SHAREABLE

Donate

It Takes an Ecosystem: The Rise of Worker Cooperatives in the US

Share on Facebook

Share on Twitter

By Nina Misuraca Ignaczak

Today

COLORS Co-Op Academy in Detroit, Michigan

As the traditional job market deteriorates, the number of worker cooperatives in the United States is growing as people seek more stable and rewarding work. An ecosystem of worker cooperative development organizations is emerging to accelerate this trend.

What's a worker cooperative? A worker cooperative is a for-profit business that is owned and managed democratically by employees. Other types of cooperatives exist; for example, consumer cooperatives, which are owned by consumers (think credit unions and retail coops like REI), and purchasing cooperatives, which pool the purchasing power for a class of buyers (think Southern States for farmers). In a worker cooperative, the workers own the business, typically gaining admission through a buy-in, and they can cash out upon leaving in good standing.

"By creating a worker cooperative, you are creating a company where every worker is as invested in the success of the company as the owners, because they are the owners," says Alison Ewing, co-founder of BreadHive Bakery, an upstart bakery worker cooperative in Buffalo, New York. "You have better employee retention and dedication from the people working alongside of you."

According to a University of Wisconsin study, nearly 30,000 cooperatives operate within the United States at 73,000 places of business, own over $3 trillion in assets and generate over $500 billion in revenue annually. Worker cooperatives employ over 2 million people and pay out an estimated $75 billion annually in wages, according to the study.

Although the employment, asset and revenue estimates are impressive, cooperatives remain a relatively small part of the U.S. economy. But an increasing number of worker cooperative development organizations are trying to change that. The organizations span a diverse spectrum from worker cooperative associations to nonprofit organizations to union-led initiatives. What these organizations have in common is their mission to help clear a path for individuals to start cooperatives. They achieve this mission through a variety of activities including direct business incubation, community outreach, education, and business support services.

"Starting a worker cooperative is a much less straightforward endeavor than forming an LLC or sole proprietorship," points out Melissa Hoover, Executive Director of the U.S. Federation of Worker Cooperatives. "First, there is no uniform cooperative statute in every state. In some states, you can't incorporate yourself as a cooperative. In some states, you must form under a consumer cooperative law, and in others there is a worker cooperative law, but they're all different. So at the state level it is very hard to know. It takes a lot of research."

And even after a cooperative founders identify a way to legally incorporate, they face additional challenges like finding financing and business service providers who know how to help them.

"There are not many service providers like attorneys and accountants who understand cooperatives, particularly worker cooperatives" says Hoover. "So even if you are trying to set something up, unless you

find one of those few attorneys to understand worker cooperatives, you're basically trying to do it on your own or trying to work with an attorney who is educating themselves about it."

Despite these challenges, Hoover has seen an evolution in cooperative development over the past 25 years.

"What we saw in the 1990s was the growth of incubator organizations that tended to focus on a sector or industry, that first created the worker co-op, trained owners into it, and then handed over control--so for example the Arizmendi Association in the Bay Area, WAGES and the Cooperative Homecare Associates in New York City."

Then during the 2000s, social justice organizations came to see worker cooperatives as a way of achieving their missions, according to Hoover.

"What we started to see in the 2000s was cooperative development by labor organizations or nonprofit organizations whose primary focus was not necessarily worker cooperative development, but maybe economic justice or community organizing or nontraditional labor organizing," she says. "But they came to the cooperative out of that work."

The Cooperative Incubator

"The co-op model is pretty common in other parts of the world, but pretty unknown in the United States," says Elena Fairley, Communications Manager at San Francisco-based WAGES (Women's Action to Gain Economic Security). "The big challenge is just being able to tap into expertise. Starting a co-op means you are facing every single challenge that a small-business faces, and on top of all of that, you are employing a really unique structure that is fairly uncommon and runs against the grain of what people are familiar with. People are familiar with hierarchy in the workplace and much less familiar with democracy. And so it requires a concerted effort to create that culture of shared ownership and responsibility in the workplace; it takes a shared understanding and time to build up that culture. It is a long process."

WAGES Green Homecleaning Coop Owners in the San Francisco Bay Area

WAGES was launched in 1995 as a venture between a housecleaner and a social worker to create solid employment options within the local Latina community. It has launched five green cleaning cooperatives with over 30 members who average $15 per hour and maintain ownership stake in the businesses. The organization is about to launch a sixth cooperative which will produce Mexican lollipops.

"There is a buy-in to join the co-op, it is $400 for the cleaning co-ops, which can be paid over time by subtracting from paychecks," says Fairley. "So that $400 goes into capitalizing the business, and it is also going straight into the members' internal capital accounts. Members leaving in good standing take the value of that internal capital account with them, which averages about $9,000, so that is a really significant way for them to build equity."

Arizmendi Bakery is another Bay Area nonprofit cooperative incubator that focuses on launching bakeries.

"Sometimes we are approached by places to start bakeries," says Madeleine Van Engel, development and support coordinator for Arizmendi. "But for the most part, when the association has the resources and time to create a new bakery, we initiate it. The goal is to create as many as the market can hold."

When it wants to create a new cooperative bakery, Arizmendi will scout a location, recruit and hire new founders, and train workers. The association also provides business support services to local bakeries, such as marketing and bookkeeping. Profitable bakeries pay into the association in exchange for those services.

"Having to reinvent the wheel and not knowing how to start and what to do are problems (that Arizmendi address)," says Van Engel.

Now the Sustainable Economies Law Center has launched a Worker Coop Academy in the East Bay (Oakland) for all kinds of businesses. The East Bay lacks training programs and job opportunities for low and moderate income workers to create their own stable, career-path employment. They are working with Laney College to accredit the Academy curriculum as a college course. Their goal is to create a replicable certificate program available at community colleges across California.

The Mission-Driven Cooperative Development Model

COLORS Co-op Academy is a Detroit-based subsidiary of the New York City-based Restaurant Opportunities Center (ROC). The ROC formed in 2007 to help displaced restaurant workers after 9/11, and has evolved to address the poor workings conditions of restaurant workers across the nation. In 2012, the organization identified worker cooperatives as one tool for achieving the goals of improving those conditions.

COLORS started an incubation program in October, 2013, and completed its first cohort this past spring, which included a compost business and an herbal tea business. Each team consists of three to four founders who already have a business idea and industry experience. The program is funded through grants from Ford Foundation and Kellogg Foundation, and each project team partners with Patronicity, a Michigan-focused crowdfunding platform, to crowdfund for expenses, including a trip to the US FCWA conference.

"We spent one year with them doing three different phases of incubation," says Bekah Galang, COLORS Academy coordinator. "The first phase is mainly seminar-style classroom learning for 14 weeks, where students come in weekly and we do classes on cooperative structure, worker self-management, democratic decision-making and other basic cooperative principles, drawing on the students' past experiences in their industries."

In a second phase, students are placed into five-month, eight-hour-per-week apprenticeships with various "high-road" restaurant employers in the area -- ones that, while not necessarily operating under a formal cooperative structure, have made a commitment to creating a democratic workplace. In the Detroit area, these partners include Zingerman's, Avalon Bakery and Always Brewing Detroit.

"Students are placed according to interests and where they think they might be of service," says Galang.

The third and final phase includes support of the new enterprises through launch.

"We are dedicated to continuing to provide services to all cohorts after they finish," says Galang. "We are hoping they get to the point where they will be outside of our expertise, and we can just connect them with resources."

Genesis Tea and Dirtworks Detroit of COLORS at National Worker Coop Conference

Nonprofit efforts like COLORS looking to incubate cooperatives as part of their mission-driven work face some unique challenges with respect to resources and expertise, according to Hoover.

"We are at a point in the evolution where the interest is exciting and now the question is how do we get the adequate resources behind it?," she asks. "It's becoming a more common practice for community organizations to start worker cooperatives as a tool for their work, to build a way for people of lower resources to invest. The first challenge is that it is often very hard to find capital in those communities. The second challenge is business expertise. Developing enterprises is hard. Nonprofit staff are typically not business people. And the third challenge is thinking in a networked and ecosystemic way. We need to think about all of the things worker co-ops interact with: policy, a protected market, effective training for the workforce and leadership development."

Hoover points to two mission-driven organizations which have focused on building a community and policy foundation for co-ops before working directly to launch businesses: The Center for Participatory Change in Asheville, North Carolina, which has worked since 2000 to advocate and organize grassroots efforts, and the Bronx Cooperative Development Initiative, a program of MIT CoLab, which has focused on developing cooperatives in low-to-moderate income areas of the Bronx.

"The Center for Participatory Change has had some of the greatest success of all of the nonprofit incubators," says Hoover. CPC launched a cut-and-sew worker cooperative factory called Opportunity Threads in 2008, and has also helped to support housecleaning coops within the last five years. "And the Bronx Cooperative Development Initiative is taking a really ecosystemic approach to organizing, talking to politicians and trying to lay the groundwork for businesses that will happen maybe five years from when they started. They did not start with the businesses, but they are starting with the environments with businesses to follow."

Opportunity Threads in Morganton, North Carolina

Building a healthy cooperative ecosystem requires a lot of community education and organizing, according to Nicole Marin Baena, co-director of Austin-based Cooperation Texas, a nonprofit cooperative development incubator focused on empowering low-income immigrant communities with an emphasis on women.

"The idea is to start planting seeds in the community about cooperatives, and why they're actually a great way to pool assets," says Marin Baena. "So I do a lot of outreach work."

Marin Baena considers Cooperation Texas to be a sort of hybrid model among nonprofit incubators, combining direct incubation through its Cooperative Business Institute and community outreach and education to engender public support and to start building a culture of cooperation.

"Right now I am really interested in working with immigrant populations; for example I am offering personal finance classes," says Marin Baena. "The idea is for people to start getting together their own little pile of what could be equity one day, and to talk about what the local resources are, and then to create little pockets of community where we can have healthy conversations around money."

The Evergreen Cooperatives are another example of a cooperative incubator that operates as part of a larger mission, in this case a citywide economic development plan. Developed in 2008 through a broad coalition of major Cleveland anchor institutions and foundations, the initiative has launched three cooperatives: a green laundry, an urban farm, and a solar installation company.

"The Evergreen Cooperative is explicitly part of a community wealth-building strategy that uses cooperatives as a tool," says Hoover. "They have encountered some of the challenges all businesses encounter, even

though they are well resourced. Where they have run into some challenge was finding leadership for their cooperative that understood cooperative principles and also understood business and the marketplace."

Evergreen Solar Cooperative in Cleveland, OH

The Union Worker Coop Model

The labor union movement is also increasingly active in developing worker cooperatives.

"If you go back in history to when the trade union movement started in the United States, unions and cooperatives were like peanut butter and jelly," says Carl Davidson, member of U.S. Steelworkers Local 3657 and National Board Member for the Solidarity Economy Network. "Then, especially since the 1930s, they got separated and especially during the Cold War, there became a big divide. But now the unions are seeing that they need broader allies to win battles, and that the government in the hands of the Republicans is not doing anything in the way of industrial policy. So the unions realized they had to do some things on their own for creating jobs."

In 2012, the Steelworkers released a Union Worker Co-Op Model strategy in partnership with Mondragon Corporation, a large Spanish network of cooperatives which employs over 80,000 people in 256 companies, and the Ohio Employment Ownership Center. The documents outlines a strategy for adapting the Mondragon model to the United States and incorporating union representation.

"Basically, it Americanized Mondragon's approach to make it more suitable to U.S. conditions," says Davidson. "The main difference is that there are no trade unions in the Mondragon co-ops. In the union coop

model, trade unions are represented." There are currently about 8 worker cooperatives in the United States with union representation, according to Davidson.

Clean and Green Laundry, a new Industrial laundry, is now launching in Pittsburgh under the union co-op model. In Cincinnati, the Cincinnati Union Co-Op Initiative is launching 7 cooperative ventures ranging from a food hub to a railway manufacturer to a jewelry manufacturer.

"This is the future of work," says Davidson. "One way or another, whether it is through the workers owning the factories or the German co-determination model, with unions being represented on boards of directors, worker involvement in the direction of enterprise is the future."

Moving Toward a Cooperative-Friendly Future

Creating a cooperative-friendly business landscape in the United States will likely take some time. The federal government offers favorable tax structures for cooperatives to share profits with members, but states must have an appropriate incorporation statute for businesses to be able to leverage that incentive, according to Hoover.

"Worker cooperatives are trying to operate according to a different set of principles and to my thinking there should be support and incentives for that," she says. "For example, there are many federal incentives for ESOPs (Employee Stock Ownership Plans) that worker cooperatives do not have."

Securing capital will be another issue. As new cooperatives pioneer new structures, the options will likely evolve. BreadHive Bakery has pioneered a unique "Class B" model which created 40 $1,000 Class B public shares ownership and 40 $1,000 shares for relatives, in addition to the 3 $5,000 Class A worker shares of the founders. This structure serves to capitalize the business and allow it to launch without debt.

"This is definitely a new frontier, especially in New York State," says co-founder Victoria Kuper. "Our lawyers and accountants have done a tremendous amount of work to figure out how to do it legally and effectively."

Direct public offerings, crowd equity, crowdfunding, and revolving loan funds (like the Richmond Worker Cooperative Revolving Loan Fund) may be more viable options for cooperatives looking to start up in a high-risk environment.

"It is about getting long-term, high-risk capital, because we are talking about starting businesses often in communities without resources and in volatile industries," says Hoover.

"So there has to be some risk-taking willingness on the part of lenders. For a lot of reasons, much of it having to do with regulation, they're not able to do that. So we have to get creative and some of the things that we are seeing are things like direct public offerings and crowdfunding."

The cooperative development movement has been successful recently in gaining local government support. In June, the New York City Council passed a budget that included a $1.2 million dollar fund for worker cooperative development. Also in June, the City Council of Austin, Texas passed a resolution supporting the development of cooperative businesses.

To continue the momentum, a concerted effort to create a strong network of players is needed at all levels of government and in all sectors of society, according to Hoover.

"We have to think of it as an ecosystem," says Hoover. Cooperative developers, "have to network with all of society's institutions and make the connection to social movements and how that might affect a business, to support and build a market."

##

Want to start a worker cooperative? Your local worker cooperative support organization can help:

- The Democracy at Work Network of the U.S. Federation of Worker Cooperatives
- Cooperation Texas in Austin
- Colors Coop Academy of Detroit
- Green Worker Coops of New York City
- Cooperation Jackson of Jackson, MS
- Worcester We Own It in Worcester, MA
- SELC Worker Coop Academy in East Bay
- WAGES in Bay Area
- Arizmendi in Bay Area
- Cleveland Evergreen Cooperatives in Cleveland, OH
- Center for Workplace Democracy in Chicago
- New Orleans Cooperative Development Project in New Orleans
- Portland Project for Cooperative Innovation in Portland, OR
- Philadelphia Cooperative Alliance (PACA) in Philadephia
- NYC NoWC of New York City
- NoBAWC of the Bay Area
- If there's not one in your area, start one!

Share on Facebook

More: Cooperatives Enterprise North America United States Work

0 Comments Shareable Login

Sort by Best Share Favorite

Start the discussion…

Be the first to comment.

ALSO ON SHAREABLE WHAT'S THIS?

Economic Justice Emerges as Central Theme of SHARE Conference

1 comment • 2 months ago

Ed — Why weren't any long time sharing organizations invited? Sharing economy has been around SF since the '70's.

Building a (Shared) Community: Asheville ShareFest Goes Off!

1 comment • 20 days ago

donsalmon — What would be the best way to get a ShareFest going in the Shiloh neighborhood? They have a

Postcard from Medellin, Part II: Are we better off being better off?

2 comments • 2 months ago

auntiegrav — 2 cents worth of opinion: People need to feel useful to their own future at some basic physical level (that

#JXSNRising

1 comment • 2 months ago

Halima — DATE CHANGE! Detroit Community Share Out is June 3rd at Cass Corridor Commons at 6pm.

Subscribe Add Disqus to your site

Contact Terms RSS

Sponsors

Implemented by Objective Consulting, Inc | Hosted by GaiaHost | Login