

# Work and Pay Better at Green Cleaning Coops

Hilary Abell

A successful new cooperative does a lot of planning and training before it opens for business. The wisdom of that approach is well demonstrated with the launch of a green cleaning cooperative by the nonprofit organization, Women's Action to Gain Economic Security (WAGES).

Since 2008, WAGES has been training a group of women in San Francisco to become the founding members of a new green cleaning cooperative. The participants have attended workshops covering everything from business basics to how to get homes sparkling clean using natural products. On February 16th the group enthusiastically launched Home Green Home Natural Cleaning (HGH), a worker owned cooperative in partnership with WAGES and Seventh Generation.

"This is a great moment for all of us. Not only are we starting a business that cares about the well being of all members, but we have the support of an organization that treats us as women who can succeed. Here, we've learned to refine our processes to include our group motto: 'One for all and all for one,'" said Sandra, a founding member of HGH and a young mother. "Together, we are creating a path toward a better future," she added.

The *socias*' (co-op members') enthusiasm about their economic future as worker-owners implementing a proven co-op model is a notable highlight in California's declining economy. In California today, many working Latinos live in poverty. Low-paying, casual housecleaning work and other domestic and factory jobs are among the few opportunities open to the women. As unemployment increases, Latinas—already over-represented in low-paying jobs—are disproportionately burdened by low pay and poverty.

WAGES' mission is to build worker-owned green businesses that create healthy, dignified jobs for low-income women. For the past 14 years, WAGES has been helping low-income Latina women in the greater San Francisco Bay Area establish environmentally friendly housecleaning cooperatives using eco-friendly cleaning methods and products. In the past decade, WAGES has launched four eco-friendly cleaning co-ops in the Bay Area: Emma's Eco Clean (founded in 1999), Eco-Care Professional Housecleaning (2001), Natural Home Cleaning (2003) and most recently Home Green Home Natural Cleaning (2009). The co-operatives provide a variety of benefits, including health insurance and a decent income for their members. Members' earnings are between 50 and 100 percent higher than what the members earned before joining the co-op.

WAGES recently conducted extensive individual and group interviews with members of Natural Home Cleaning (NHC) to document the impact of their participation in the business. The interviews covered the co-op's impact on their financial status, personal and professional growth, and health and benefits usage.

The study results demonstrated an average 70% increase in members' household income and a near tripling of their personal income. Altogether they had improved many aspects



*Derene, Sandra, Mica, Yolanda, Mari, Acsa, Alicia, Evelin, Elizabeth, Inez, founders of the Home Green Home cooperative in San Francisco.*

of their lives—and their world. "It's great to think about the cumulative effect that we have together on the environment and on our families and communities. Last year I succeeded in buying a house and now I'm focused on saving money in order to support my family in the years to come. When you think about all the improvements, that's when you feel it!" said NHC member Sara, who financially supports her uncle in his battle with cancer.

Most notably, the study showed that 64% of NHC members considered the most important benefit of co-op membership to be the positive impact on their health. This significantly distinguishes WAGES' green cleaning co-op model from the conventional cleaning industry, where workers risk their health and safety by using harsh and toxic chemicals in confined spaces and performing repetitive motions. Yet they are rarely protected by health insurance. All WAGES-affiliated co-ops use least toxic cleaning methods and provide health insurance for members.

"NHC has helped me in many ways. In the restaurant where I worked before, they used a lot of bleach, and I had a lot of allergies and respiratory problems," said Adela, whose mother is a founding member of NHC. "I don't have those anymore, and I don't get the same aches in my body that I used to, either. Here I feel good physically and mentally. I feel proud to be in a green cooperative and I'm glad that my fellow *socias* feel the same way," she concluded.

During the study many members shared stories of personal growth since joining the co-op. One *socia* noted that, thanks to the cooperative, she realized her potential as a strong woman and learned to live on her own terms. "I have learned so much! I always had so much fear before. But now I know I can do things! I have become more independent from my

husband. Before, if I had to run an errand, he'd say, 'Don't go, I'll take you.' But now if I want to run an errand, I just go on my own."

As NHC begins its 6th year and members work toward their future goals, they are taking stock of the impact they've created up to now.

WAGES' oldest affiliated coop, Emma's Eco-Clean, is also taking time at the start of their 11th year to look back, assess, and celebrate their accomplishments, including their recent triumph of reaching nearly \$1 million in sales last year.

"Over the course of these ten years, we have enjoyed tremendous successes, including health benefits and good incomes, and the exciting addition of disability insurance for all twenty-six of our members," said Maria Rosales, a founder

and, until recently, general manager of Emma's.

WAGES and affiliated co-ops have challenges, and much to be proud of, in these uncertain economic times. The recent launch of Home Green Home is a ray of hope in an otherwise bleak economy, as are the long-term successes of NHC, Emma's, and Eco-Care. The priority for the co-ops and WAGES moving forward is to not only survive the recession, but also continue to grow in order to increase their impact. "That's why we exist: to make a measurable impact in members' lives and earnings over the long-term," emphasized Ivette Melendez, a WAGES cooperative trainer.

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## Achieving ESOP Sustainability

### Managing Your ESOP Repurchase Obligation

# Minimize Surprises!

*Bill McIntyre*

Successful management of the ESOP repurchase obligation is one of the most important aspects of achieving ESOP sustainability.

As ESOP plans "mature" and participants retire or separate from the company for other reasons, some companies have been surprised, even shocked, by costly ESOP repurchase obligations that require the company to come up with large amounts of cash in a year or less, regardless of the company's current profitability or other financial commitments. To achieve sustainability of their ESOP, companies must minimize those surprises.

Typically, the provisions of the ESOP plan are the source of the shocks, and the surprise factor can be greatly reduced by revising the plan to allow for more gradual payouts of ESOP accounts. More gradual payouts help to avoid staggering cash demands on otherwise healthy companies, unplanned sales of ESOP companies that terminate employee ownership of the company, and even bankruptcies.

Every ESOP company has a legal obligation to pay every ESOP participant an ESOP benefit as prescribed in the company's ESOP Plan Document. That payment is optional for the ESOP trust, but it is mandatory for the ESOP company.

The ESOP repurchase obligation is related to many different aspects of the company and its ESOP Plan, and it can be a struggle to manage it together with everything else involved in managing a company successfully. Much of the stress arises from the surprise factor. Structuring ESOP Plan provisions, policies and procedures to minimize the surprise factor in repurchase obligations and to maximize its predictability increases the odds of keeping the company healthy and allowing everyone to sleep soundly at night.

Here are some scenarios of potential trouble caused by repurchase obligations: The ESOP Plan might include

a provision that whenever someone terminates employment with the company for any reason, (s)he will receive the ESOP benefit distribution in a lump sum as soon as administratively feasible. The provision reflects the philosophy that "our company wants to be an employee-owned company and not a company owned by ex-employees." At first glance, this seems perfectly reasonable. But this approach maximizes the surprise factor - 100% of the repurchase obligation is a surprise.

What if the stock value spikes after a good year and then a bad year follows? Employees have the incentive to leave and collect the ESOP benefit at the high stock price, possibly causing a cash crisis for the company.

Owners of young ESOPs that have an immediate lump sum payment policy may conclude that paying off departing employees with a lump sum is not an issue at their company because of the small size of ESOP balances. That may be true at first, but ESOP balances have a way of growing over time, and there may be a huge problem when the ESOP is 8-15 years old.

It's almost impossible to guarantee that there will be sufficient cash on hand at all times or sufficient borrowing capacity to fund unpredictable repurchase obligations. The likely outcome: bankruptcy for the company at some unknown date.

How do you minimize the surprise factor in ESOP repurchase obligation? By making the obligation more predictable through the structure of your ESOP Plan.

There are three aspects of repurchase obligation to deal with in minimizing surprises: (1) the nature of an employee's termination; (2) when ESOP benefit distributions begin; and (3) the form of the ESOP benefit distribution. What ESOP plan design will minimize repurchase obligation surprises?

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