America's Worker-Owned Plywood Firms*

by PAUL BERNSTEIN**

Eighteen plywood companies in the Pacific Northwest are owned and controlled by their workers. They're prosperous, they've been going for a long time, and they teach some lessons about workers' control.

"Linnton Plywood Association – Worker-Owned" announces a large sign along Portland's Route 30. A second sign, "Retail Plywood," urges commuters to pull off the road and become customers. Proud of its products and of its self-management system, Linnton is one of 18 plywood manufacturing firms in Oregon and Washington that are fully owned and managed by their employees.[1] These companies make up about one-eighth of the American plywood industry. They range in size from 80 to 450 worker-owners, and each one grosses between $3 million and $15 million annually.[2] Some of the firms have been in operation for over 30 years.

"We started out in order to create job security," explained one worker-shareowner about the founding of his company. "It was the Depression; finding work was real tough. Several of us who'd worked in plywood mills, plus a few loggers and mechanics, decided we might as well try to create our own company." Most of the founders were heirs to a Scandinavian tradition of cooperative enterprise, common to that immigrant population in the Pacific Northwest.

The men elected a search committee to find a site and discovered that a few small communities were eager to welcome a new business. To purchase the land, building materials, initial raw stock, and production equipment, each of the men contributed $1,000. To raise that money, most had to borrow from friends, mortgage property, cash in savings bonds, or pledge future wages. In return, each worker received one share of stock in his new company. The share entitled him to employment, an equal share of the profits, and an equal vote in deciding all company matters. The men constructed the plant themselves, and though the first two years were difficult, the company soon prospered. Plywood was then a relatively new industry with a steadily increasing demand.

Three other worker-owned companies were established just before World War II in much the same way.[3] They too found a ready market for plywood, which was further boosted by wartime demand. A few years after the war the private owner of Oregon-Washington Plywood Company in Tacoma decided to sell his business. The market price of plywood was then declining and there were problems getting logs. Aware of the four successful worker-owned mills, a few workers in this firm began a campaign to convince their fellow employees to buy the company. Though raising the money would be a hardship and the project itself risky, about three-fifths of the firm's employees pledged their support. The original owner not only agreed to the arrangement, but even offered to stay on as sales broker for the first six months.

Again, $1,000 was the sum set for each man to contribute. Since more than twice that amount was needed to buy the company, each worker bought a second share on time. The new shareowners also decided to lower their wages to create operating capital for the first few months. The market price of plywood continued to decline during that first year, and the going was rough. But the men worked hard and were willing to defer payment of part of their

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[1]Numbered notes appear on the final page of this article.

wages. The next year brought a boom market for plywood and the company, renamed North-Pacific Plywood, Inc., has prospered ever since.

Indeed, the ability of worker-owned mills to survive the severe price swings characteristic of the plywood market helped lead to the creation of over 20 worker-owned companies by the mid-fifties. Shares of the prewar firms had risen in value from the initial $1,000 to $40,000 or $50,000, and this gave other workers more confidence in their ability to buy and successfully operate closed or bankrupt conventional firms. Some nonworkers became attracted to the idea too, and a curious new breed of business promoter cropped up. These people arranged the establishment of worker-owned companies, taking a cut of the profits as their service fee. Some of the agent-created companies quickly failed, and a few agents were even taken to court for fraud. The resulting scandal somewhat cooled local ardor for launching any more worker-owned firms. After 1955, not one seems to have been founded.

In September 1973, I visited about half of the ongoing firms. When I asked one mill president about how the company was run, he explained, "With 450 bosses, that's how!"

The organization of the plants varies from one to another, but all reflect the same general process. Employee-shareholders meet annually to elect from their own number a board of directors (which in Europe would be called a workers' council). The board makes most policy decisions, but its power is checked by the whole group. For example, expenditures over $25,000 must be approved by the entire membership of the company. Similarly, any major decision to invest, build a subsidiary plant, borrow a large sum of money, open a sales contract, or sell a sizable asset must be voted on by all the workers. In some companies the workers can challenge a board decision by collecting a petition of 10–20 percent of the membership and calling a special shareholders' meeting to decide the issue.

A president, vice-president, and secretary-treasurer are also elected yearly. In several mills, the president is the worker who received the most votes in the board election. The elections themselves seem to be partly a popularity contest, partly the selection of genuine business-leadership talent, and partly an expression of task-group friendships.[4]

The board of directors appoints a general manager to coordinate day-to-day affairs. He is the company's expert on business matters and usually comes from outside the firm. The rest of the administrative staff consists of a plant supervisor, sales manager, logs purchaser, accountant, shipping expediter, and their assistants, usually all shareowners.

The governing process in the mills is based on a circular pattern of authority. The workers hire the manager, set his salary, and make all major decisions on company expansion, modernization, diversification, and so forth. Yet on a day-to-day basis they work under the manager's direction. The directors, elected by their fellow workers, receive neither deference nor extra pay, and continue to work in the plant after election. It is impossible for them to avoid suggestions from other workers. Several directors commented on the number of times they are told off by their fellow workers in the course of a week. And the worker-owners feel free to walk into the general manager's office with complaints or suggestions. If

for some reason he is not available, they can always ask the company president, a fellow worker, to speak to the manager for them. In clear contrast to most political democracies, participation does not end with elections.

Of course, some workers are more involved than others. These workers feel a strong responsibility to make the company succeed; they learn all they can about the company's problems; and they run for director. Others who are known to be talented refuse to take on leadership responsibility: "Why bother? It's too much of a hassle." A good number of workers feel incapable of being leaders and offer only a suggestion or two. Almost all, however, feel willing to complain to any director or officer. Finally, there are some worker-owners who do not participate at all. These consider their company to be like any other mill except that it provides greater take-home pay.

To supplement the informal communication network where worker-directors talk with their friends back on the production line, company issues are presented to shareowners in more formal ways. In the most concerned companies, monthly reports are sent to each worker's home. The reports give the company's profit and loss statement, its output, inventory, sales situation, and the other crucial economic transactions usually reserved for top executives in the standard corporation. In less diligent worker-owned firms, a shorter statement is prepared quarterly and left in a stack on a table for interested workers to pick up. Reports from the twice-monthly board meetings are posted in most companies. At year's end the company financial statement is circulated to all worker-owners and, in at least one firm, a complete audit is mailed to each member, revealing exactly what has been paid to every other member of the firm.

Members told me they had no trouble being prepared for a general shareowners' meeting. Even if the agenda were not printed up, everyone knew what matters were at hand. "Regular talk in the plant *is* about the company," they reported.

Productive Management

Much of the success or failure of the worker-owned mills depends upon the general manager. He needs both sound business sense and the ability to present his viewpoint convincingly to the directors. His relationship with the members affects their motivation in the mill as workers. It also affects their flexibility and wisdom in making long-run business decisions as owners.

Many a manager has found himself caught between the workers' wants and his own judgment of what's best for the firm. He must deal with a basic tension between the workers' interests as wage-earners and their interests as owners. The first interest focuses on the short-run: "Give me my income now—as big a share of this year's surplus as possible." The other interest is long-term, for example: "We must reserve 15–20 percent of every year's surplus to purchase timberland so we'll have an assured supply of raw material in decades to come."

Another tension exists between the workers' expertise about their specific jobs in the plant and their minimal knowledge about outside factors to be considered in collective decisions. Most often the leaders' complaints reflect this particular contradiction of interests:

It's hard to follow good business practice in this company. The share-owners take a limited approach to things.

Our firm needs to learn how good businesses can grow. Expansion is virtually nil in most worker-owned mills. The men want to work with what's closest to them. They've never entertained the thought of going beyond plywood, for instance [into other wood products].

The men are too conservative about going into debt. They resist borrowing funds for plant improvement even after they agree that the upgrading should be done. They'd rather wait until we had enough cash on hand to pay for it.

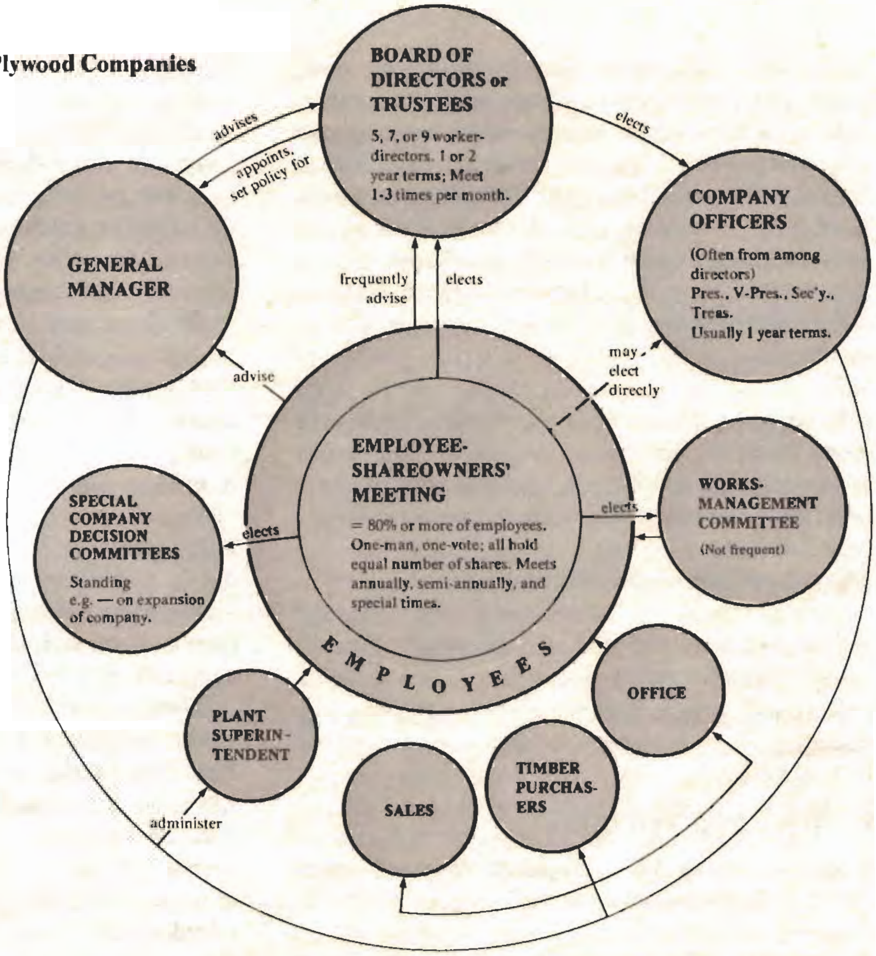
The workers need to learn the value of risk-taking.

Two ways are relied upon to solve this problem. One is for the manager to show the workers clearly how their short-term interests depend on the firm's long-run investment. The other is to have many workers learn the facts of business directly by becoming directors. "I think every worker should be elected to the board at least once," remarked an old man in overalls, sweeping up wood chips from underneath a conveyer. "I was a director once, and really learned the problems of the company." A manager agrees: "There's a tremendous increase in the individual worker's understanding of business just from his serving on the board."

In spite of these difficulties however, the firms prosper. The enormous forces of productivity often generated in self-managed and self-owned firms can more than outweigh the inefficiences of semi-amateur management. Worker-owned mills have demonstrated their higher productivity compared to conventionally owned firms in many ways.

1 Workers' collectives have many times taken bankrupt or losing private firms and converted them into successful enterprises.

Organization of Worker-Owned Plywood Companies



2 Worker-owned firms' output averaged 115-120 square feet of plywood per man-hour in contrast to conventional firms' 80-95 square feet, according to a study of the 1950s.[5] They were producing 170 square feet per man-hour compared to 130 square feet for conventional firms in a study of the 1960s.[6]

3 When worker-owned firms were challenged by the Internal Revenue Service for paying their members higher than industry-level wages and for deducting those as labor costs, the companies were able to demonstrate to the satisfaction of the IRS auditors and the tax court judges that these higher wages were justified by their 25–60 percent greater productivity than the plywood industry average.[7]

4 In general, worker-owned mills operate at a higher percentage of capacity than do conventional mills.[8]

5 Whenever the entire industry has suffered from a slump in demand and private firms have thus had to lay off workers, worker-owned firms have been able to keep their men on the job. (They have added to "social productivity" also, by saving state agencies or the community the burden of unemployment compensation, and by sparing workers' families the divisive tensions that accompany unemployment.)

Reasons for this greater productivity are apparent in the attitudes of the workers:

When the mill is your own, you really work hard to make a go of it.

Everyone digs right in—and wants the others to do the same. If they see anybody trying to get a free ride, they get on his back right quick.

Group pressure here is more powerful than any foreman could be.

If a guy held back, he didn't feel right. Actually, he was stealing from the others.

Thus, pride of ownership motivates these men to produce more than hired workers, and mutual supervision keeps potential laggards from lowering the standards.

The effect of the management process on supervision and productivity is illustrated by the experience of a firm whose worker-owners recently sold their company to a large conglomerate. (The reasons for the sale are detailed later.) Under the new owner, eight more foremen are needed, though there are 100 fewer workers. I asked the plant superintendent, who had worked under both systems, if there were any differences now that the firm was no longer worker-owned:

Oh, certainly. People were eager then. They were more efficient. You could depend on them often staying beyond five o'clock. Nobody worried about time–their aim was just to finish the product.

The workers expressed similar feelings:

Before you took real pride in your work. Now we come just for the money.

The men used to boast about their output. Now no one cares.

Owners and Workers

Worker-owners in the self-managed plants are enthusiastic about their day-to-day work lives.

Working here doesn't narrow you down. Any job I want to learn, I can do. People aren't locked into their jobs.

A humanized work life in these firms includes the freedom to take time off when needed. From one day to three months can be requested in addition to the worker's paid vacation. The requests are usually granted because the flexibility of work assignments in the firm allows other workers to take over the missing person's responsibilities. The only restriction is that he not use his time off for moonlighting because then he would be violating one basic obligation of his share: to contribute equal labor to the common enterprise.

One complaint in the firms is that the older workers do not, in effect, live up to this obligation because they are kept on way beyond their usefulness to the company. Retirement is not compulsory, and the employment of older members who are less efficient is criticized as a form of featherbedding. Of course, the employment of older workers who want to continue working is far more humane than the forced retirement of traditional companies. Workers in the plywood firms can continue their life-long trade among friends during their last years.

In the firms I visited, most of the members were middle-aged and older males. There are women shareowners in some firms, but without exception they hold jobs in the office, not in the plant. Office work isn't seen as inferior to production work; men also work in the office. But firms hold to the traditional desire to protect women from the dangers of machine work (large rotary saws, hydraulic presses, steam boilers, veneer blades, and chain conveyers are all used in this work). And women would perhaps be considered intruders into the camaraderie of the mills, which is like that of male sports teams, locker rooms, or local pubs. The women working in the office who now are shareowners said they had met initial resistance to their desire to buy in. But they didn't feel there was any permanent resentment against them. Their reasons for wanting to be shareowners were practical: they wanted the higher income and security that shareowning provides.

There are other material benefits as well for worker-owners, which vary somewhat from firm to firm: free lunches in the company's own restaurant; full medical care, including dental and eye care, and coverage for each family; the workers' own gasoline supply at wholesale prices; and company-paid life insurance. All of these "fringe benefits" were obtained years before unions were able to secure just a few of them for workers in regular plywood mills.

The pay is almost always higher in worker-owned plywood companies than in the others, not only on an hourly basis (which usually averages 25 percent higher) but also because of the year-end division of the profits. The latter has run to several thousand dollars per person in good years. Sometimes a portion of the bonus is retained in a pension fund, and managed by a bank to increase its value. Sometimes a portion is converted into "Finance Fund Certificates." (These are used by the company to generate significant amounts of capital, in effect borrowed from its worker-owners. The certificates are redeemable within three to ten years, paying 4–8 percent interest.) And finally, each worker receives the full value of his share when he leaves the company, either by selling it to an incoming worker or to the company itself. Such shares typically bring \$20,000 to \$40,000.

A special vocabulary is used in these firms to describe their financial operation. Capitalist terms do not fit the enterprises, but instead of drawing on European socialist vocabularies, the workers adopted their terminology from the cooperative movement (especially producers' cooperatives). Thus, instead of "wages," the shareowners' take-home pay is called an "advance on patronage receipts." The advance is given until the full amount accruing to each worker from a division of the year-end surplus can be made. Instead of "profits" the surplus of sales over production costs is termed the "margin." And the annual distribution of that margin is called a "refund" because of this theory: the wealth of the firm resulted from its members' labor, and the amount they did not receive as compensation advances during the year is what has accrued into the margin or surplus at year's end. It is thus "refunded" to them.

Highly skilled workers sometimes resent not receiving more pay than men who do the simplest jobs in the firm. Because their roots are in a cooperative, egalitarian philosophy, the plywood mills pay all members an equal wage: floorsweeper, skilled panel-finisher, and accountant alike. Since certain jobs may take longer than others, or a machine may be shut down for repairs and put someone off work for a few hours, a sophisticated system of record-keeping has evolved to equalize the final take-home pay. Every week or month a man's hours at work are totaled and whoever has less than the standard is given first bid for weekend work to bring his total pay up to equality. He need not actually work then if he doesn't want to, but he must be offered the opportunity. Likewise, those whose weekly or monthly totals exceed that period's standard must reduce their hours during the next period to the level that allows for equal income.

Equal wages are regarded by some as unrealistic, especially because in low-profit years some workers may leave the company for higher paying jobs elsewhere. (In those years the fixed wage of the highest union-scale jobs in other plants may be better than the variable wage in a break-even worker-owned mill.) In order not to lose men in bad years from certain crucial jobs such as electrician or mechanic, some firms have made these into nonowner positions. They hire men for those posts at higher salaries than the egalitarian pay. However, most worker-owners are reluctant to create high salaried jobs, so the practice is limited to a few positions, including general manager.

In addition to using one or two highly paid, nonowning, skilled workers, many mills employ ordinary production workers on a much larger scale. This practice seems contrary to the egalitarian philosophy. The number of these nonowning workers varies from season to season and from firm to firm. It can be as high as a third of a mill's workforce, but most often it is around 10 or 15 percent. Some of the hired employees are sons or sons-in-law of current shareowners, interested in temporary employment during the vacation months and not in ownership. Some others were considered too old when they joined to be able to pay off a share fully before their retirement. Others are "temporary" workers hired during peak demand seasons, who then stay with the company for years.

The most basic reason nonowning workers are not brought in as equal partners is that shareowners are reluctant to devalue their stock by adding more shareowners. They assume that the value of each man's share is roughly determined by dividing the company's total worth by the number of shares in existence.* If every time you need a new employee you must also issue him a new share, then the value of your own share could decrease. "You'd be cutting the melon into thinner slices," explained one worker. For this reason they prefer to let a new person purchase a share only when a current member leaves. A second major reason for nonowning workers is that sometimes, even when a share is available, a worker cannot afford it. A down payment of $2,000 to $8,000 is normally required, and there is a monthly deduction from wages to complete the purchase of a share. These installments can run $150 to $250 per month for up to ten years.

A third group of nonowning workers are at special plants at forest sites. At these plants the logs are cut into thin sheets of veneer, the first step in plywood manufacture. The worker-owned mills seem always to have treated the veneer plants as subsidiaries, never having opted for multiple-plant democracy or a federation of self-governing plants. A few shareowners are stationed at these forest mills as supervisors, but the rest of the workforce consists of hired hands.

The nonowning employees at the plywood companies do not receive the same fixed, egalitarian wage as shareowners; they are paid according to the prevailing union scale. However, they usually enjoy the same fringe benefits as shareowners: paid holidays, life insurance, medical plans, and a Christmas bonus. And of course they have the same physical working conditions. Nevertheless, they cannot participate in any of the firm's self-government. The others are their bosses, not partners. And usually they are not protected by a union. (They do benefit indirectly from union gains achieved in conventional plants, for the rule of thumb seems to be to give them at least what the industry-wide union contract requires. Two

*Of course, high demand for a job at the mill, through purchase of a share, can drive the price higher than that minimum value, which accounts for the prices cited earlier.

unions negotiate for almost all workers in the plywood industry, bargaining with a private-owners' association called the Timber Operators Council. The unions are the International Woodworkers of America [CIO] and the Lumber and Sawmill Workers Union [AFL].)

In one large mill, which regularly employed about 100 nonowning workers (one quarter of the total workforce), the men did belong to a union which represented them to the board of directors. I wasn't able to uncover many details about union organizing in other worker-owned mills. The few nonowning workers I met didn't seem to be much concerned. One said that he did "miss the backing" he had enjoyed as a union member in a private firm.

Union officials generally take a dim view of the worker-owned mills, even those without hired men. When the plywood market is good and worker-shareowners receive a higher return and better benefits than the unions can get from private owners, the unions resent worker-owned mills as unfair competition. When the market is severely depressed and worker-owned mills lower their pay to shareowners, the unions fear this might threaten the wage scale they have achieved in conventional mills. (In fact, the latter hasn't led to any lowering of the union scale by private owners.)

The attitude of most worker-owners toward the unions is dormantly sympathetic. They had been union members before they founded their own company and many keep up their union membership. But they are not active as a local union chapter because the main function of a union, negotiating for higher wages and better working conditions, is something they take care of themselves.[9]

Selling Out, Buying In

At least 26 worker-owned mills have been in operation, but today there are only 18.[10] What happened to the others?

One relied too heavily on an inept manager, who was interested in the high salary rather than the firm's future. (Worker-owned firms generally pay their managers upwards of $60,000 compared to $25,000–$30,000 in like-sized conventional plywood firms.) By the time the directors realized what was happening, they were unable to rescue their firm from bankruptcy.

Another mill relied on the word of its former parent company that it would establish a national sales organization, which never was done. The worker-owners sued the parent company to recover their losses. Though the courts eventually decided in their favor, the settlement took years. The high legal expenses on top of the initial loss of sales were too much for the shareowners, who abandoned the project and sought work elsewhere.

Aside from economic failures, there are three or four worker-owned firms whose very success ironically led to their demise. These firms continue as plywood mills but are no longer self-managed. At least partly because of their age, the worker-owners sold their firms to conglomerates and turned them into standard corporations.

Often the founders of worker-owned firms are about the same age. If most of them stay with the company into their sixties or seventies, the majority of shareowners are apt to retire within five to ten years of each other. They count on the sale of their shares for retirement income. If during those few years not enough individuals are found to purchase the shares, an outside corporation's offer to buy them all at once can seem attractive to the majority of shareowners. In one cases, each worker received close to $200,000 worth of securities for his single share. It is the successful firms, of course, that are most vulnerable to this. The high price of their shares makes it harder for individuals to buy in, while their success attracts conglomerates like ITT or the Times-Mirror Corporation, each of which recently bought a prosperous worker-owned plywood firm.

Even in companies where a majority of shareowners aren't ready to retire, there may be incentives to accept a corporate offer. The higher price of shares in successful companies often means that each individual who does buy in must take a longer time to complete payment on his share. When a large number of shareowners are on such time-payments, they may see a generous takeover offer as an opportunity to be relieved of further payments and even to make a substantial profit. When this "un-paid-up" faction is added to those near retirement, a majority of shareowners may wish to accept a conglomerate's offer. A third factor in workers' decisions is the fluctuating price of plywood. For example, both Anacortes and Peninsula were sold after the two-year slump of 1967-68 had put real hardships on the worker-owners. Thus, three of the oldest and most successful worker-owned mills sold out to larger corporations in 1954, 1969, and 1970. The life-span of each was about 30 years.

Despite their general laxity about corporate takeovers, the worker-owned mills have carefully developed two provisions for ensuring their continuity through the sale of individual shares. In all the firms it is a basic rule that the company must have first option to buy back a share if a member decides to sell. If the company declines the option, and the member finds a buyer, the board of directors must approve the new person. "After all," one president explained, "we're not hiring; we're taking on a new partner."

Most companies have an informal trial period for new members. They are taken around the plant to work at various jobs alongside as many shareholders as possible. Some firms also put great store in having prospective members "sponsored," by being a friend or relative of a current (or the outgoing) member. Companies in the Portland area have advertised the availability of their shares in the city newspaper (under "Business Opportunities" in the classifieds), but the most successful company I visited thought that the practice was too likely to bring in incompatible types.

In firms that are not very careful in their selection procedures, I did hear some complaints about "the younger generation":

They don't care as much.

They aren't interested in the company.

They're not hard workers. They've grown up in the affluent era and don't have the same attitudes about the value of work.

The hard-working younger people, however, were quickly recognized and respected.

Although individually successful, the plywood firms have not been part of a growing movement since 1955. One reason is that to start a new mill is more difficult: the price of plywood is no longer steadily rising, the cost of logs has soared, and other employment is available in the area. No longer are there community leaders or business agents who offer to organize worker-owned mills. And perhaps the present generation is less willing than the past to sacrifice a decent income for the two to four years that it takes to get a self-managed mill fully underway.

The number of successful worker-owned mills has also been reduced by the sale of a few to private corporations. There has been no great resistance from the workers to these sales because of the members' implicit priorities. The worker-owners view their companies not as specimens of self-government to be preserved for their own sake, but first of all as means for their own livelihood. Thus, if it's more profitable for a majority of worker-owners to sell the company, they may be willing to sacrifice self-government.

Nevertheless, there are individual leaders who wish to see their form of self-management spread. And there have been one or two instances of a new worker-owned mill spinning off from a parent collective.[11] But no general procedure has developed by which the worker-owned mills might proliferate.[12]

There have been a few efforts at joint activity. The most long-lived has been a joint marketing association that includes Lacey, Hoquiam, Stevenson, Linnton, and North-Pacific plywood companies. The original intention was to include all the worker-owned mills and perhaps to corner the market on highly finished plywood, a product in which they excel. But the antitrust laws set limits on the possibilities of official coordination, and not all sales managers and directors were committed to helping the less successful firms. At the moment, some member mills are considering joint purchase of raw materials.

Preserving the democratic form beyond the work-lives of the present members would probably require policy changes for most companies. A conscious effort to stagger the ages of the firm's shareowners would be one obvious tactic so the problem of generations might never arise. Setting a maximum price on each share is another possibility. Then share prices could not get beyond the reach of job seekers, which results in a backlog of members desiring to sell. When that backlog turns into a sizable proportion of the firm's shareowners, the company's future as a worker-owned firm is in jeopardy.

One possible objection to this scheme is that limiting the price of a share may rob its original owner of his rightful retirement income. The solution might be to provide a generous retirement income (pension) through the company's reinvestment of yearly profit returns. At least one company already has been retaining a part of each shareowner's yearly profit slice, the "patronage refund," in a bank-managed investment fund. Instead of claiming that money while he is still on the job, which is currently the practice, a worker might gain access to it only when he offers his share for sale, i.e., when he is ready to leave and really will need the income.

However, a second possible objection to limiting share prices is the fear that such limitations might reduce the incentive behind worker-owned mills' high productivity. It is true that ownership of the firm is responsible for a great deal of the higher productivity. But it may not be the expectation of a final life-time bonanza that motivates the workers so much as the expectation of higher monthly returns and the annual division of profits. Both of these factors would remain the same, as would pride in ownership, the other major incentive. Admittedly, this proposal must remain open to much scrutiny and it really needs the acid test of an experimental trial in at least one worker-owned firm.

Making It Work

Worker-owners in most of the plywood firms are concerned mainly with their individual plants. But through their experience of creating and operating their own companies over the last three decades, they have developed practical structures and concepts useful for establishing self-management elsewhere in this country. In particular, the following mechanisms enable self-governing enterprises to be carried on within the present legal and financial environment:

1 They invented the "working share," which secures for each person the rights of ownership, labor, and self-government, and does so on an egalitarian basis.

2 They have worked out a space within existing state law, through incorporation either as cooperatives or as jointly held corporations.

3 They have won a series of battles with the Internal Revenue Service to define an acceptable status under federal law (the tax code).

4 They have created a "workers' council" structure and process in the United States without waiting for a socialist revolution or a change in labor union ideology.

5 They have developed a mechanism to equalize the distribution of incomes, again without waiting for the state to do so.

6 They have found a form of property relations that minimizes the exploitation of one person by another. At the same time it does not grant to the state an ownership power that could be oppressive (e.g., as has happened in the Soviet Union).

The founding of these plywood companies offers further lessons too. Some characteristics of their first years seem crucial not only to their own success, but to the success of any current efforts to establish worker-owned companies in America:

Timing. Workers seem most willing to depart from the prevailing system and launch into self-management when the traditional system is obviously failing them. A good proportion of the mills were founded either during the Depression or when workers in a private mill saw their own employers about to close up shop. The same was true for the Lip watch workers recently in France, an English leather goods factory, and the original Scanlon participation plan at Adamson Storage Tank Company in Ohio.[13] When closures are imminent, management is already relinquishing its power; there is no need for workers to force it out or coerce it into sharing power by a strike.

Economic Attributes. One major reason self-management was able to succeed in the plywood industry is that the manufacturing process is labor intensive and requires relatively low levels of capital. At least the capital required was within the range of what a group of highly motivated workers could assemble. They could even construct a lot of the machinery themselves. Present-day retail and service sectors appear to offer similar opportunities.

Another economic fact that helped the growth of self-management in plywood was that the earliest collectives began when the market was first developing. "Market entry" is a crucial factor in the fate of any enterprise, and the lesson implied by these mills is that persons interested in workers' control should look to new industries and new markets where there is enough freedom of entry to establish operations.

Size. Manufacturing plywood does not require teams larger than are feasible for direct self-government. Apparently a single manufacturing unit of self-government cannot go much above 350–400 members without encountering serious discontinuities of communication, interpersonal knowledge, interaction, etc. Larger collectives that aim for self-government usually find they have to segment themselves into units of this size or smaller, and then send delegates from each unit to a coordinating council. This is how self-management in gigantic industries has operated in East Europe.[14]

No worker-managed plywood companies ever grew to the size of the industry's giants (for example, Georgia-Pacific, Weyerhauser, or Crown-Zellerbach), even though worker-owned mills have been in the industry from its early years. However, they were able to survive partly because an industry-wide association took on some of the research, development, and technical quality-control tasks that giants in other industries usually fund by themselves. (This association, the American Plywood Association, is composed of both private and worker-owned firms. It was by no means established to help worker-owned firms as a group. Nevertheless, its cooperative use of resources is a mechanism that enables small production units to be economically feasible.) Also, some plywood firms were relieved of the burden of operating a sales-distribution network because a larger firm regularly bought all their output.

These two patterns suggest that whenever production can be carried out in self-managed units, larger-scale, nonproduction activities, such as sales and research, might be assigned to a separate organization that would service the self-managed units. That joint association might be governed by a board of representatives from the production units plus representatives of the association's own employees. Even now, the industry-wide association that performs technical services for separate plywood companies is governed by a board of representatives from firms, including two from self-managed companies.

The plywood companies compare quite favorably to other present-day efforts at democratizing industry. For example, they allow their workers more direct self-government than the co-determination system of Germany. There, one representative of labor shares power with an executive committee that is jointly chosen by a board of stockholders' and workers' representatives. The American plywood workers also exercise more power over their company's affairs than either of the two Swedish workers' representatives who participate on private firms' boards of directors in that country, or the Norwegian factory workers who now set their own work schedules.

If we compare the American mills to Yugoslav enterprises we find them very close in many respects. However, not all the American mills' members get to serve on their board of directors, which is the apparent practice in many Yugoslav firms. On the other hand, the Yugoslav firms are limited in their choice of general manager by the power of the state (the Communist party) while the American mills' workers are free to fire their manager at any time and to hire whomever they wish to replace him.

Some Chinese cooperatives appear to be very close in degree of democracy to the American mills. Although state supervision is probably more strict in China, they may also have a more intense participation through the frequent practice of criticism/self-criticism.

And, of course, if we compare the American plywood mills to current programs conducted by large American corporations to humanize their workers' job experience (e.g., in Ralston Purina, Texas Instruments, and General Foods), the plywood mills are much further along.

In sum, workers are running industry in at least a tiny part of America. Americans without a complicated "revolutionary consciousness" have created and are operating a humane system of production. By themselves they are not a movement. But their experience could aid the nascent movement to democratize America's economic life.[15]

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FOOTNOTES

1. In Washington (names in italics are those of the company and the town): Buffelen Woodworking Company in Tacoma; *Elma* Plywood Corporation; *Everett* Plywood Corporation; Fort *Vancouver* Plywood Company; Hardell Mutual Plywood Corporation, in Olympia; *Hoquiam* Plywood Company; *Lacey* Plywood Company; Mt. Baker Plywood, Inc., in Bellingham; North Pacific Plywood, Inc., in Tacoma; *Stevenson* Co-Ply, Inc.; and Puget Sound Plywood, Inc., in Tacoma. In Oregon: *Astoria* Plywood Corporation; *Brookings* Plywood Corporation; Linnton Plywood Association in Portland; *Medford* Veneer and Plywood Corporation; *Milwaukie* Plywood Corporation; Multnomah Plywood Corporation, in Portland; and Western States Plywood Cooperative in Port Orford.
2. These figures are from *Poor's Register of Corporations* (New York: Standard and Poor's Corporation, 1974).

   Additional information about the plywood companies is published in two earlier studies: Katrina V. Berman, *Worker-Owned Plywood Companies: An Economic Analysis* (Pullman, Washington: Washington State University Press, Economic and Business Studies Bulletin no. 42, 1967) covers data up through 1964; Carl J. Bellas, *Industrial Democracy and the Worker-Owned Firm: A Study of Twenty-One Plywood Companies in the Pacific Northwest* (New York: Praeger Publishers, 1972) covers data up to 1969.
3. Olympia Veneer Company, Anacortes Veneer, Inc., Peninsula Plywood Corporation, and Puget Sound Plywood, Inc., all in Washington state.
4. This last factor means there are representatives on the board from different parts of the productive process. This is true in many mills and is usually considered by managers to be an advantage. It gives them an accurate picture of opinion throughout the company and makes it easier to circulate information back to every task group. Also, managers are pleased that this way each group learns directly from each other about problems of the plant without having to be told by them.
5. Henry G. Dahl, "Worker-Owned Plywood Companies in the State of Washington" (Everett, Washington: First National Bank of Everett, April 1957; and Seattle: Pacific Coast Banking School, University of Washington) cited in Berman *op. cit.*, p. 189, footnote 12.
6. Berman, *op. cit.*, pp. 189-190 and footnote 13 on p. 189. Ms. Berman cautions against relying too heavily on output-per-man-hour figures, however, because the consensus in the plywood industry is that too many variables affect that measure. Nevertheless, the consistency of the difference in output between self-managed and private firms over several years and across many firms cannot be ignored.
7. This information is from my interviews and Berman, *op. cit.*, pp. 189-190.
8. *Ibid*, p. 94.
9. This is not to argue that under socialism unions are unnecessary. Where the state or a municipality owns the firm, and its workers do not, then clearly the workers can benefit from organizing to defend their interests against the state or municipality. In fact, unions can be very important in leading the struggle to establish democratization, whether in socialized countries as they did in Poland in 1956 and Czechoslovakia in 1968; or in capitalist countries as they did in West Germany after World War II. Conceivably, this could also happen in the United States.
10. The following are in addition to those cited in footnote 1. In Washington: *Olympia* Veneer Company (1921-1954); *Anacortes* Veneer, Inc. (1939-1969); Peninsula Plywood Corporation in Port Angeles (1941-1970); *Centralia* Plywood, Inc. (1951-1968); and Washington Plywood Company in Lowell (1955-1965). In California: Standard Veneer and Timber Company (1954-1971) and Northern California Plywood, Inc., (1954-1967), both in Crescent City; and Mutual Plywood Corporation in Eureka (1950-1958). See also, Berman, *op. cit.*, p. 93 and *passim*, who mentions seven more such ventures no longer operating.
11. Anacortes Veneer was established with the aid of members from Olympia Veneer. Mutual Plywood was founded from a subsidiary plant of Peninsula Plywood by its own employees (and perhaps a few Peninsula shareholders). From interview data. See also Berman, *op. cit.*, p. 238.
12. To quote Professor Jaroslav Vanek, director of Cornell University's Program in Participation and Labor-Managed Economies, "As a species they do not readily reproduce themselves." (From remarks delivered at the First National Conference on Workers' Self-Management, held at MIT, Cambridge, Massachusetts, January 12-13, 1974.)
13. For a description of the Lip factory, see Peter Herman, "Workers, Watches, and Self-Management," *Working Papers*, vol. 1, no. 4, Winter 1974. The Sexton Shoe Company in Fakenham, England, was reported by *Ms.* magazine and reprinted as "Notes from Abroad—England: Revolt in a Shoe Factory" in *Democratizing the Workplace—from Job Enrichment to Worker Control*, published by the American Friends Service Committee's Economic Alternatives Group, 48 Inman Street, Cambridge, Massachusetts 02139. The Adamson Storage Tank Company is described in Fred Lesieur (ed.), *The Scanlon Plan: A Frontier in Labor-Management Cooperation* (Cambridge: MIT Press, 1958).
14. See, for example, Tony Topham and Fred Singleton, "Yugoslav Workers' Control: The Latest Phase," *New Left Review*, no. 18, and Karel Stradal, "Choosing the General Manager: Democratization of the SKODA-Plzen Metallurgical Works," *Czechoslovak Life*, September 1969, pp. 30-33.
15. The First National Conference on Worker Self-Management, held this past January, established an organization to study and promote democratization of industry, provisionally calling itself "People for Self-Management." Newsletters and other information can be obtained by writing to People for Self-Management, c/o Department of Economics, Uris Hall, Cornell University, Ithaca, New York 14850.