

Reader asks about employee ownership

Shannon Jones
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Dear editor,

I suspect my own definition of socialism might be suspect by international standards: the workers control the means of production. I work for a municipally owned utility and, after twenty-five years, still think of myself as a socialist. But we, the workers, don't run the enterprise in a popular sense. But in many ways we do, unofficially. Not exactly Stalinist, it IS controlled by a bureaucracy with its own agenda, and a popularly elected city council (the utilities board position is ex-officio).

My real question is this: is an employee-owned-and-operated company a socialist organization? By my definition, it is. United Airlines is one that comes to mind. How does this square with the SEP?

Since finding your website, I am finding myself more comfortable (i.e., not so lonely) re-identifying as a socialist. I live in a center of right-wing activity and my liberal leanings are not well accepted. As I approach retirement, I am seeking a political outlet for my time, and the SEP is looking better daily, as the major parties in the US self-destruct in mutual viciousness.

Charlie

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Dear Charlie:

Thank you for your e-mail. You asked "is an employee-owned-and-operated company a socialist organization?" You indicated you felt it was, and gave the example of United Airlines.

It is necessary to treat skeptically the popular labels attached to social phenomena by the political establishment and the news media. While it may appear on the surface that stock purchase deals or "worker buyouts," like the one at United Airlines, are examples of worker ownership, a closer examination reveals this to be false.

Under the profit system even "public utilities," such as city water departments, serve as opportunities for

investment and speculation by the wealthy. A typical urban water department pays out millions of dollars in interest each year to the holders of tax-free bonds. Like every capitalist entity, "public utilities" are based on the principle of profit before human needs. Thus, thousands of poor and working class families have their water cut off each year because they cannot afford to pay their bills.

So-called employee-owned companies are also capitalist enterprises. They operate to make a profit and are subject to all the laws of the capitalist market. They must meet competition on the national and global arena through the capitalist methods of cost-cutting and downsizing.

Even the claim that workers are the genuine owners of United Airlines and other "employee-owned" companies is false. It is the banks and financiers who funded the deal who are the real owners.

These "worker buyouts" follow a definite pattern. Generally a company that is in trouble turns to its unions for concessions in an attempt to force the burden of the crisis onto the backs of the workers. There are threats of mass layoffs or closure. Workers are told they have no choice but to give up huge cuts in pay and accept the destruction of working conditions.

They are told they must agree not to strike. In exchange they are given shares of stock in the company, usually with the stipulation that the shares cannot be sold for a certain number of years. More often than not, the shares often turn out to be worthless.

Take the case of McLouth Steel, a "worker-owned" company in Michigan that went bankrupt and closed in 1996, following a 1988 buyout organized by the United Steelworkers union. At the end, McLouth workers with the highest seniority were earning pay barely half that of workers at other major mills. When the mill finally closed, the supposed worker-owners were not even given advance notice. Most learned about it through the

TV news and the newspapers.

In the case of United, while the employees have been given a nominally controlling share of stock, 53 percent, real control of the company still rests in the hands of the same management team as before. The beneficiaries have not been the workers, but the union bureaucrats. The three airline unions each obtained one seat on the company board of directors.

Workers paid for their stock by handing over more than \$5 billion in concessions and agreeing to other cost-cutting measures, such as the replacement of some unionized jobs with contract employees. The buyout agreement created a low-cost subsidiary, United Shuttle, where workers are paid at a rate 30 percent below Southwest Airlines, United's major short-haul competitor.

In a letter to the United Airlines board of directors filed with the Security and Exchange Commission, the Air Line Pilots Association and the International Association of Machinists declared, "We believe that our plan will catapult the company light-years ahead of its competitors by enabling it to serve the global community more flexibly and efficiently than any other major American carrier and to compete head to head with 'low-cost carriers' in the short-haul marketplace."

This is a far cry from socialism. We see socialism as a product of the cooperative, voluntary and conscious action of the working class, not something forced on workers in the interests of corporate owners, bankers and union bureaucrats. In a society that has overcome capitalist private ownership of the means of production and is advancing towards socialism, the working class will democratically control and plan production for human need, rather than profit.

As opposed to global dog-eat-dog competition, socialism bases itself on the international unity of the working class. Moreover, those who work and produce will be encouraged to educate themselves and take an active part in management. In fact, modern technology demands an increasingly educated, skilled and engaged work force.

However a genuine communality of interests is not possible between the working class and the capitalist owners of big business. Present day society is divided between a tiny handful who own and control and a vast majority who work and drudge. The profit system is based on the enrichment of the capitalists through the

exploitation of wage labor. This relationship is not altered even if workers are at the same time stockholders.

The setting up of small socialist enclaves in the midst of a world market dominated by huge transnational corporations is not possible. Even in the formative period of industrial capitalism the futility of such ventures was demonstrated by the ultimate failure of model communities established by early nineteenth century utopian socialists, such as Robert Owen.

A British manufacturer, Owen was genuinely sympathetic to the working class and understood the superiority of a system based on cooperation, social equality and the channeling of profits to meet human needs. However his model socialist communities failed, in the first place because of their isolation and small scale, and in the second place, because Owen set the impossible task of convincing the capitalists of the superiority of socialism.

I hope this reply contributes toward answering the question you raised.

Sincerely,

Shannon Jones for the WSWWS editorial board



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