Migration and demos in the democratic firm: an extension of the firm-state analogy

Abstract

Debates around the state-firm analogy as a route to justifying workplace democracy tend towards a static view of both state and firm, and position workplace democracy as the objective. We contend, however, that states and firms are connected to one another in ways that should alter the terms of the debate, and that the achievement of workplace democracy raises a new set of political issues about the demos in the democratic firm and ‘worker migration’ at the boundaries of the firm. Our argument thus contains two key steps: First, drawing on an empirical case study of a worker-owned firm, we enrich the state-firm analogy by developing a more dynamic view of both, focussing on the creation of workplace democracies; worker movement in and out of them; the dynamic meanings of ‘citizenship’ within them; and the status of the unemployed in a world of democratic workplaces. We then argue that in moving to a more sociological view of the state, the things we were comparing begin to show their real-world connections to one another. By going beyond the idealised view of states that has distorted the state-firm analogy debates, we arrive at a more robust view of how widespread workplace democracy might reconfigure basic political relationships in society.

Keywords: state-firm analogy, workplace democracy, employee ownership, citizenship, migration, borders

Introduction

Recent debates in political philosophy have seen numerous critiques and defences of the analogy between states and firms. What is at stake in these debates is the question of whether we can interpret the relationships within firms as political relationships, so that we can subsequently apply democratic standards to them (González-Ricoy 2021; Mayer 2001; Landemore and Ferreras 2016; Frega, Herzog and Neuhauser 2019; Frega 2020a). Work in employment relations and organisation studies on the other hand, has empirically explored alternatives to traditional hierarchical firms, assessing their
potential as democratic frameworks for organising business in a capitalist economy (e.g. Pendleton 2001; Rothschild and Russell 1986; Varman & Chakrabarti 2004). Thus, for example, work on employee ownership (EO) has shown that EO organisations can indeed operate in accordance with ethical standards, and develop a sense of moral community necessary for more egalitarian, and potentially more democratic, structures of decision-making and economic entitlement (e.g. Preminger 2021; Summers & Chillas 2019).

What has not been explored in these respective fields of research, and which we can explore by connecting them, are the problems of how the demos in a democratic firm is formed and how workers are included or excluded at the boundaries of that firm. If the analogy with states holds, then we should be able to explore these as problems concerning ‘citizenship’ and ‘migration’. The point here is that justifying workplace democracy is one thing, while investigating the political issues concerning inclusion that are generated by workplace democracy is quite another. We therefore aim to examine the achievement of workplace democracy not as the endpoint of this debate about justice in economic life, but rather as the starting point for a new set of political issues about ‘worker migration’ and the boundaries of firms. How, for example, is the demos of a democratic firm formed? How do workers join and leave this political community? What does citizenship mean for those who have a stake in a workplace democracy? And finally, if workers in firms are like citizens, then how should we conceptualise persons who are ‘stateless’: either because they are unemployed, or because they work with very loose attachments to the firms with which they engage (in agency work, temporary work, or seasonal work)? All of these issues require that we study firms and their economic environments as dynamic situations, and this approach can be contrasted with the static ‘snapshot’ implied in most uses of the state-firm analogy. In adding this dynamic dimension to the firm side of the analogy, we can glean helpful insights from those who have added this dynamism to our view of states and political communities in the last several decades, in citizenship studies (e.g. Anderson 2009; Isin 1999; Kemp et al 2000; Sassen 2002), political sociology (e.g. Abrams 1988 [1977]), and political theory (Rancière 1999).
Some political and organisational theorists have questioned whether the analogy between states and firms is a good one, arguing that the institutional structures and norms that organise the two are fundamentally different (Mayer 2001; Frega 2020a), while others have recently defended the analogy (González-Ricoy 2021). We not only defend the analogy as useful for understanding issues of power and justice in and around workplaces, but further argue that firms and states are so closely connected within the institutional fabric of capitalist societies that this analogy belongs within a broader analysis of how state and firm may be imbricated both institutionally and functionally in ways that should seriously affect how we debate, value, and analyse workplace democracy. We will thus claim that the politics at the boundaries of firms is not only conceptually, but empirically, connected to the politics at the boundaries of states. In other words, membership of an economic collective like a firm is likely to be procedurally linked to membership of a state as a citizen: the two power structures are not only analogous, but in some ways contiguous.

Our argument thus contains two key steps. The first is to enrich the state-firm analogy by developing a more dynamic view of both than we find in the recent debate: that means breaking down idealised views of states and their relation to political communities – views which have distorted the arguments surrounding the state-firm analogy. These idealised views are teleological because they conflate claims about what states are like with claims about what states ought to be like; they are static because they treat states as closed political communities. The second step is to argue that once we correct this with a more sociological view of states, we can find ways not only to extend the firm-state analogy but also to begin to investigate how states and firms are connected in the real world in ways that matter for thinking about workplace democracy. The comparison between states and firms gives much-needed shape and urgency to our thinking about workplace democracy; but the connections between states and firms matter for how we make that comparison and our broader view of economic democracy. Our argument thus moves from analogy to ontology, preserving, we hope, the importance of both in thinking about workplace democracy.
The paper is divided into four parts. In **part 1**, we defend the state-firm analogy against a recent criticism that we believe has set the debate off in the wrong direction. In **part 2**, we identify where the analogy can be usefully developed as a method for exploring issues of power and justice in and around workplaces. Here we use empirical material from a study of an employee-owned, partially democratic firm in the UK to illustrate how inclusion and exclusion from the democratic collective is a serious issue with which a democratic workplace must grapple. While we recognise that the employee ownership model is only one form of workplace democracy – a relatively rare but growing one (EOA 2021) – we believe that the case highlights issues that would arise in any workplace democracy to some degree.¹

In **part 3** we suggest that the debate about workplace democracy should move beyond a model that argues for ‘workplace democracy plus state democracy’ to a model which recognises that workplace democracy is linked into the ‘state-system’ in which many scales of political organisation are connected together. Finally, in the **conclusion**, we reiterate our claims that a focus on the boundaries of states and firms enriches the political debate around the analogy between states and firms, and that the political issues faced by firms and states are more than just analagical, but, in many respects, contiguous with one another.

**Part 1: The state-firm analogy: overstretched or under-used?**

The analogy between firms and states has been used by political theorists in two kinds of normative arguments. On the one hand, firms have been compared to tyrannical and totalitarian states. Critics like Cohen (1978 [1927]) and Anderson (2015; 2017) describe the sovereign-like power of captains of industry and employers over their employees – both during and beyond the working day. On the other hand, the recent debate on the state-firm analogy has focussed on whether the analogy can be used to justify workplace democracy (Mayer 2001; Landemore and Ferreras 2016; Gould 2019; Gonzalez-Ricoy 2019; Frega 2020a). The basic idea here is that if democracy is widely accepted as the only normatively valid constitutional form for states, then we need to ask ourselves whether this is so also

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¹ We should also acknowledge that not all employee-owned firms are democratic.
for other important human associations, like firms, in which power is organised and decisions must be made. In effect, the analogy is used to ask of firms: *why not democracy?*

Frega, Herzog and Neuhauser (2019) have summarised the recent debate on the state-firm analogy and its role in arguments for workplace democracy. A key point of reference in this debate is the work of Robert Dahl, who developed the moral case for workplace democracy in publications such as *A Preface to Economic Democracy* (1985). While some critics have disagreed with his conclusions (e.g. Narveson 1992; Mayer 2001), others like Roberto Frega (2020a; 2020b) have criticised Dahl’s *method* of analogical reasoning, while developing alternative moral arguments for workplace democracy. But what is shared by a number of these commentators, from both ‘left’ and ‘right’, is either a tacit or explicit assumption that the political community represented in democratic states is somehow prior to, or more basic than, the political community that we might encounter in a democratic firm (if such a community may be called ‘political’ at all). While there is good reason to think in this way much of the time, if this difference between states and firms and their respective forms of human association becomes a *premise* in the debate, then the conclusions in the debate will be wrongly circumscribed in advance of any real investigation. To illustrate the point, we look at one of Frega’s recent arguments below.

Frega has argued that the state-firm analogy may be useful as a ‘heuristic’ tool for opening up political debate (Frega 2020a, 15; Frega et al. 2019, 3), but argues against its usefulness for justifying workplace democracy. The present uses of the state-firm analogy do not pursue this justificatory line of argument, but Frega’s critique is nonetheless overdrawn in ways that we disagree with here. He suggests that the state-firm analogy ultimately ‘cannot work’ (2020a, 15), and he suggests that we need a ‘theory’ and rules for the operation of the analogy before we can use it effectively (2020a, 14). We believe that these methodological critiques ultimately fail for epistemological reasons that we cannot explore
However, the important mistake that we do need to examine, is the tendency of his arguments to fall back on idealising assumptions about what states are and about their relationship to firms.

Frega, like other critics of the state-firm analogy, argues that the most fundamental problem with the analogy can be traced back to the respective normative powers or functions of states and firms. His thought is that states (as ‘second-order’ associations) have a normative mandate to set the ground-rules and collective goals of a society, and it is only within this normative context that firms and other ‘first-order’ associations can operate (for example Frega 2020a, 17 – 20). In short, the state just is the ultimate normative coordinating mechanism for human societies, and firms just aren’t. Similarly, Narveson (1992, 54) argued that “…the general principles of politics apply to the polis as a whole, and not to lesser groups and associations within it,” justifying this claim by contrasting the voluntariness of those ‘lesser groups and associations’ with the involuntariness of membership in political community.

But both authors are unclear about whether these claims about the proposed differences between states and firms are empirical or analytical claims. This matters a great deal, because if these are analytical claims, then the argument is really begging the fundamental political question of how power should be organised in a society. It begs this question, by assuming that the state is the ultimate normatively binding and norm-generating association in any political context. The idea of the political community has here been conflated with the idea of the state, when in fact the relationship between

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2 The basic point here is that the application of rules and theories to cases generates no greater certainty about the differences and similarities between cases than does a ‘direct’ comparison between cases. This is not to say that specifying criterion for comparison is useless; but if one is sceptical about learning from cases, then developing a theory and set of rules in which to ground a comparison will not be enough to overcome that scepticism. This point draws on the remarks on rule-following of Ludwig Wittgenstein’s *Philosophical Investigations* (2001).
these two is an open problem – as we discuss below. As an analytical claim, the view of states as ultimate political and normative authorities is a *teleological* claim, in the sense that it rolls together seamlessly a claim about what the state is and what the state ought to be, using that conflation as the foundation for further argumentation. The distinction between associations that are ‘first-order’ and ‘second-order’ is of very little use in this idealised and teleological form.

On the other hand, if this view of the state in relation to firms (and other ‘first-order’ human associations) is an empirical claim (as seems to be the case in Narveson 1992, e.g. 53 – 54), then it can be demonstrated to be false: there are many places in the world where the state that claims sovereign rights over a piece of territory in fact has less local control than sub-state political organisations and even economic associations like firms. As an empirical observation about the relationship in which states and firms *normally* stand it does have its uses – dispelling for example, the illusion that a human association that controls an army and police force (a state) is ultimately a scaled-up version of a human association that does not (the vast majority of firms). However, not only are there historical examples, like the East India Company, of firms that have functioned like states in this way, but also present-day examples of firms operating in special economic zones (SEZs) which employ their own security forces that function like police, or more simply where the functions and identities of ‘governing’ and ‘commercial’ institutions are overlapping and intricately linked. For instance, an *Economist* (2017) article reports on SEZs planned in Honduras as independent jurisdictions, where private security forces will provide safety and stability, health services and education will be supplied by external providers, and the judicial system will be separate from the rest of the country. Moreover, social, economic and political history is full of examples of communities that have rejected the assumption that political organisation and economic production can and should be separated from one another as ‘first-order’ and ‘second order’ levels of social organisation. In the United States, for example, communitarian socialists in the 19th Century established dozens of communities that were meant to combine political
and economic functions. The collective enterprises and labour federations of pre-state Israel (Ottoman and later British Mandate Palestine) provide other prominent historical examples (e.g. Lockman 1986), while the ‘charter cities’ project (www.chartercitiesinstitute.org) suggests how this imbrication of commercial and governmental functions could be construed in the future. 

Both as an analytical and an empirical claim, the distinction between states and firms as ‘second-order’ and ‘first-order’ associations breaks down under scrutiny. The point is not that states and firms are normally similar in their capacities to coerce and organise – normally they are not. The point is that taking the ‘political’ nature of the state and the ‘sub-political’ nature of the firm as a premise forecloses what is at stake in the debate. The debate about workplace democracy can only be deeply impoverished by inheriting past biases about who is included in a political community, at what scale, and in which sites of social interaction. If first-order associations like firms are defined by their functionality – their serving of needs of the political community – while second-order associations are defined by their role in setting these needs and goals, but having no functions of their own, then the state-firm analogy is simply defined away.

The underlying problem here is that the relationship between states and political communities has been inaccurately represented in order to make the analogy between states and firms less plausible. Frega (2020a, 20) states that “It is the community’s political closure which explains the normative asymmetry between first-order and second-order mechanisms for social coordination.” But migration

3 This is what one spokesperson for The North American Phalanx, a Fourierist community that existed between 1943 and 1956 in New Jersey, wrote: the phalanx would be “a complete commonwealth, embracing all the interests of the state, differing only in magnitude” (Charles Sears, quoted in Hayden, 1976, 159).

4 This is not to say that no state was exercising authority in pre-1948 Palestine, but the inhabitants of the territory did not have ‘normal’ citizenship relations with the governing authority (Britain), and the labour and commercial institutions that Jewish immigrants established were intentionally ‘political’. Moreover, the question of who should be included within them was ongoing and controversial (e.g. Bernstein 2000).
and citizenship acquisition are extremely important features of the world state system which are missing from this view of states. The idea of the ‘political community’s closure’ is simply a mistake. In fact, there are good reasons to regard the problem of inclusion and exclusion in the political community as one of the most fundamental political questions of all (Rancière 1999; Rancière et al. 2001).  

The political communities organised in states, and democratically represented in democratic states, are, in reality, not clearly bounded associations with a fixed membership and a unique power to generate collectively-binding norms. Not only is the informal membership of political communities constantly changing – through processes of migration – but even the formal membership of political communities is constantly changing – as citizenship rights are gained and lost by individuals. Furthermore, we cannot imagine political communities as a single collective that acts in concert to define what a plurality of smaller collectives (such as firms) may or may not do. Political communities are themselves organised into different systems of power that may coordinate or conflict (such as the executive branch and the judiciary). Frega (2020a, 19) notes this, but seems to assume that these ‘internal articulations’ of power could not include the institutions and units of industrial democracy.

In short, the idealised view of the state assumes that the political community is somehow just there once and for all, and forever distinct from economic associations. But this idea does not survive scrutiny. We cannot simply think of political communities as somehow temporally prior, spatially greater, and de facto more powerful than economic associations (cf. Frega 2020a, 20). Political communities are, in several senses, indefinite. They must not be identified with the institutional structures that channel their actions and coordinate their decision-making processes. Rather, the

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5 Although we do not discuss his work due to space constraints, the conception of politics and democracy developed by Jacques Rancière in his (1999) Disagreement and elsewhere (Rancière et al. 2001) informs our own approach in what follows in key respects.
problem of who belongs to the political community, and which institutional structure represents them, is an open problem – it is the core of politics. And it is this problem that the issue of workplace democracy opens up, when posed in its radical forms.

We recognise here that none of these points are a reply to the specific claim (made by Frega, Narveson, and others) that workplace democracy may not be justified directly by the analogy to democracy in states. What has been important, for our purposes, is to show where the debate goes wrong by making assumptions about the relationships amongst political communities, states, and firms. If we did accept the current terms of the discussion, we would be left with a static picture of political communities that could not accommodate any of the issues that we go on to discuss in the rest of this paper.

Part 2: The limitations of the current uses of the analogy and extensions beyond them

We should not reject the state-firm analogy as a tool for reasoning about power and justice in firms. Unlike those who believe that current uses of the analogy are stretched, we argue that current uses of that analogy are limited in problematic ways, and those limitations distort the normative issues connected to workplace democracy. Because recent proponents of the firm-state analogy (e.g. Landemore and Ferreras, 2016) have used it in the service of justifying workplace democracy (as did Robert Dahl) current debates treat the achievement of workplace democracy as an end-point to political reasoning in this vein. By contrast, we believe that workplace democracy, once achieved, presents us with political problems that the state-firm analogy can help us to explore.

Four key issues need further development in light of this claim: First, the debate is addressed towards existing firms, with little consideration of how firms begin or end, or how the demos emerges. Secondly, issues of entry and exit from firms are insufficiently developed in the existing debate, often reduced to a simple ‘in/out’ option. Yet inclusion in, and exclusion from, a firm or state is a process –

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6 Consideration is given to the question of democracy in a firm’s early years, but this point is different to that developed here (see for example, Dahl 1985, 154).
one which can reveal the political structure of the association. Relatedly, the third key issue is that the process of acquiring membership or citizenship is often a struggle that the formal granting of a document can conceal. This struggle is associated with the meaning of belonging, the rules that govern it, and the benefits associated with it. Fourthly, if we accept the significance of citizenship or belonging, in its myriad meanings both instrumental and otherwise, then being unemployed – having no belonging to this form of human organisation – is a form of disenfranchisement. It is to these four issues we turn now.

To illustrate our argument, we draw on an empirical study of a large firm (over 600 employees) as it transitioned from a standard organisational structure of owner-founder and hierarchical management to employee ownership and some measure of organisational democracy (Preminger 2021). The choice of a firm moving towards employee-ownership and (partial) democracy reflects that we aim to explore the ways in which democracy within a firm raises questions, rather than being the endpoint: the transition to (some kind of) democracy places people in a position of being responsible for their (political) community in ways that can be explored through the analogy with states.

The firm’s ethical stance was part of its identity and branding: apart from its ‘ethical’ products, the firm also treated its employees very well, with excellent workplace conditions and employee profit share even before the transition. Although the owner-founder had mooted the idea of employee ownership a few times in previous years, it seemed that the UK’s Finance Act of 2014 gave the stable regulatory foundations that were required to push the transition forward. The study involved three rounds of interviews (one about a year before, one just after, and one a year after the transition) with employees at all levels, plus analysis of internal (employee-facing) and external (customer-, community- and supplier-facing) documents such as newsletters, communiques and posters. This gave us insight into the issues that arose as the new entity emerged, the debates about democratic structure and inclusion, 

7 This Act established the Employee Ownership Trust as the standard model for employee ownership in the UK. Many firms have transitioned on the basis of this legislation (see Robinson & Pendleton 2019).
relations with non-members, values and identity, and overall ethos loosely anchored in the ‘constitutional’ or ‘legacy’ documents.

The empirical work revealed three key aspects that differentiate the firm from ‘standard’ firms: (1) An ownership structure, through which dividends were distributed; this was based on collective ownership of shares held in trust for employees via the Employee Ownership Trust. (2) A governance structure, which included democratic representation and the oversight of the Trust: employees were divided into constituencies of around 30 people, coinciding with operational department boundaries in most cases, and each constituency elected two representatives to sit on the employee council. Representatives sit on council for a term of two years but can be re-elected. The council oversees the work of the board of directors and advises it, and the board is answerable to the board of trustees which includes two representatives from the employee council and is tasked with ensuring the firm is managed according to the principles laid out in the articles of association. (3) Less concrete institutionally but at the heart of our argument in this article is the change in the firm’s social fabric: the discussions around identity, equality and fairness; and questions about the participation of those formally included but geographically distant and about those formally excluded but somehow a part of the enterprise – in short, about who will enjoy the benefits of employee ownership and how.

Who are the demos?

The establishment of a democracy – whether a state or a firm – requires the identification of a demos: a people; the people who will govern themselves. For states this may be the whole population within a specific territory at a certain date, or for example, a specific ethnic or linguistic group within that territory. Such processes create populations that are, as it were, out of place: either because they have been made into citizens of states that they do not wish to be citizens of, or because they have been excluded as non-citizens living shoulder to shoulder with those who claim to belong to the true demos. Similarly, turning firms into democracies – by turning them into democratic worker cooperatives, for example – requires an identification of the demos: whose work falls within the boundaries of the
cooperative and whose falls outside it? Will some workers even find themselves unwilling co-owners of a business that they would prefer to simply keep at arm’s length? Will some workers find themselves pushed even further outside of the decision-making structures than they were before?

With the possible exception of very small businesses of a single self-employed worker or just a very few employees, or family businesses where perhaps at least to begin with the boundaries of the firm remain clear, firms increasingly include a range of worker groups with varying relationships with, and stakes in, the organisation. Similarly, the organisation develops relationships with groups of people not necessarily directly employed – directly ‘members’ – in the firm. Indeed, the law acknowledges these relationships when it demands that firms pay attention to the impact of their operations on communities or the environment.

In the case we studied, questions around the boundaries of the political community – around the *demos* – were prominent even before the transition to employee ownership, and continued to be discussed at least a year after the transition, when we completed the interviewing. While direct employees of the firm were ‘automatically’ included, discussion soon revealed a complex configuration of people who made up what employees considered to be their community – and the boundaries of this community were not comfortably congruent with any formal legalistic definition of the firm. For example, there was debate around the extent of belonging of seasonal workers, and workers employed via labour agencies. There was also debate around franchisees, who were often the ‘face’ of the firm towards customers, using the company logos and indistinguishable from ‘regular’ employees from an outsider’s point of view, yet clearly having a very different relationship to the firm than such employees.

The firm also had drivers who would eat in the firm’s canteen, knew many of the firm’s employees, were deeply integrated into the firm’s operations, yet were formally employed by a different firm – which itself was very much tied up historically in the development of the firm we studied. There was much debate about the extent to which relations with the drivers would change, or whether/how the
two firms would be untangled, which in fact was not necessary for the continued smooth functioning of either, yet shows how important it was to the firm’s employees (the community-in-the-making’s members) to conceptually define the boundaries of the demos. Another formally excluded group which was nonetheless very bound up in the identity and historical growth of the firm was a particular group of suppliers (i.e. not all the firm’s suppliers) who operated independently yet had a special relationship with the firm for various historical reasons and whose livelihood was dependent on the firm to a very great extent.

While the firm was based on one main site, there were also some other sites formally included in the employee ownership structures and thus formally members, yet not part of the day-to-day experience of belonging, of participating. This issue too was debated, and as a result of the formation of the employee ownership community, employees at the central site proposed ways of increasing the connection to these other sites, of making the employees there feel themselves to be more a part of the firm as a whole: the emergence of the formal political community seemed to require also boundary work or identity work, to ensure those who were nominally included also felt they belonged.

Thus we see that the boundaries of the firm are more porous that a simplistic ‘shareholder capitalism’ approach would have us believe, and any crystallisation of a demos requires debate over who should be included and who remains outside. Importantly, in this case, employees of the firm initiated these debates as part of the process of adjusting to their new status as employee-owners: it was clear to them that creating the polity had to include debates over its borders (though they used different language to discuss this).

**Entry and exit, and the rules governing them**

The second issue we identified as lacking sufficient debate is entry and exit from firms, and the policing of the firm’s boundaries. What has been debated, is the question of whether entry and exit options in states and firms respectively affect the moral case for democratic voice in the two kinds of association (Narveson 1992; Mayer 2001; Malleson 2013; Landemore and Ferreras 2016; González-Ricoy 2021, 14-
The question focuses on the contrast between voluntary membership of a firm, but involuntary membership of a state. The basic argument at the centre of this debate goes roughly like this: if membership of an economic association, like a firm, is voluntary, while membership of a state is, on the whole, involuntary, then there seems to be a good reason that states should be democratic, while firms need not be: we have choice about where we work, but very little choice about which government we must obey (e.g. Narveson 1992, 54). There are a number of possible objections to this conclusion that have been debated in the literature.

While these debates are interesting, they tend to reduce our view of entry and exit from firms to a simple ‘in/out’ option. In reality, inclusion in, and exclusion from, a firm – like a state – is a process. Moreover, this process is where the political structure of the association becomes visible, and it is often at these boundaries that the identity of the association is challenged. For example, even where firms are democratically organised (perhaps especially there), decisions must be made on who may join the firm, on what terms, and what their role will be. Conversely, since firms must also sometimes shrink, or members of staff must be fired for whatever reason, processes of ‘exit’ will also always be highly politicised: for example, in the event of crisis for the firm, who loses their membership of the association first, and what grounds must be given to justify this? The hard face of any democratic community shows itself in the rules for inclusion and exclusion that are created by that community (e.g. Abraham 2010). The most (internally) democratic community can have – in fact is very likely to have – the harshest rules governing the acquisition, by outsiders, of new membership.

In the case we studied, for example, rules and norms emerged during the run-up to the transition which will impact subsequent movement into the firm. The founding documents of the firm’s transition to employee ownership was a key source of the ethos against which decisions and rules were evaluated, like the constitution of a state. These ‘legacy documents’ were partly written up by the

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firm’s owner-founder and partly the result of discussion with the (at that time) future employee-owners. This was a process of understanding what values would underlie the firm’s operations, inform its decisions, shape the prioritising of its various objectives – and then codifying these values in a way that could be useful for the firm’s members but also advertise the firm’s identity outwards. It was also a way of ensuring that this identity and ethos would be preserved in the future.

For example, the status of seasonal workers within the ownership structures was often central to debate. In the end, it was agreed that they do key work which is central to the firm’s self-image – they contribute to the very core of what the firm is ‘all about’ – and hence they were accepted within the representative structures and receive a pro-rata share of bonuses. Those hired through labour agencies were viewed a little differently: on one hand, the firm strove to take them on as regular workers if they fulfilled their tasks well and there was a clear need for additional employees; on the other hand, they generally worked in a different department, not one considered ‘core’ to the firm’s identity and values, and there were fears that they did not accept the firm’s ethos, and were not interested in its objectives. For example, a senior manager said that they were the ones ‘chucking litter about’, which was considered to reflect the fact that they had not internalised the firm’s core values. Similar fears were voiced about the franchisees.

The rules of inclusion thus serve to safeguard an ethos, itself anchored in the ‘legacy documents’ – those that strengthen it or fit the definition or ‘identity profile’ of a core member are welcomed, and efforts made to include them. Others, perceived as threatening or behaving in ways that potentially clash with the firm’s values are kept at arm’s length, part of the business but not part of the demos. Indeed, the shift to employee ownership is often perceived as a way of capturing and preserving an ethos that has already developed within the organisation, often inspired or led by the charismatic founders whose character infuses not just the stated values but the norms and informal practices within the organisation.
In other words, what this problem of boundaries reveals is that current uses of the state-firm analogy assume a far too static composition of both states and firms, as if issues of inclusion and exclusion were secondary to issues of the internal democratic constitution of these associations. On the contrary, migration, and hence the changing composition of associations (both political and economic), is one of the issues that the state-firm analogy must be used to help us to explore.

*Circles and significance of citizenship*

Our third issue, closely connected to the point above, is that the analogy needs to be extended to help us to think about the meaning of citizenship in the context of states and firms respectively. Like the crossing of boundaries, acquiring citizenship, and using it, is often a struggle, not a discreet event (notwithstanding what official legal documents might lead us to believe). The act of demanding inclusion in the political community is not dependent on formal inclusion, and can continue even when/if formal inclusion continues to be denied (Anderson 2009; Isin 1999; Kemp et al 2000; Preminger 2017; Sassen 2002). In addition, citizenship, even in a democracy, is not exclusively about the right to participate in decision-making, but also about being subject to a set of agreed arrangements. Firms, like states, also have documents, procedures, formal and informal rules, and more, that form a kind of ‘constitutional order’ for the firm. Moreover, formal belonging does not necessarily entitle the citizen to the full range of citizenship benefits or guarantee substantive equality of citizenship rights, let alone the right to share the identity of the political entity and fully ‘belong’, as even the most cursory glance at Palestinian citizens of Israel will make clear (Shafir & Peled 2002). What it means to be a citizen, then, is a common trope of state politics, and would, we believe, be a common trope in workplace politics in democratic firms.

The meaning of citizenship and process of becoming a member are linked to the benefits accruing from membership, beyond formal rights or – in the case of firms – beyond the transactional contract of X hours work for X wages. In our case study, beyond the share of profit and the rights associated with the representative democratic structure, the ‘benefits of citizenship’ included less tangible aspects of
employee ownership – at least potentially – such as enjoying ‘a better way of doing things’, a better management approach. Other democratic firms place a premium on retaining employees even in difficult times, accepting across-the-board wage cuts rather than firing staff. As noted above, to be accepted into the inner circle of employee-owners – full citizens – workers had to be part of the core operations of the firm, had to accept the ethos and values, and had to be formally employed directly. But degrees of citizenship were bestowed on the outer circles of the members of the polity, such that certain ‘perks’ were granted to all on the premises, like the use of the cafeteria for example.

At the same time, employees acknowledged that the benefits of ‘citizenship’ were difficult to distribute equally, and debates arose around two key issues: firstly, the tension between the right to be a representative on the various committees, and the ‘need’ for ‘good’ representatives; and secondly, the various understandings of fairness when measurable equality (equal pay) was not perceived to be an option. These issues led to radical ideas of how the benefits of belonging should be distributed, and the firm aims to reduce pay ratios significantly, but these fascinating normative debates did not (at the time of the study) lead to anything beyond a commitment to ensure all who had a right to participate could participate (i.e. ensuring their work schedule and conditions enabled this). Here, too, the boundaries of the firm were porous, with debates on how non-members should be treated and ‘benefit’ from association with the firm, including suppliers, customers and ‘the community’.

**Unemployment**

Fourthly, unemployed people hardly feature in the recent debate on the state-firm analogy and workplace democracy. But unemployment and statelessness, while very different in their human costs, can both help us to think about power and justice for the political and economic ‘outsiders’ whose lives may be extremely tough, even in a world of democratic states and democratic firms. On a moral level, questions about justice within a collective (whether firm or state) must not be cleanly separated from questions about justice for those who have no collective to belong to. Landemore and Ferreras (2016, 66) do discuss unemployment in the context of consent – they note that under conditions of
high unemployment the argument that workers have consented to their terms and conditions loses plausibility. And republican political theorists have discussed universal basic income as a method to give bargaining power, and an ability to refuse poor pay and conditions, to the unemployed (Pettit 2007; Gourevitch 2016). However, in a world of widespread workplace democracy, we must recognise that unemployment would mean not only economic hardship, but also a form of disenfranchisement.

The disenfranchisement of the unemployed is brought into sharper focus when we consider the place of firms within the context of the range of institutions that make up the ‘state’. In understanding firms not as first-order, independent entities within a reified ‘state’, but as linked to a configuration of institutions we might call the ‘state-system’ (following Abrams 1988 [1977]), we can investigate how citizenship in one field (say, a political party) shapes and is shaped by citizenship in other spheres, such as trade unions, firms, and voluntary organisations – as acknowledged by industrial relations scholars (e.g. Gumbrell-McCormick & Hyman 2019). Each of these frameworks, institutions or organisations offer some kind of voice and influence; is some kind of path to active participation in shaping the society in which we live; and is therefore potentially democratic. Early scholars of neocorporatism understood the potential of these other participatory channels when they acknowledged the power of peak-level trade union bargaining to undermine parliamentary democracy: union members were being granted a path to participation that was unavailable to ‘ordinary’ voters (Lehmbruch 1977; Martin 1983). Being denied access to one of these channels constitutes the whittling down of the space for one’s democratic participation: to be unemployed is to be partially disenfranchised.

We examine this ‘state-systems’ view of political organisation further in the next section, but the immediate point is that barring the unlikely scenario of full employment, we need to take seriously how a world of workplace democracies would make the political status of the unemployed an even more urgent matter than it already is. What kind of voice could unemployed people have in a world where employment adds a layer of democratic power? We do not have a solution to this problem, but at the very least we might imagine the further development of interest groups representing the
unemployed and helping them to exert influence on the other democratic collectives out of which a democratised economy would be composed.

**Part 3: Firms and a ‘state-system’ view of political institutions**

To continue this line of thinking, there are several ways in which employment in a firm (or another kind of organisation) is not just an *addition* to state citizenship (employment *plus* social and political rights) but is actually *connected to* state citizenship (employment *as gateway to* social and political rights). Similarly, democratic workplaces would not just be an *addition* to a quite separate democratic state structure (democratic workplaces *plus* democratic state), but would be *connected to*, and possibly have an impact on, the workings of a democratic state-system (democratic workplaces *linked into* the wider state-system). This section develops these two claims in turn, beginning with the current connections between firms and the state-system, and moving on to the possible connections between firms and the state-system in a democratised economy.

The tangible benefits and duties of (state) citizenship are already bound up with our status as workers. Beyond tourism, entry to a polity is almost always based on an ability to work in an area in which skills are required by that polity. This is the basis of work visas and applications for citizenship. Those unable to contribute desired skills are unlikely to be granted membership in the polity, except in a relatively few cases of charity (refugees) or in cases where citizenship can be bought (in which case, money or investment is being contributed as opposed to skills). But this dependence on work often extends to full citizens, who are required to have been in employment for a certain period in order to gain access to welfare benefits, health insurance, pension payments, sick pay, union protection and unemployment benefit. Work, then, is important in enabling citizens to make use of their full rights as citizens. Moreover, the rules defining this citizenship/work nexus impact narratives around the meaning of citizenship, degrees of belonging and the identity of citizens, which in turn impact the rules governing the entry of potential new citizens – though these are contested and continually renegotiated (e.g. Anderson et al. 2011; Ong 2006).
But the link between work and citizenship goes beyond the ‘duty’ to work, extending to the difficulty of disentangling the governing functions of ‘the state’ from the firm. For example, recently, in some countries firms have been required to fulfil a policing function, to ensure they do not employ anyone whose status in the country is questionable, entailing severe criminal responsibility if this duty is neglected (Home Office 2013) and universities have been tasked with ensuring overseas students do not outstay their visas (Home Office 2021). Similarly, some firms have taken on the task of ‘policing’ the uptake of vaccination against Covid-19: Intel recently pledged up to $350 for every employee who gets vaccinated and in early 2022 Citigroup was reported as preparing to fire unvaccinated employees (Rogoway 2021; Economist 2022). In other words, firms sometimes take on state functions, or are the channels through which state power is exercised. Power is exercised in the other direction too: old-fashioned political lobbying by enormous corporations is just the most obvious manifestation of this; recent scholarship on corporate social responsibility (CSR) has studied the corporate ‘capture’ of regulatory processes to enable corporations to shape the regulatory landscape in ways that best suit their operations (e.g. Kaplan & Kinderman 2019). Similarly, we should not ignore the role of corporations in shaping regulatory regimes for global production networks that span the globe, crossing – and arguably blurring – national borders (e.g. Bair et al 2020).

These are important points to consider in any argument for the democratisation of commercial organisations because they highlight where firms are already connected to the wider institutional structures of states, and therefore highlight where a democratic firm would have to test both where internal democratic processes affect the wider institutional context, and where that wider institutional context impinges on the democratic procedures internal to the firm.

To return to our argument in part 1 of this article, we contend that the concept of ‘state’ assumed by most discussions on the firm-state analogy is reified and idealised. These accounts imply an understanding of ‘state’ as a container within which political struggles are played out, the results of which are incorporated into structures of state power (legislation and its enforcement, via various institutions identified with the state – the police, the judicial system, but not firms or voluntary
associations, for example). However, we draw on more critical understandings of the state that suggest this is little more than a useful fiction which facilitates day-to-day political contention within a shared identity. In the late 20th century, political sociologists (e.g. Abrams 1988 [1977]) and post-structuralist political theorists (see Jessen and Eggers 2020) converged on the claim that states lead a double existence: as sets of heterogeneous institutions, on the one hand, and as a ‘state idea’ (Abrams 1988 [1977]) or ‘prism’ (Jessen and Eggers 2020, 64 – 68) on the other. The underlying point here is that we tend to accept the illusion of a centralised, coherent, and uniquely political power structure, where in fact many agendas and forms of governmentality may overlap and conflict. The normative effect, then, is that the ‘state-idea’ constitutes the illusory common interest of society: it is this which leads us to imagine that there is such a thing as a unified and uniquely political state, and blinds us to the state-system, to the conflicts within it, to the vast range of agents and institutions it embraces.9 Commercial organisations may be part of that system. In other words, it is not that ‘the state’ (sometimes) acts through firms, but that the policies and legislation that shapes our lives is the result of political contention and negotiation within that system, of which firms are (sometimes) part.10 We accept these policies as coming from ‘the state’ and make the unjustifiable leap of faith that there is, therefore, an agreed-upon, bounded and united set of institutions which, together, constitute ‘the state’.

While this perspective does not, in itself, mean that firms should be democratic (after all, we accept that some institutions of the state-system are not directly democratic: the judicial system, for example), it does lead us back to the idea of different spheres of citizenship at different levels in different political communities, which overlap and impact one another (cf. González-Ricoy 2021, 25 – 26). Again, our case study offers a good example: employee-owners were citizens in their own firm,

9 We do not intend to contribute to debates on the nature of ‘the state’, but our perspective draws on critical scholars such as Gaus 2011, Hay 2014 and Koskenniemi 1994.

10 The case of transnational governance of global supply chains are a clearly visible manifestation of this (e.g. Bartley 2011).
but also part of the wider community of EO firms, a community institutionalised in an umbrella organisation (see Preminger 2021), which is also linked to similar organisations in other countries. The multiple levels of trade union membership (from local through national to international) are another example of this.

In this alternative theoretical framing, the demand for workplace democracy has taken on a new dimension: firms should be democratic, not only because they are ‘like states’ in important respects, but because they are part of the political system of interconnected institutions within which we live as members of a democratic social order.

Part 4: Conclusion

We have argued that a sociological understanding of states can enrich our analogical investigation of firms in ways not yet explored by current thinking, and illustrated the value of this perspective by using empirical material from a (partially) democratic firm. In particular, by acknowledging that political communities are dynamic, that the creation, existence and dissolution of such entities is an ongoing process requiring ongoing negotiation and debate, we open the way to contemplation of a number of issues concerning the demos of the democratic firm – issues which are hidden in debates that use the state-firm analogy to justify democracy or assume democracy as the endpoint.

In putting these criticisms to work, the argument developed here had two key steps. The first was to extend and modify the current uses of the state-firm analogy by focussing on boundary issues that we believe show important aspects of what is at stake in imagining and realising workplace democracy. Democracy is not all about transforming hierarchy into horizontal power-relationships; it is also about figuring out how far those horizontal relationships extend, and where they come to an end. This is not necessarily a benign process: just as people of the wrong colour or suspect cultures are refused entry to a state, so too can a firm’s identity be exclusive, as research into organisational culture warns us (e.g. Ely and Thomas 2001). The second step, which does not make the first step redundant but rather enriches it, suggests that in our political theorising about workplace democracy we need to move from
a model of democratic firms plus the democratic state, to a theoretical model that assumes democratic firms linked into a state-system. Both steps in the argument required revisiting assumptions about the relations amongst states, firms, and political communities, which we believe have distorted the recent state-firm analogy debate. Once we let go of an idealised view of the democratic state, we can also begin to examine in more detail how political communities form at different social scales and within different institutional contexts, with the democratic firm providing one context for that formation. Acknowledging these real-world links between political communities at different social scales means that when we compare states and firms we are not comparing two different worlds of human experience, but two scales of human experience within one world. This gives us reasons to think about democracy as more complex and multi-layered than we often assume. But the argument also comes with a warning. What is not guaranteed by democratic firms is the same thing that is not guaranteed by democratic states; a just solution to the questions: who are the demos? And who may they be tomorrow?

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