given the above correlations, variance inflation and tolerance factors for the covariates are obtained by way of (multiple linear) regression to detect for the presence of multicollinearity, with lower levels of the former and higher levels of the latter desirable in a loose sense as a potential guide to its extent. The obtained variance inflation factors are all less than 2.6—the average being 1.6—and the tolerance factors are all above 0.1, suggesting that there is not an excessive degree of collinearity among several variables, at least prior to observing the behaviour of coefficient estimates under different model specifications.

In the first regression, share ownership is a dichotomous dependent variable with a series of independent variables to explain its incidence. The following (full) equation is estimated:

Share ownership = f(gender, marital status, number of children, age, education, tenure, working hours, job category, income, ownership category) (1)

Equation one is estimated using a logit regression model, applicable for a dependent variable with a binomial distribution. Maximum likelihood estimates (marginal effects) are reported in table four, according to a series of specifications of the independent variables. Marginal effects are changes in the probability of an individual owning shares when an independent variable increases by one unit, all independent variables set to their mean values.

Specification one (column one) contains the regression estimates for a limited set of independent variables, specifically those variables pertaining to certain personal characteristics: gender, marital status, number of children, age and education. According to this specification, a one year increase in age raises the probability of shareholding by 3.6%. Those individuals in possession of a university degree are also 32.4% more likely to own shares. The remaining variables have statistically insignificant effects on ownership. Adding job characteristics variables for individuals in specification two (column two)—tenure, working hours and job category—reduces the marginal effect of age on ownership to 2.4% and increases the marginal effect of education on ownership to 35.3%. Both remain statistically significant. Of the added variables, a one year increase in tenure raises the probability of owning shares, as does being a manager, but the latter result is insignificant at the 5% level.

Table 4: the determinants of ownership, logit model I

Independent variable:	Specification 1	Specification 2	Specification 3	Specification 4
Gender	0.107	0.099	-0.042	-0.054
	(0.095)	(0.991)	(0.117)	(0.121)
Marital status	-0.102	-0.109	-0.230	-0.234
	(0.128)	(0.134)	(0.157)	(0.159)
Number of children	0.026	0.028	0.043	0.045
	(0.043)	(0.046)	(0.051)	(0.051)
Age	0.036***	0.024***	0.017**	0.018**
	(0.006)	(0.007)	(0.007)	(0.008)
Education	0.324**	0.353**	0.189	0.194
	(0.114)	(0.128)	(0.141)	(0.142)
Tenure		0.036***	0.038***	0.038***
		(0.009)	(0.010)	(0.010)
Working hours		0.001	-0.007	-0.007
		(0.099)	(0.007)	(0.007)
Job category		0.097	-0.469**	7.804
		(0.155)	(0.215)	(11.682)
Log income			1.090***	1.150***
			(0.271)	(0.291)
Log income*job category				-0.508
				(0.717)
Ownership structure	-0.164*	-0.122	-0.143	-0.141
	(0.093)	(0.099)	(0.110)	(0.111)
LR statistic	78.26***	93.76***	116.03***	116.51***
Pseudo-R^2	0.286	0.362	0.448	0.450
Observations	200	189	189	189

Note: the table reports the marginal effects on the probability of an individual owning shares in a firm, which is a binary dependent variable. Standard errors are reported in parentheses. The number of observations in the regression drops from 200 to 189 due to the presence of the tenure variable, for which summary statistics indicate 11 observations are missing.

* Significance at 10%
** Significance at 5%
*** Significance at 1%

Income is added to specification three (column three)[34]. This specification then contains all of the explanatory variables of equation one. Because the distribution of the income variable is skewed, its natural logarithm is used. Quantitatively, a 1% increase in annual income increases the probability of shareholding by 1.1%. With the inclusion of this variable, one year increases in tenure and age raise the probability of shareholding by 3.8% and 1.7%, respectively. This is a further reduction in the marginal effect of age on ownership but the effect of tenure is almost unchanged.

As a consequence of introducing income, the marginal effect of education on ownership status becomes statistically insignificant (but keeps the same sign) while the movement to a higher job category dramatically reduces the probability of shareholding. As an interpretation of this latter result, there appears to be a powerful income effect at play in the sample: both university-educated workers and managerial staff belong to a comparatively higher income group on average. These variables proxy for income differences in specification two. When the effect of higher income is taken away, what is left for the job category variable in particular may be accounted for by latent personal considerations.

To assess the effect of becoming a manager—a unit change from 0 (the non-manager group) to 1 (the manager group)—at a fixed level of income, rather than at a lower mean value for all employees in the sample, an income-job category interaction term is brought into specification four. The result for this variable is statistically insignificant, indicating that the marginal effect of income on ownership does not differ between managers and non-managers.

With regard to specification four, the likelihood ratio rejects the hypothesis that the joint impact of the independent variables on the dependent variable is zero, and the probability of share ownership taking the value one is 63% when the independent variables are at their means. The logit model has a pseudo-R^2 of 0.45.

Although the variance inflation and tolerance factors for the included regressors did not appear to point to multicollinearity, the preceding analysis has made clear that certain regression coefficients are sensitive to specification, changing sign and/or significance. To address this, equation one is modified in an attempt to minimise the collinearity problem. As age correlates highly with both tenure and number of children, keeping the former, alone, appears to be one variable selection choice.

[34] Specification three has also been run with controls for individual firms rather than for ownership category. To do this, case firm D has to be excluded since it does not contain non-owners, a result of oversampling. After having done so, no discernible changes to the size or significance of the marginal effects is evidenced. In any case, only 8 observations remain for this firm in the final sample. The alternative way of looking at this firm's inclusion, then, is that it provides a small boost to the number of owners in the minority employee ownership category.

The inclusion of an age variable[35] is also theoretically motivated, given it is tied to risk aversion (and this is subsequently discussed). For the second variable selection choice, income remains but job category is dropped. Retaining the former is judged to be of fundamental importance given that shares are required to be purchased in the cases investigated. Equation one is thus modified as follows:

$$\text{Share ownership} = f(\text{gender, marital status, age, education, working hours, income, ownership category}) \tag{2}$$

The marginal effect estimates obtained under this model specification are reported in table five. The likelihood ratio rejects the hypothesis that the joint impact of the independent variables on the dependent variable is zero. The probability of share ownership taking the value one is also 63% when the independent variables are at their means and the model has a slightly lower pseudo-R^2 of 0.35. Now, a one year increase in age raises the probability of shareholding by 3% and a 1% increase in annual income increases shareholding probability by 0.8%. Theoretical considerations stretching beyond the obtained empirical results of this section appear in section 5.5.

With regard to how the obtained empirical results stack up against related studies, a positive and statistically significant influence of income on ownership status conforms to a priori expectations and, with the exception of Kalmi (2004), is in line with the extant work in this area. To some extent, the verification of this relationship suggests that the analysis is on the right track since there is an intuitive link between income and ownership in the presence of a purchase cost. The result for age, while not clear-cut from the outset of the empirical analysis, is also in line with that obtained in key related studies by Aubert and Rapp (2010), Pendleton (2010), as well as Degeorge, Jenter, Moel and Tufano (2004). Yet, these two latter studies were also able to find evidence of a hump-shaped effect of age on ownership.

[35] To examine potential nonlinearity in the effect of age on ownership, the introduction of a squared age term was experimented with. Given that linear and quadratic terms are almost perfectly correlated, the age variable was centered before it was squared. Although age in linear form remains positive and statistically significant (3.3%) and the squared term does take a negative sign, it is statistically insignificant. Treating age as a categorical variable proved complicated in that the commonly used reference category in the literature—workers below 25 years—contained only 2 out of 200 workers in this sample (and only 14 under the age of 30). There was therefore some concern over the arbitrariness involved if alternative age categories were to be chosen.

Table 5: the determinants of ownership, logit model II

Independent variable:	
Gender	-0.007
	(0.106)
Marital status	-0.138
	(0.282)
Age	0.030***
	(0.006)
Education	0.156
	(0.121)
Working hours	-0.006
	(0.007)
Log income	0.763***
	(0.191)
Ownership structure	-0.141
	(0.099)
LR statistic	97.57***
Pseudo-R^2	0.357
Observations	200

Note: the table reports the marginal effects on the probability of an individual owning shares in a firm, which is a binary dependent variable. Standard errors are reported in parentheses.

* Significance at 10%
** Significance at 5%
*** Significance at 1%

5.4 Employee and employer views on ownership

The quantitative results point in certain directions. The other data source, the interview data, is incorporated below to arrive at a somewhat better understanding of the abovementioned variables in the cases studied. Again, quotations are used where it is felt they can usefully illustrate the issues under discussion.

The interview data reveal that the cost of a share purchase was, generally, the equivalent of three to four months' gross salary, regardless of ownership structure, a not insubstantial amount to pay and not necessarily an amount that is easily able to be freed up. With access to external finance having generally been more challenging in the period under consideration, dipping into personal savings has usually been required. In some instances, however, employer-provided loans were obtainable.

Concerning the empirical result on income, then, it should be appreciated that the level of annual pay is one thing, but the method of financing the share purchase is another since it is not the case that all purchases have been financed via personal savings. Having said that, it could be that there is a relationship between higher levels of income and the ability to attract (and repay) a loan from various sources to finance the share purchase if payment is elected not to be made upfront. Therefore, reported annual income in the survey would suggest, in principle, share affordability.

With regard to the influence of age and experience on the likelihood of share take-up, it was generally perceived that older and tenured employees as prime candidates for ownership:

Looking at the employees that acted on the offer, it was more the older ones, the ones that had worked here for quite a while….the more experienced, the more senior employees have been engaged in the market in Iceland for quite a while and they've…they've managed to kind of read the tea leaves about which companies are the best ones, so that was, you know, kind of easier to sell to them than the younger ones (*CEO, firm D*)

The younger ones here at that point of time, they were around 30 years old…owning their…you know, households…and really in a crappy situation. The older ones around 50, they already were around kind of the safe side (*CEO, firm D*)

I think most of us, the ones who are more experienced…were all going to buy and I think most of them bought if not everybody (*Employee, firm C*)

This section now moves on to further exploring share acquisition occurrences, specifically the expressed motives that have been behind them, as well as the reasons that have been put forward to account for shares not being acquired. It begins by reflecting on an established line of thinking in the employee ownership literature relevant to the former in particular.

In the abovementioned literature, employee approaches to ownership, broadly speaking, have long been viewed in terms of the seeking of profit with respect to invested capital on one hand and increased decision-making influence or control on the other (e.g. French and Rosenstein, 1984; French, 1987; Pendleton, 2010; Brown, Minson, O'Connell and Ramsay, 2012). The conceptualisation of the employee as an investor, almost completely preoccupied with rates of return, is evidently an influential one. Yet, one concern with such thinking is that there ends up being little middle ground between two extreme positions whereby a plurality of considerations with regard to ownership might exist. Additionally, and somewhat alarmingly, there has been a tendency in the literature to form ideas on individual approaches to ownership without taking structural differences into account: what is wanted out of ownership should, in principle, vary according to whether the firm is majority or minority owned by its employees. Indeed, the character of a firm in which a majority of its employees are owners should differ tremendously from one in which employees are only granted some minimum level of stock as part of a firm's reward system, reflected in comparably different levels of involvement in operations. This is not to mention the fact that funds are likely to be personally invested in the former but not the latter (such as in ESOPs and Europe-wide financial participation schemes), conceivably impacting one's willingness to be an active participant when it comes to an ownership role.

It is anticipated that financial returns will be the most important motive behind share acquisition uncovered in cases of minority employee ownership. Job protection may also be a consideration but the seeking of greater influence cannot be expected to rank as highly. The opportunity to own some portion of firm equity is essentially a management tool to incentivise employees. Small-scale equity ownership would thus most likely be seen for what it is: the chance to receive a financial return, absent the right to control.

In majority employee-owned firms, on the other hand, the most important motive behind share acquisition is expected to be non-financial, such as the seeking of greater influence or a belief in the idea of employees owning their place of work. When employees are majority or exclusive owners of the firm, their participation in decision-making is integral. Consequently, a closer link between the goals of individuals and those of the firm may become perceptible. In close-knit knowledge-based companies, for instance, employees may care more about the long-term interests of the firm and see themselves tied up with them, rather than looking to make a financial gain, although this would also realistically be a rationale for ownership. Still, not all majority employee-owned firms are alike and it may be that, in general, those in a professional partnership are more practically-minded and less idealistic than those in a workers' cooperative.

With the above in mind, the empirical evidence presented in this paper, limited as it is by the size of the sample obtained and framed by the nature of the survey questions that were posed, is not contended to resolve the debate regarding how employees approach ownership. Rather, by presenting what has been uncovered in the firms under investigation, the aim is to further the academic discussion on the subject and, at the same time, put the spotlight back on the individual employee-owner.

Table six presents the results for share ownership motives, using the same sample as in the regression. Survey respondents were asked to mark all of the listed motives that applied to them in becoming share owners, before being asked to rank these by importance. Descriptive analysis is performed on the basis of these questions whereby current and previous owners are pooled. Note that in ranking motives, respondents awarded a grade of one for most important and eight for least important, hence lower numbers indicate higher importance[36].

Overall, the most frequently stated motive behind ownership was financial: shares were seen as an investment or, in other words, as an opportunity to make a monetary gain. This was the most important motive for participants from minority employee-owned firms and the second most important motive for participants from majority employee-owned firms. An independent sample t-test showed a significant difference between the importance of financial investment as a share acquisition motive between the two groups ($t(112) = 3.857$; $p < 0.01$).

The most important motive behind share ownership for participants from majority employee-owned firms was a belief in the idea of employees owning their place of work. Somewhat surprising, however, was the frequency with which this motive was also selected by minority employee-owned firm participants. Selection of the motives 'having more influence on decisions' and 'helping the company' was also notable by majority employee-owned firm participants. Additionally, 37% of them stated that reducing the risk of being laid off was a motive behind becoming a share owner. An independent sample t-test showed a significant difference in the importance of this motive between the two groups ($t(112) = 3.158$; $p < 0.01$).

Inherent to seeing ownership in financial or practical (as opposed, potentially, to non-financial) terms is a more self-interested manner of behaviour. Survey respondents were additionally asked to indicate who they had considered as part of their decision to purchase shares, from putting themselves and their family first to primarily thinking of their co-workers and employing firms. As can be seen in table seven, overall, 38% of participants considered themselves and their families exclusively in the share purchase decision. Interestingly, next to themselves, 24% gave equal weight to their co-workers and the firm, and 10% placed primary importance on the latter. The Chi-squared tests reported in the table point toward statistically significant relationships between some of the reported main motives behind ownership and the breadth (or, what is most apparent, a lack thereof) of share purchase considerations. For example, those who viewed stock as a financial investment more

[36] The motives cannot unfortunately be fed back into the regression containing both owners and non-owners since they were only asked of the purchasing group.

frequently ranked themselves and their families first in their decision-making, either exclusively or primarily.

The interview data contain a handful of justifications by employees for why they purchased shares. Some of the justifications put forward are noticeably multi-faceted:

> I was really happy to get the chance to become an owner and that's why it was never a, it was not even a matter of, of getting interest on my money or anything like that. It's more like being a part of the team. That was the thing for me but luckily the stocks have gone up so I actually have cashed out on a little bit of it, just for buying a house earlier this year…so I got to cash out even though it wasn't initially the idea (*Employee, firm C)*

> I wanted to combine my interests with the company's interests, that if the company was doing well, I would be doing well. So it was also…I thought it was a good buy and also thought that it would strengthen how people looked at the company (*Employee-manager, firm A)*

> Judging from the vibe at the company at the time, I think there was some…there was a level of I guess you can say pride in owning shares of the company but I would say that I've felt more strong, a more strong vibe that people thought that this was going to be a very good deal and that they would make money. So, out of those two, the money-making incentive was stronger but I also felt that there was some sort of camaraderie in being a shareholder in the company where we worked (*Employee-manager, firm B*)

Asked for their take on employee share acquisition, CEOs of firms in which only a limited amount of shares were offered for purchase not unexpectedly emphasised the financial benefit to be had from ownership. Participants were viewed as being likely to have had personal experience with the identification of suitable investment opportunities and managing a portfolio of shares. Where a greater proportion of total equity was on offer to employees, non-financial motives were perceived to have also played some role in the purchase decision.

Turning to the reasons for non-participation, table eight presents the findings for survey participants who are not share owners in their places of employment. Descriptive analysis is based on the same style of questions as described for the purchase motives above.

Overall, the most frequently stated reason for not having acquired shares was a lack of funds. 80% of non-share-owners in minority employee-owned firms cited this as a constraint on ownership and 22% of non-share-owners in majority employee-owned firms did as well. A significant difference was found between the groups ($t(83) = 3.312$; $p < 0.01$), whereby the former ranked a lack of financial resources as a more important constraint to becoming an owner than the latter.

Not being informed about a share offer and not having the opportunity to purchase shares was also somewhat frequently reported as reasons for not owning shares, particularly in majority employee-owned firms (20% and 62%, respectively) but less so in minority employee-owned firms. Significant differences in the importance of these reasons between the two groups were also obtained.

With regard to the interview data, limited access to finance and the cost involved in purchasing shares were frequently brought up in discussions with both CEOs and employees as potential explanations for purchases not transpiring, reflecting the most cited reason for non-purchases in the survey.

Table 6: participants' motives for becoming share owners

	All (n=114)			Majority employee ownership (n=52)			Minority employee ownership (n=62)		
	%	Mean	Importance	%	Mean	Importance	%	Mean	Importance
To have more influence on decisions affecting the company	20	3.2 (1.88)	3	42	2.96 (1.79)	3	5	3.4 (1.94)	3
Help the company	15	3.87 (1.71)	4	29	4.12 (1.86)	4	5	3.66 (1.55)	4
I believed in the idea of employees owning their place of work	55	2.51 (1.43)	2	73	2.46 (1.43)	1	48	2.56 (1.44)	2
An investment	72	2.25 (1.67)	1	67	2.87*** (1.78)	2	85	1.73*** (1.37)	1
Others purchased shares, so I thought I would too	9	4.69 (1.64)	5	12	4.96 (1.7)	5	8	4.47 (1.57)	5
Protect my skills	3	5.26 (1.43)	6	6	5.25 (1.51)	7	2	5.27 (1.38)	6
Reduce the risk of being laid off	16	5.75 (1.99)	7	37	5.13*** (2.2)	6	2	6.27*** (1.65)	7

Note: % indicates the % of participants that marked this option as one of the motives behind share purchase. In a separate question, participants gave a score of 1 for most important, 2 for second most important etc. Hence, a lower mean indicates higher importance. Standard deviations are reported in parentheses. *** indicates a difference at a 1% level of significance according to an independent sample t-test

Table 7: association of ownership motives with purchase considerations

In deciding to purchase shares, who did you consider?	Frequency	%
Yourself and your family exclusively	43	38
Yourself and your family primarily, followed by your co-workers/company	31	28
Yourself and your family equally with your co-workers/company	27	24
Your co-workers/company primarily, followed by yourself and your family	11	10
Total	112	100

Association of motives with purchase considerations:	
To have more influence on decisions affecting the company	**
Help the company	No Ass.
I believed in the idea of employees owning their place of work	No Ass.
An investment	***
Others purchased shares, so I thought I would too	No Ass.
Protect my skills	***
Reduce the risk of being laid off	***

Note: the above are chi-square tests of independence between the possible motives behind share ownership, as per the survey and a second question in which respondents were required to select one response pertaining to their purchase considerations. *** denotes an association at a 1% level of significance. ** denotes an association at a 5% level of significance. 'No. Ass.' means there is no association at a 5% level of significance or below.

Table 8: participants' reasons for not becoming share owners

	All (n=86)			Majority employee ownership (n=45^)			Minority employee ownership (n=40)		
	%	Mean	Importance	%	Mean	Importance	%	Mean	Importance
I was not informed about a share offer	10	4.14 (3.14)	4	20	3.27*** (2.61)	3	0	5.13*** (3.43)	5
No opportunity for purchasing shares had been made available	36	3.66 (3.03)	2	62	2.36*** (2.21)	1	7	5.13*** (3.17)	5
I did not have enough money	49	2.25 (1.59)	1	22	2.76*** (1.57)	2	80	1.68*** (1.42)	1
Investment in the company too risky	8	4.12 (1.89)	3	11	4.24 (1.91)	4	5	3.98 (1.89)	2
I don't believe that employees need to own their place of work	7	4.92 (1.95)	5	2	5.17 (1.75)	5	12	4.63 (2.14)	3
I didn´t want to share responsibility with others	0	6.09 (1.86)	7	0	6.29 (1.69)	6	0	5.88 (2.03)	7
I didn´t trust the management	2	7.05 (2.32)	9	2	7.33 (2.22)	9	2	6.72 (2.42)	9
I knew that others were purchasing shares, so I didn´t need to	1	6.91 (1.99)	8	2	7.13 (1.69)	8	0	6.65 (2.28)	8
I didn´t feel the need to change my working situation in the company	12	6 (2.96)	6	11	6.98*** (2.49)	7	12	4.9*** (3.08)	4

Note: % indicates the % of participants that marked this option as one of the motives behind share purchase. In a separate question, participants gave a score of 1 for most important, 2 for second most important etc. Hence, a lower mean indicates higher importance. Standard deviations are reported in parentheses. *** indicates a difference at a 1% level of significance according to an independent sample t-test. ^1 missing observation for main non-purchase reason in the category of majority employee ownership.

It was also intimated by some employees that a climate of negativity had pervaded in the aftermath of the financial crisis with regard to the experience of some of having previously lost money in the share market, or having run into personal financial trouble, potentially limiting the enthusiasm for investing anew, even if it was to be in a different capacity. This viewpoint was echoed by one of the CEOs.

That employees may have been against ownership as a concept, either in terms of it entailing additional responsibility or involving the taking on of greater risk, was not conveyed by any of the CEOs, even though a sizeable number of survey respondents had marked related options in the question on non-participation.

5.5 Theoretical reflections

Regardless of whether it is viewed in financial terms exclusively—some of the surveyed employees have sought more from their ownership stakes—the exchange of funds for appreciable equity (or at the least, future income), as in the cases investigated, constitutes an investment in technical terms. It is the investment aspect of these cases which warrants further discussion from a largely theoretical perspective.

In applying generalised neoclassical investment decision-making theory to a given group of individual employee-investors, the focus is on such demographic and job characteristics as income, wealth, age and tenure. Holding the features of a specific employee ownership arrangement constant, the decision to invest (as well as the magnitude of investment) should be greater among those who receive higher salaries and possess greater wealth, are younger and have less tenure in the current job. Aversion to risk, which is related to these variables—potentially inversely in terms of the former set and directly in terms of the latter set—can reduce both the amount invested and whether one proceeds to hand over funds at all (Degeorge, Jenter, Moel and Tufano, 2004; Pendleton, 2010; Caramelli and Carberry, 2014).

The results from the first regression in section 5.4 showed that an increase in income raises the probability of shareholding, in line with the neoclassical investment decision-making model, but increases in age and tenure do as well. When the job category variable for managers (the occupational group on higher incomes in the sample) as well as the variable for tenure are removed in the second regression, the results for ownership participation hold for income and age. Indeed, a demographic factor such as income, for instance, should be viewed as indispensable when it comes to individual investment behaviour. Yet, an individual’s budget constraint only scratches the surface of what is involved when it comes to evaluating an investment opportunity, which can be based on return expectations, risk tolerance and risk perception (Milgrom and Roberts, 1992; Hoffmann, Post and Pennings, 2013). It is here that the employee ownership context can be brought back into play. Namely, the amount (and nature) of shares that are on offer, whether discounts on the share price are available, and whether there is the potential to borrow funds to make a purchase. Case firm F provided the latter feature for its prospective employee-owners, yet the other firms investigated only offered shares at market prices and ownership stakes were, until most recently, capped across the board.

Regardless of whether an individual's budget constraint can be moderated by the ability to obtain a loan, income is, theoretically, linked to several other personal and employment characteristics. It can be the product of education level, it can rise to a point (before falling) with tenure, and it can vary according to gender and occupational level. Additionally, there is a specific cross-connection between income, wealth and age. The value of younger workers' financial assets is typically low as compared to total remaining future labour income. This situation is inverted for older workers (Degeorge, Jenter, Moel and Tufano, 2004). The presented empirical cases capture some of this inter-connectedness: higher income recipients are more likely to invest in their places of employment, with more senior employees receiving higher incomes. Behind these variables there are, again, considerations of risk. Despite it not being borne out by the data, in principle, as individuals move closer to retirement, asset allocation decisions may change, a reflection of increasing risk aversion. Safer assets, rather than those with uncertain payoffs, may be preferred as a loss on an investment may prove more difficult to regain in terms of labour income alone, particularly later in one's working life. In contrast, younger workers may be able to take the plunge on an uncertain investment, with a longer period of time to recover from any financial loss incurred.

Still, whether or not employer's stock constitutes a risky investment, will vary according to individual perception[37]. Employer stock may subjectively be considered the least risky of a set of investment alternatives. One possible reason for this is that present workers may feel that they are in possession of sufficient information about their employing firms, accrued with tenure, to permit careful scrutiny of the worthwhileness of a share purchase[38]. They may also sense that this information provides them with an informational advantage over other potential investors (Bajtelsmit and VanDerhei, 1997), if the shares are publicly traded. The idea that individuals might simply have a preference for investing in what is familiar to them has also been posited for the unique investment of retirement savings in employee stock (Huberman, 2001).

[37] If an individual were to already possess a portfolio of assets, an asset deemed to be risky may reduce overall portfolio risk if its covariance with other assets is negative.

[38] A caveat being that some minimum level of financial literacy would also need to be assumed for return potential to be assessed.

Favourable views of investing in one's employer, as they are subjective, may endure yet the related literature has continued to highlight the downsides of doing so. The over-allocation of wealth to company stock results in workers taking on excessive risk when it is retirement plan assets which are at stake, for example (Poterba, 2003; Freeman, Blasi and Kruse, 2010). While there may be incentives offered by employers to induce investment from this latter source, it is the overall notion of 'putting one's eggs in one basket' by combining labour and capital income in the same firm that has long troubled scholars. The risk in doing so is clear: workers end up putting both their jobs and their assets on the line. Firm-specific human capital accumulation raises the stakes of being tied to the firm even further, as far as job risk goes. This is likely to be the case for managerial staff in particular, if tenure is related to career advancement. Therefore, the dual risk—to wealth and to employment—is heightened for managers relative to non-managers. Even without an investment of personal funds into the firm to purchase stock, it has been argued that managers are generally already subjected to inordinate risk if, on top of committing human capital to the firm—embodying skills and knowledge which cannot be bought and sold as easily as non-human assets can—their compensation, which can include the ownership of stock or stock options, is closely linked to firm performance (Zajac and Westphal, 1997).

Returning to cases where personal funds are invested in employer stock and with regard to managers in particular, the question remains as to why such stock would be desired by this occupational group. As alluded to previously, ownership may signal commitment to the firm. It may also be viewed as a means of protecting skills and knowledge acquired, or it may be viewed, somewhat optimistically, as helping to minimise the odds of being laid-off.

To conclude this part of the discussion, while scholars may be concerned over share portfolio nondiversification, this story can reasonably be predicted to be two-sided: in a given firm, there would also be workers—both managerial and non-managerial—leery of being too dependent on the financial performance of the employing firm, with regard to actual investment participation or the magnitude of invested funds.

6. Conclusion

The focus of this paper has been on the antecedents to employee ownership at the individual level of analysis: the personal characteristics influencing ownership status, the motives behind share purchases (and the reasons for non-purchases). Pursuant to this focus, original data, consisting of a survey and personal interviews, collected from six Icelandic case firms differentiated by the amount of equity held by employees, has been made use of. Both quantitative and qualitative methods of data analysis are employed.

The produced research is nestled within the literature on both minority and majority forms of employee ownership. Although the minority employee ownership literature stream contains a decent amount of studies examining the consequences of ownership for the individual actor, it has largely bypassed how employees approach ownership to begin with. The majority employee ownership literature stream, in contrast, while it generally does not neglect the individual-level of analysis, contains some ambiguity with regard to the motives with which workers enter into shared ownership arrangements. Across both literatures, empirical work on the determinants of employee ownership at the individual level is also limited.

The determinants of ownership status, from the distributed employee survey, are revealed to be income, tenure and age in the first logit model estimation. In the second estimation, income and age remain statistically significant predictors of ownership

With respect to the motives behind ownership acquisition, it has been argued in this paper that these should vary, in principle, according to the structure of the firm, be it majority- or minority-owned by its employees. Additionally, there is room for a plurality of considerations with regard to one becoming an owner, rather than simply profit on one hand or control on the other.

In terms of what has been uncovered in the ranking of share purchase motives, a belief in the idea of employees owning their place of work and financial returns were selected, in that order, as the two most important motives for participants from majority employee-owned firms, while these swapped rank positions for minority employee-owned firm participants. Not having enough funds was ranked as either the first or second most important reason for not having made a share purchase, across the two ownership structures. Majority employee-owned participants also ranked not having received an opportunity to purchase shares and not having been informed about a share offer as important reasons for non-participation.

In closing, the financial crisis, as it impacted Iceland, induced an ownership change process which eventually led to the extension of ownership to employees in three of the six cases investigated. At that time, economic conditions had already begun to pick up. In one of the cases, the crisis had a direct impact in bringing about employee ownership. Despite these case specificities, however, it is contended that what has been uncovered is of relevance to the participation of employees in share ownership in other settings, rather than being purely accounted for by the Icelandic context. To this end, when it comes to a discussion of the potential advantages that can come about from the introduction, for example, of an employee share scheme within a given firm, the identification of individual perceptions is important insofar as what the firm might be looking to get out of it—be it increased labour productivity, organisational commitment or employment stability—will be affected by how employees see this form of incentive. The presented empirical results also indicate that financial obstacles prevent some individuals from taking up opportunities to own equity in their employing firms, pointing toward favourable taxation laws and loan systems to help break one of the barriers to ownership and encourage the spread of employee ownership.

Appendix: definition of variables used in the regression analysis

Dependent variable:
Ownership: dummy variable, 1 for owners (current + previous), 0 for non-owners

Independent variables:
Income: average annual salary in Kronur, included as a log transformation to correct for a skewed distribution

Tenure: years employed in the current firm

Age: in years

Job category: 1=manager, 0=otherwise

Working hours: average number of hours worked in the company per week

Education: 1= university educated (of any level), 0=otherwise

Gender: 1=male, 0=otherwise

Marital status: 1=married or long-term relationship, 0=single

Number of children: stated as a continuous variable

Ownership structure: 1=majority employee-owned firms, 0=minority employee-owned firms

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Conclusions and areas for future research

The first paper included in this thesis has investigated the presence of employee ownership in a Chinese context. Its contribution has been to review the evidence pertaining to this ownership form in a specific setting, one that has received less attention in the literature, by piecing together the fragmented evidence that exists on the subject. The review is systematic in that the drivers of, and barriers to, employee ownership are analysed at multiple levels of analysis and is comprehensive in that as much of the available evidence as could be obtained was scrutinised in order to understand its development and arrive at an assessment of its current state.

It can be deduced that employees have certainly had a role to play as enterprise owners in the Chinese economic reform period. The evidence indicates that employee ownership was most prevalent in the transformation of township and village enterprises, as well as some small and medium local government-owned state-owned enterprises to the joint stock cooperative form, particularly during the 1990s. Growing individualism, as a backdrop to cited share purchase motives, was explored. With the acceptance, politically, of private ownership, most joint stock cooperatives swiftly became management-owned. Currently, there is only a fraction of employee shares in listed firms and in the large majority state-owned business groups, which make up a considerable proportion of the Chinese economy.

The conceptual chapter, thesis paper two, sought to take the Chinese context as a jumping off point for a more detailed general exploration of key factors related to employee ownership at the individual level of analysis—resources and preferences (attitudes). In the related literature, a number of reasons have been advanced for the low prevalence of full worker ownership of the firm in particular, globally. In light of this, the paper is positioned to hone in on individual attitudes toward employee ownership, attempting to account for commonly observed final income-earning preferences.

The initial contribution of the abovementioned chapter is to disentangle the multiple routes or pathways to ownership that exist for a given individual, since the one-size-fits-all approach to employee ownership which is often evident in the literature, apart from being misleading, also overlooks interests or needs that are best met in some particular routes, rather than others.

There is variation in the extant evidence with regard to how individuals have become involved in ownership. Having reflected on this evidence, the contents of a range of attitudes toward employee ownership are articulated, which is the second contribution of the paper. Employees are conceived to be either in the possession of more collectivist or group-minded attitudes toward owning shares in a firm, or to be more individually-minded, so that group involvement is for private gain. Alternatively, shared ownership arrangements may be refrained from entirely, the result of a negative or otherwise hesitant reaction towards them. The paper comes to the conclusion that those seeking a financial gain or career progression have a number of shared ownership routes available to them, but that the most demanding of them, the cooperative, is best served by collectivists with regard to employee ownership. In turn, this is the route best able to fulfill one's non-financial interests.

Observed from a distance, it may be normatively pleasing for some if a greater number of workers inverted the traditional employment relationship and took control of their wage setting and working conditions themselves. Yet, values and norms are slow to change and a self-perpetuating cycle whereby a limited cooperative presence reinforces the perceived superiority of wage employment appears unlikely to be broken. Advocates of worker capitalism are likely to find more to be enthusiastic about when it comes to the spread of employee share ownership plans in the United States and financial participation schemes in Europe. Still, such mechanisms only cater to employees' monetary interests and have less to offer in terms of a meaningful impact on firm-level decision-making.

The empirical chapter, thesis paper three, investigated the motives held by employees for acquiring shares in their employing firms, as well as the reasons why some of them did not end up changing status as wage-earners to become owners, together with the personal characteristics that have influenced share ownership status. The investigation of these subject areas requires getting hold of individual-level data and, consequently, they have been less frequently studied in the literature. It is in these subject areas that the paper contributes knowledge. A series of cases, split into majority and minority employee ownership of the firm, were investigated in an Icelandic context to address these matters, with both quantitative and qualitative methods of analysis utilised.

With regard to the obtained results, the final regression model indicates that income and age have significant effects on the likelihood of share ownership. Related theoretical considerations, pertaining to the factors behind these variables, framed in investment terms, were then discussed. For the other empirical component, several motives for purchasing shares were frequently cited in majority employee-owned firms, among them a belief in the idea of employees owning their place of work, an investment, having more influence on decisions affecting the company, and reducing the risk of being laid off. The first three of these motives were ranked by importance accordingly. In minority employee-owned firms, buying shares as an investment was ranked as the most important motive. Most minority employee-owned firm participants cited a lack of funds as a reason why a share purchase did not transpire. This reason was less frequently cited in majority employee-owned firms. Not having an opportunity to purchase shares and not being informed about a share offer were also commonly cited.

Concerning analytical generalisability, the empirical findings are largely taken to be what they are: produced from six case firms with a moderate sample size. Having said that, the firm types involved are recognisable across western economies and the intention of following this research strategy is to highlight themes that are relevant to the topic of individual employee participation in share ownership, among which there is arguably some transferability even if observations occur within a single context.

Despite the survey question related to motives being posed in such a manner as to entice a range of responses, there appears to be some evidence that the motives behind share purchases in the Icelandic case firms have been multi-faceted rather than being overwhelmingly instrumental. Indeed, one of the surprising take-aways from the empirical research conducted in Iceland has been survey respondents' frequently expressed belief in the idea of employees owning their place of work, across minority as well as majority employee-owned firms. It may be that a reaction to the mismanagement of national assets in the lead up to the financial crisis prompted a sentiment opposing ownership being left completely in the hands of others again, even if the personal stakes acquired were often only symbolic or the aggregate equity held was sometimes minimal.

In all of the included thesis papers, there is a close link between the three levels of analysis—the societal, organisational, and individual levels—when it comes to employee ownership, even if the individual level has been the major focus of papers' two and three explorations in particular. Conceptually, it has been discussed that ex ante evaluations regarding employee ownership are tied to social institutions—education, the family, the labour market (or the organisation of work)—and broader economic conditions. Empirically, it has been recognised that opportunities for employees to become owners are tied to the presence of external support (in terms of access to finance, for example), and both firm type and performance (majority or minority employee equity stakes and the need for financial contributions), from which the choice of whether or not to become an owner is made (and the motives behind this choice are recalled).

This final chapter concludes by looking at future research directions that can be envisaged after having completed the work that has constituted this thesis. Beginning with the first paper set in a Chinese context, the process of reviewing the evidence pertaining to the existence of employee ownership has brought up a number of areas for possible investigation. For instance, with regard to quantifying the spread of employee ownership, the most pressing need is the collection of more precise data at the national level to further assess the development of this type of ownership. Indeed, it appears as if a major obstacle preventing the growth of empirical work on employee share ownership, and Chinese privatisation more generally, has been a shortage of officially endorsed, nationwide statistics documenting the extent of its spread. Ideally, such data would be combined with the investigation of existing statistics.

Since it was uncovered that the joint stock cooperative was one of the major vehicles for employee ownership in the large-scale privatisation period between the mid-1990s and early 2000s, it would be of interest to learn more about them in their current state: do they still include some employee ownership, and to what extent is ownership spread among larger groups of employees? The available statistics show that JSCs are now important in some of the inland Chinese provinces. Have they followed the same trajectory as JSCs in coastal provinces which rapidly became management-owned or have they been able to preserve some amount of employee equity? Answering these sorts of questions may be achievable through smaller-scale surveys.

With regard to future empirical work connected to the second thesis paper, the *attitudes toward employee ownership* construct is operationalisable. To proceed requires the assignment of suitable measurement items for each of its dimensions. Empirical work can then be carried out at the construct level, rather than the dimension level, since the attitudes construct has been specified theoretically as deriving from its dimensions. Access permitting, opportunities to potentially apply the construct—where employees purchase equity in the firm or some proportion of salary is traded away in order to keep a firm afloat—pop up from time to time. It is conceivable that the case study research method will be applicable if the construct is to be put into action.

It has been discussed that the spread of employee ownership depends on individual actors—their willingness and ability to become owners, as well as societal- and organisational-level conditions. A complex, dynamic relationship exists between them. The final component of the thesis has taken a first step in this regard, concentrating empirically on the individual level of analysis in a selection of case study firms. Future work involving more countries and consisting of the analysis of a greater number of employees (and their employing firms) would help to better understand how employee ownership comes to pass. This could involve delving into single firms organised as worker cooperatives, or into investor-owned firms where different employee ownership structures are in place. Additionally, while there are several studies on the performance effects of employee ownership, it would also be useful to connect expressed motives behind ownership acquisition to actual behaviour, in relation to both firm-level outcomes and individual-level indicators such as turnover and progression through an internal job hierarchy. In short, the work constituting papers two and three of this thesis has put the spotlight back on individual employee-owners, yet there is scope to undertake empirical work that further hones in on them in the future.

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