Policy Analysis

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Peter Young

Peter Young is executive director of the Adam Smith Institute (USA).

Executive Summary

Privatization has now become an official Washington buzz-word. President Reagan has lauded it and made a series of privatization proposals in his budget. Budget Director James C. Miller III is a fervent believer in it. The Gramm-Rudman-Hollings initiative, by putting pressure on Congress to trim the budget, is also inspiring some moves toward privatization.[1] Nevertheless, translating privatization proposals into successful legislation is proving difficult.

Privatization has been advocated by the Reagan administration primarily as a means of reducing the federal deficit. But if it is promoted solely for its budget-cutting capabilities, privatization will never get the public support it needs or deserves.

The way the administration went about privatizing Conrail--selling it to a sole private company instead of to its employees or through a public stock offering--has alienated all the interest groups whose support the administration should have been able to attract. And it is no wonder that the administration's new policy for dealing with Amtrak--letting it go bankrupt and then seeing if anyone wants to buy some of the pieces--has failed to generate much enthusiasm.

The administration does not yet seem to have realized that privatization is as much a political process as an economic one A successful policy for privatizing a public entity seeks the support of those interest groups that benefit from the entity--the management, a portion of the public, and, most importantly, its employees. One of the most successful means of achieving this vital support is the employee buy-out.

Why Worker Buy-outs?

Why bother trying to help federal employees form their own companies? What is the justification for giving them any favorable treatment over other private-sector bidders for government assets or work? Why not just sell the concern or the contract to the highest bidder?

Getting the largest amount of money from the sale of a public-sector asset or franchise should not be the only objective of privatization. Other aims should include the widening of capital ownership, fair treatment for the public-sector management and work force, and greater public and political support for privatization. There is no point in trying to sell an asset for the highest market price if one thereby fails to achieve the necessary political support to get the measure approved.

Most federal employees took government jobs in the expectation of long service and firm job security. The Civil Service retirement system encourages and rewards those who remain in government employment for life. Effectively, federal employees gave up the freedom of and potential for higher rewards in the risk-taking private sector in return for the security of public service. They have de facto property rights in their secure jobs and cannot be expected to just abandon those rights for nothing in return. The rights must be bought out for privatization to be viable. The worker buy-out, one means of maximizing the benefits of privatization for employees, ensures that they have incentives to favor privatization, not oppose it. In cases where the employees represent a strong political force, the worker buy-out merits very serious consideration.

The British Experience with Worker Buy-outs

Letting government employees buy parts of the public sector has proved most successful in Britain. The first big worker takeover in Britain occurred with the privatization of the National Freight Corporation, the nation's largest trucking concern. In 1982, fearing that government plans for privatization would mean sale of the firm to a competitor, with consequent job losses, the NFC management decided to put together a proposal for an employee buy-out of their company. They persuaded the workers to invest their own money to finance a buy-out of the firm for 53.5 million pounds. Since then, employee productivity has increased by 30 percent, and the price of the company's stock has increased from 1 pound to 22 pounds per share, greatly boosting the wealth of the new worker-owners as well as their morale. Steven Shephard, an NFC driver who bought stock the first day it was offered, comments, "You realize that part of this truck is your money, you know, and it gives you that new edge."[2]

About 83 percent of the issued share capital is currently in the hands of employees, pensioners, and their families. NFC chairman Sir Peter Thompson said at the company's recent annual meeting that "it is now generally recognized in industry, and by all the political parties, that employees' share ownership is to be encouraged. We started in 1982 with 10,344 sharehold ers and by the end of the 1984-1985 financial year we had 17,191."[3] After the meeting, workers talked about their huge financial gains. Reginald Seebbern, aged 67, invested 1,000 pounds in 1982; it was now worth 22,000 pounds. Another employee's 2,000-pound investment was now worth 44,000 pounds. He commented, "Other companies should follow the example of this one. It really is amazing progress."[4]

Encouraged by the success of the NFC buy-out, the Thatcher government is seeking to promote similar takeovers. The National Bus Company, which employs 50,000 workers and runs some 14,000 buses in all parts of the country, has been invited by the government to implement immediate worker takeovers of the 60 companies that comprise it as part of a policy to deregulate and privatize all bus services. NBC managers have been asked to decide whether they want to head individual bids, which could be submitted now or deferred until the companies go on general sale later. Transport Minister Nicholas Ridley told the managers, "You already have a head start. You have the prospect, together with your staff, of running your own companies."[5] Managers of all 60 subsidiaries have already notified the government that they are eager to launch buy-out schemes, and they are enlisting the help of accounting and venture-capital firms. The government itself has asked the UK subsidiary of Banker's Trust to study the feasibility of multiple buy-outs financed through loans from financial institutions.[6]

The bus companies are not the only state firms being bought by their workers. The Swan Hunter warship yard has just been bought by its management from state-owned British Shipbuilders for 5 million pounds. Swan Hunter, which has had a bad strike record in recent years, has a work force of 4,500, all of which will be retained under the buy-out deal. About 35 members of Swan Hunter's management led the buy-out consortium, which is backed by a group of institutional investors headed by Candover Investments.[7]

Similarly, the state-owned Vosper ship-repair yard is being sold to a consortium of its managers. John Collins, managing director of Vosper ship repair, has announced that there will be no compulsory layoffs and little reduction of the 225-member work force following the buy-out. "We aim to provide a lean, hungry, no frills commercial service, combined with quality. We fully realize the importance to our customers of keen pricing and prompt turnaround times," he said.[8] Two of the three other state ship-repair yards, Grangemouth and Tyne, were also bought by their managers, in 1984.

One of the largest and most ambitious worker takeovers has just been engineered at the Vickers and Cammell Laird warship yards in northwest England. The 14,000 workers were invited by their management to join an employee consortium, called the "Vickers Shipbuilding and Engineering Employee Consortium," to bid for the state-owned firm. The government has accepted a 100-million-pound bid from the consortium, 60 million pounds of which will be paid now, with the balance due in 1992 and 1993. A higher bid from a private company, Trafalgar House, was turned down.[9]

Vickers management, headed by nuclear physicist Rodney Leach, educated the employees about stock owning, assured them that the pension scheme would be as good under the buy-out as before, and arranged loans to workers that can be repaid through wage packets. An average investment of 300 pounds per worker will meet the target of 5 million pounds from the workers' pockets. The worker consortium will buy company stock at the preferential price of 1 pound a share while financial institutions, pension funds, and banks will pay five times that price to raise the balance of the 100 million pounds needed to finance the sale.

More than 300,000 workers, their relatives, and residents of the two communities around the shipyards are eligible to participate in the consortium. Each employee has access to a 500-pound interest-free loan to acquire a stake in the consortium. A special video has been produced to explain to workers how they can apply for shares. So far, 81 percent of the employees have done so. The worker buy-out received backing from both the local Conservative M.P., Cecil Franks, and the local Labor M.P., Frank Field. Prime Minister Thatcher has described the buy-out as "popular capitalism at work."[10]

The buy-out is popular with the workers. "I bought British Telecom and made 300 pounds profit," said Bill Latham, 64-year- old lifelong socialist and chairman of TASS, the white-collar union for the yard's designers. "I will certainly invest in my own company. I hope my missus will have the chance too."[11] John Tyson, leader of the 1,400-member Vickers branch of the clerical union APEX, takes a similar view. "Even townspeople are prepared to borrow money to put in the firm if they are allowed to. We would prefer to take over our own company than have a lot of asset strippers come in from the outside."[12] Miner's son Clive Kitchen, leader of the blue-collar electricians and plumbers union EETP, also supports the plan. "My dad stopped me going down the mines but I would encourage my daughter Alison to come into this firm. I would borrow money to back Vickers."[13] Other union officials welcome the buy-out as well. The Engineers and Management Association remarked in a statement that "the uncertainty is now behind us and the company stands every chance of being the most successful employee buy-out in history."[14]

Given such strong worker support, it is not surprising that this and other similar privatization attempts face few political difficulties. Indeed, parts of the public sector are now putting themselves forward as candidates for privatization. English Industrial Estates, a government agency that builds and manages factory developments in depressed areas, has proposed an employee buy-out to the government. The corporation's 320- member staff would be offered shares of the new company's stock.[15]

Worker buy-outs are now winning support from the left of the political spectrum as well, including some backers of the Labour Party. Labour's most supportive newspaper, the Daily Mirror, recently called for the state-owned Austin Rover car company to be sold to its employees. "There is plenty of money around--in the City of London, in the big pension funds--which could finance the buy-out. That's what MPs should be fighting for. The government says it is in favor of people working for themselves. Let it now help the workers and management of Austin Rover to do so," said a recent Mirror editorial.[16]

Turning Government Employees into Private Contractors

There has been more experience in Britain with the direct purchase of public assets by employees than with government employees becoming private contractors, largely owing to the bitter opposition of government employee unions to contracting out. They have been too busy fighting privatization to consider the possibility that their members might be better served by changing their relationship with their employers.

The union campaign against privatization has been largely a failure. According to Jim White, who chairs the local government committee of the white-collar union Nalgo, "It is difficult at times to convince a trade unionist, working in a local authority, that he could do any worse working outside."[17] There is also a more frank admission on the part of a number of trade unions of the inefficiencies of public-sector supply. "We must stop defending the indefensible,' said Jim White.[18] John Edmonds, general secretary-elect of the General, Municipal and Boilermakers Union, said, "For our members, it means the client has to cease being the enemy, which, if we are honest, is how they are regarded in certain places."[19]

In this atmosphere of ideological uncertainty, new initiatives are becoming possible. One that seems likely to become popular is for segments of the existing work force of a government concern to form a company and bid for a contract to carry out their task. Such an attempt has just been launched at the Royal Naval Dockyard in Plymouth. The dockyard, Britain's prin cipal naval refit and maintenance base, is the largest employer in southwest England, with some 13,000 employees and an annual turnover of 300 million pounds. Its employees are currently civil servants with civil-service pay, conditions, and bureaucratic constraints that make effective industrial management difficult.

The Ministry of Defence has decided to contract out the management of the dockyard to the private sector, and enabling legislation is proceeding through parliament. This plan had encountered unanimous opposition from the dockyard work force and local politicians. However, the united front of opposition was broken when David Johnston, managing director of the dockyard, and nine of his senior management colleagues announced that they had themselves decided to compete for the franchise to manage the dockyard as a privatized concern.[20] With the assistance of Barclays Merchant Bank and accountants Peat, Marwick and Mitchell, Johnston and his colleagues formed their own consortium, Devonport Dockyard Ltd, to bid for the contract and are now looking for additional private-sector management expertise and institutional investment.

The government's plan is to lease the dockyard's assets to the private sector on a seven-year franchise basis. Whoever wins the franchise will be guaranteed a "core business" of 70-80 percent of the dockyard's existing Ministry of Defence-allocated work but will have to compete for the remaining work with the Royal Naval Dockyard at Rosyth in Scotland and the rest of the UK ship-repair industry. The contract is due to be awarded in November 1986, and the new private-sector management will take over in April 1987.

Employee consortium leader Johnston stresses that the dockyard, once under private management, will be able to expand into new markets by making the most of its technical-design services and sophisticated capabilities in electrical and electronic engineering, in such fields as the design and construction of off-shore oil-rig modules.[21] His management buy-out team proposes to invite employees and their families to become shareholders in the new company with a minimum stake perhaps as low as 50 pounds. The team is waging a "hearts and minds campaign" to get local and employee backing for the initiative, pledging to buy goods and services locally and otherwise support the local economy.

Other interested bidders include two major industrial groups, Trafalgar House and British Aerospace, itself recently privatized. The government has stated that the management consortium will receive no special preference. Nonetheless, an employee buy-out has definite political advantages, since privatization from within would be less susceptible to hazardous transition problems and adverse political consequences in a period close to the next general election.

Of course, it is not always possible to effect a complete worker takeover of a company, particularly in the case of very big concerns such as the $10 billion net-worth British Telecom, which have to be sold on the open market. In such circumstances the workers should at least be offered a portion of the company stock free or at reduced prices, as has been done in all privatizations of large public concerns in Britain. For example, British Telecom workers now own about 8 percent of the stock of British Telecom. Union leaders ordered the workers to refuse the offering, fight privatization, and stick up for the principle of public-sector ownership, but 96 percent of the workers ignored union advice and bought company stock. As indicated in the table below, similarly high percentages of the work force have become stockholders in other large, privatized entities.

Employee Purchase of Stock in Privatized Companies in the United Kingdom	
Company and Date of Sale	Proportion of Work Force Purchasing Shares (%)
British Petroleum (10/79)	43
British Aerospace (2/81)	74
Cable and Wireless (10/81)	99

Amersham International (2/82)	99
Britoil (11/82)	72
Associated British Ports (2/83)	90
British Telecom (11/84)	96

Source: Peter Young, Privatization Around the Globe (Dallas: National Center for Policy Anaiysis, 1986), p. 4.

In the forthcoming privatization of British Gas, which is expected to raise between 7 billion and 9 billion pounds for the British Treasury, each of the 90,000 British Gas employees will be given 70 pounds of free shares, plus another 2 pounds' worth for every year of service. In addition, every employee who buys shares will be given two shares by the government for every one bought, up to a maximum of 150 pounds' worth, and company employees will also be given priority in buying up to 2,000 pounds' worth of shares at a 10 percent discount.

Other countries interested in privatization are now adopting similar policies. In both Singapore and Turkey, for example, where the national airlines are being privatized, large quantities of company stock are being allotted to airline employees.

The Experience with Private-Sector Buy-outs

Employee ownership in the United States has been limited to the private sector, where it is spreading quickly and has proved relatively successful. For example, employees now own 70 percent of Dan River, one of the largest American textile manufacturers; 43 percent of U.S. Sugar, the biggest American sugar processor; 30 percent of Lowe's, the largest retailer of lumber and home-improvement products in the United States; 30 percent of People Express, for several years the fastest growing American airline; 100 percent of Weirton Steel, the nation's 10th- largest steelmaker; 95 percent of W. L. Gore and Associates, a 3,000-employee high-tech manufacturer that has grown 40 percent per year and was named by Industry Week as the company with the best-managed work force; 85 percent of Science Applications, a 4,000-employee research-and-development firm; and 100 percent of the Parsons Corporation, one of the largest U.S. construction and engineering firms, which is also heavily involved in privatization at a state level.[22]

The trend toward employee ownership in the United States first started growing rapidly after Congress gave clear statutory authority to Employee Stock Ownership Plans (ESOP) in 1974. The ESOP idea was promoted by Louis Kelso, a San Francisco investment banker who wanted to "build support for the capitalist system" by allowing employees to buy into companies for which they worked.[23] Kelso convinced Sen. Russell Long to provide the necessary statutory legitimation plus a number of special tax incentives. Today, at least 6,000 firms, employing some 3-4 million people, have some plan that shares ownership with employees. In most of these firms, ESOPs account for 20-40 percent of a company's stock; in about 15 percent of them, employees own the majority of company stock.

The best-known use of ESOPs is in employee buy-outs of troubled firms, even though troubled-firm buy-outs constitute only about 1 percent of the total number of ESOPs. Such buyouts are normally a pragmatic response to financial crisis when other forms of restructuring are not possible. When workers contemplate the consequences of impending bankruptcy, they agree to lower wage demands, cut employment levels, and improve productivity. For example, after the employee buy-out of the Pio- neer Chain Saw Corporation in Peterborough, Ontario, the new managing director asked the 450 employees to determine the minimum number of workers required to run the business. "That question really blew their minds out," recalled the director. "Noone had ever asked them that before, and they couldn't cope with it." After three weeks' consideration, the workers decided that about 135 jobs were necessary, a figure that proved slightly too low as Pioneer subsequently maintained a work force of 150. Productivity improvements played an important part in the company's subsequent success. For example, the number of quality-control personnel was reduced from 57 to 10 without any rise in defective-product rates.[24]

Tax incentives introduced in 1984 have provided a further boost to employee ownership. Among the most significant of the new incentives is an interest deduction for bank loans to ESOPs. Commercial lenders can now take a 50 percent deduction for interest income they receive for loans made to ESOPs.[25]

This incentive-oriented tax legislation attests to the widespread and growing political support that the idea of employee ownership enjoys. It is one of Gary Hart's "new ideas"; the Republicans put it in their 1980 platform; the Democrats put it in their 1984 platform; President Reagan described it by saying, "What better answer could we have to socialism?"[26] Sen. Edward M. Kennedy says it will make the economy more equitable; the pope endorsed it as a moral alternative to capitalism in his recent encyclical on work; Sen. Russell Long argues that it is the ultimate expression of capitalism; the Chamber of Commerce, the New York Stock Exchange, Sen. Orrin Hatch, and Rev. Jesse Jackson also support it.

The record of employee ownership does seem to be good. A 1977 study by the Institute for Social Research at the University of Michigan compared 30 companies that had employee ownership plans with comparable conventional firms and found that the former were 150 percent as profitable. The ratio increased with the percentage of company equity owned by employees. A study that covered over 200 ESOP firms, reported in the Journal of Corporation Law, discovered that the average annual productivity increase for companies with ESOPs was .78 percent, compared with -.74 percent for conventional firms. A 1984 National Center for Employee Ownership study of 13 publicly traded companies that were 10 percent or more employee-owned found that these firms outperformed 62-75 percent of their competitors, depending on the measure used (net operating margin, return to equity, sales growth, or book value per share). ESOPs also seem to create substantial quantities of wealth for the employee. A 1985 National Center for Employee Ownership study indicated that an employee earning the median 1983 wage of $18,000 per year would accumulate $31,000 in stock in the typical ESOP over 10 years and $124,000 over 20 years.[27]

The important point here is not that employee ownership is necessarily a superior form of corporate organization in the private sector. It is rather that the successful U.S. experience with ESOPs can be profitably applied to the public sector. Whereas in Britain employee buy-outs have often involved the sale of public-sector entities to their workers at below-market prices, in the United States the ESOP could be used to organize buy-outs at the fair market price. Based on the estimated value of the assets and a projection of future cash flow, credit could be raised for 100 percent leveraged ESOP buy-outs. The credit would be repaid out of the future stream of profits.

The Potential for Worker Buy-outs in the United States

The Reagan administration's current and past privatization initiatives have amounted to little more than the attempted sale of a few public assets to the highest private bidder, provoking messy political quarrels like that which has delayed the privatization of Conrail for over two years. Had the Department of Transportation reacted favorably to the initial proposal of Conrail's employees--who already own 15 percent of the company's stock--to buy their firm, then Conrail would almost certainly have been privatized already. The administration's efforts to sell federal entities to the states--the Alaska Railroad to Alaska, and National and Dulles airports to a Virginia-based regional commission, for example--cannot, of course, be considered privatization.

There are now a few signs of a more enlightened approach in some administration circles, however. Office of Personnel Management director Constance Horner has established a task force to examine employee incentives for privatization. The task force is considering employee buy-outs and other innovative options. Administrator Ralph Stanley of the Urban Mass Transit Administration is currently preparing some experiments in employee buy-outs of mass-transit bus systems, and Assistant Secretary for Territorial and International Affairs Richard Montoya has made employee buy-outs a key focus of his privatization program for the Pacific Territories of Guam, Saipan, and American Samoa. The political strength of government employees in these territories is particularly great, and Montoya has recognized that privatization must gain the support of these workers to succeed. The Agency for International Development is also interested in privatization via employee buy-outs. Equity Expansion International, consultant to AID, has organized the buy-out of banana farms in Belize that were previously owned by the Belize Banana Control Board.

In actual fact, a large number of U.S. public entities are suitable for transfer, in whole or in part, to their employees. Amtrak, all or parts of the postal service, airports, the TV Anavy-supply services, military commissaries, parts of the military health-care system, the Government Printing Office, parts of the Coast Guard, mass-transit bus services, airtraffic control operations, vehicle-maintenance facilities, and various other commercial services--all are prime candidates for employee takeovers, whether by direct sale or contracting out.

Indeed, there are a number of small-scale examples of public services being contracted out to former government employees. In Bridgeport and New Haven, Connecticut, a General Services Administration mechanic bid for and won two maintenance contracts; he is still the private contractor. About three years ago, a GSA employee and his wife won a contract to carry out custodial services in Marshall, Arizona; their company is still the contractor. In 1982, a GSA employee won a custodial contract in Petersburg, Arkansas. In Jackman, Maine, a GSA mechanic won a contract but lost it when it was resolicited. Conversely, in Coburn Gore, Maine, a GSA mechanic's initial bid for a contract was passed over. When the contract was resolicited, the same mechanic bid again and won it.[28]

These very limited experiences of federal employees becoming private contractors can and should be extended on a larger scale. The federal government's A-76 program of cost studies to determine which public functions should be contracted out has proved unsuccessful mainly because of strong employee resistance. Turning contracts over to businesses owned by the former federal employees themselves would greatly reduce this resistance and speed up the contracting-out process. In return for abandoning the security of the public sector, federal employees would gain the freedom of entrepreneurship and the possibility of much greater enrichment.

Under this scheme, conflict would inevitably arise over the question of how much competition for contracts should exist between new employee-owned firms and existing private businesses. In order to generate sufficient enthusiasm among federal employees for contracting out, it would probably be necessary to transfer in-house operations to employee-owned contractors on a noncompetitive basis. However, that should be done only if significant savings (of at least 10 percent, perhaps) could be expected to result, and the contract should be put out to competitive tender after three or four years. Private-business hostility to this proposal could be reduced by allowing and encouraging the new employee-owned businesses to form joint ventures with existing private firms, an arrangement that would also inject private-sector managerial expertise into the new companies.

An additional means of reducing federal-employee opposition to privatization would be to transfer capital assets associated with a public entity to an employee-owned business at reduced or zero cost. For example, federal-vehicle maintenance facilities could be given to a new employee-owned business carrying out a vehicle-maintenance contract, compensating employees for lost civil-service benefits and increasing the chances of success for their new firm. Such a transfer of assets would provide a means of benefiting the employees without additional budgetary outlays.

Other steps should be taken to promote the success of worker buy-outs of either contracts or assets. Because federal employees may lack the entrepreneurial and managerial expertise necessary to run successful private companies, venture-capital and management assistance should be provided to workers willing to organize such buy-outs. Venture-capital firms, investment banks, and other firms with useful financial and managerial experience should be encouraged to provide the new employee-owned businesses with the necessary services and skills to get them on their feet. These firms could be compensated with an equity interest in the new companies.

The civil-service retirement rules need to be changed in order to make privatization more attractive to federal employees. Currently, an employee who leaves government service before retirement receives a refund only of his own retirement contribution--7 percent of base salary--but does not receive the matching contributions of the agency that employed him. Naturally, this arrangement provides a strong incentive for employees to remain in the civil service for life. The system should be changed such that an employee leaving the civil service would receive both his own and his agency's contributions, plus interest. The sum could be rolled over into an IRA account. Undoubtedly this reform would be costly, but much less costly than having the employees remain in the extraordinarily expensive civil-service retirement system.

Government ethics rules will also require reexamination if widespread employee buy-outs are to be encouraged. Designed to prevent the passing of inside information and expertise by government officials to private-sector firms, these rules may inhibit the transfer of whole enterprises into the private sector, something they were not intended to do. Severance-pay rules should likewise be altered. At present, workers who leave federal employment to join contractors or operations that have been privatized outright do not receive severance pay. Reversing the situation would provide an additional inducement for employees to agree to privatization. The regulation could be changed without legislation, by the Office of Personnel Management.

Conclusion

Privatization in the United States can and should be a creative process, increasing employee pride and the quality of public service, as well as providing financial rewards for work well done--something often deserved but out of the question in a federal bureaucracy strapped for cash. It should also be a pleasant alternative to the ugly business of RIFs and across- the-board cuts. Privatization should be popular with employees because it preserves jobs and popular with the public because it preserves--and frequently upgrades--services.

The employee buy-out is a well-tested and successful form of privatization that achieves all these objectives. Employee ownership is a mode of ownership that is particularly applicable in the public sector. It has widespread political support, it can gain the all-important support of the employees themselves, and it can be fostered by tax and other incentives. Although not applicable in every case, the employee buy-out should be at the top of the agenda when different methods of privatization are being considered for any part of the public sector.

FOOTNOTES

[1] Many countries are increasingly turning to privatization as well. See Peter Young, Privatization Around the Globe-- Lessons for the Reagan Administration (Dallas: National Center for Policy Analysis, 1986).

[2] Interview on 1985 PBS program An Economic Miracle in the Making, produced by the Blackwell Corporation.

[3] "Workers in consortium rewarded with 22-fold shares increase," London Times, February 17, 1986.

[4] Ibid.

[5] "Bus managers seek buy-outs," Financial Times, January 8, 1986.

[6] Ibid.

[7] "Swan Hunter managers buy warship yard for 5 million," Financial Times, January 18, 1986.

[8] "Vosper yard sold to managers," Financial Times, September 7, 1986.

[9] "Vickers gets approval for 60 million buy-out," London Times, March 8, 1986.

[10] "Worker buy-outs are praised by Thatcher," London Times, March 26, 1986.

[11] "The workers taking the biggest plunge of their lives," Daily Mail, December 30, 1985.

[12] Ibid.

[13] Ibid.

[14] "Vickers gets approval for 60 million buy-out."

[15] "Buy-out proposed at English Estates," Financial Times, November 1, 1985.

[16] Editorial, Daily Mirror, February 7, 1986.

[17] "Opponents of privatization change tack," Financial Times, December 2, 1985.

[18] Ibid.

[19] Ibid.

[20] "Privatization brings efficiency drive," Financial Times, January 14, 1986.

[21] Ibid.

[22] Corey Rosen, "Workers as owners--is it working," Bell Atlantic Quarterly 1, no. 1 (Autumn 1984): 17-27.

[23] "The ESOP Option," Multinational Monitor, November 30, 1985.

[24] Keith Bradley and Alan Gelb, "Employee buy-outs of troubled companies," Harvard Business Review (September-October 1985).

[25] "New tax bill contains most significant employee ownership incentives yet," Employee Ownership 4, no. 3 (September 1985).

[26] Ronald Reagan, "Expanded Capital Ownership: The Only Answer," address to the Bohemian Grove Encampment, July 1974.

[27] These studies are listed in Employee Ownership--A Legislative Guide (National Center for Employee Ownership, 1985), pp. 50-51.

[28] General Services Administration, internal memorandum, October 25, 1985.