

From the employment contract to the associative contract

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To date, research on labour managed firms (LMFs) either moved from neoclassical assumptions (Ward, 1958; Furubotn and Pejovich, 1970) or was developed within the new-institutionalist paradigm. While the former stream highlighted alleged perversities in the reaction of LMFs to market stimuli, or in the accumulation of capital through retained and re-invested profits, the latter reintroduced a crucial role for institutional factors, though it remained confined within the transaction cost framework.

When research concerning empirical and institutional factors is considered, various contributions dealt with different financial instruments for LMFs, while the study of labour relations was assumed to be easily encompassed within the democratic form of governance summarised by the rule “one member, one vote” (Dow, 2003). Indeed, the state of the art in the field of the study of labour relations in LMFs seems backward and very relevant issues appear unexplored. This condition is odd, since both institutionalism and evolutionary economic theory see in organizational routines and their evolution the root of the potential for survival and diffusion of different ownership and organizational forms (Screpanti, 2001; Hodgson, 2006).

As a result of the lack of theoretical guidance, the regulation of labour relations in LMFs is left to national legislation and often, as it happens for example in Italy, the position of worker members in cooperatives is regulated by a double regime, one concerning the employment relation, and a second one concerning the associative relation and corporate governance. The

two regime are usually defined and reformed independently from each other, creating gaps, overlapping and misalignment.

This paper, through a theoretically informed institutional analysis, tries to open the door to a new perspective. The unification of the two regimes is proposed within a unique contract, named “associative contract”. Expected results are twofold. First, the main features of the associative contract and their consequences on the condition of worker-members in LMF will be explored. In general terms, it will be shown that this kind of contract can guarantee a degree of job security and active participation that are unattainable in the case of the employment contract in investor-owned firms. Second, the institutional conditions for entry and exit of worker-members in LMFs in the presence of the new contract will be explored, highlighting how internal rigidity and external flexibility of labour relations can be reconciled also at the systemic level.

Key words: labour managed firms, labour relations, employment contract, corporate governance, associative contract

JEL classification: J54, J63, J83

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