

Democracy at Work  
Institute

US FEDERATION OF  
WORKER COOPERATIVES

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# CREATING BETTER JOBS AND A FAIRER ECONOMY WITH WORKER COOPERATIVES



# WHAT ARE WORKER COOPERATIVES AND WHY ARE THEY IMPORTANT?

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## CREATING QUALITY JOBS IS VITAL TO OUR ECONOMIC HEALTH AS A NATION.

Worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. In contrast to traditional companies, workers at worker cooperatives participate in the profits, oversight, and often management of the organization using democratic practices. Workers own the majority of the equity in the business, and control the voting shares. The model has proven to be an effective tool for creating and maintaining sustainable, dignified jobs; generating wealth; improving the quality of life of workers; and promoting community and local economic development, particularly for people who lack access to business ownership or even sustainable work options. According to United for a Fair Economy: "One of the main barriers to business ownership for people of color is access to start-up capital.... [Worker cooperatives make] business ownership more accessible." (Source: State of the Dream 2013)

- **Worker cooperatives build local wealth.** At a worker cooperative, profits do not go to distant investors, but instead go directly to the

workers. As a result, the money stays grounded in the local economy, building community wealth. With ownership in the hands of workers, who are usually living and spending locally, these companies stay connected and accountable to their communities.

- **Worker cooperatives create quality jobs.** Workers have a meaningful role in the business, as they contribute to and benefit from the success of a company they co-own. Jobs at worker cooperatives tend to be longer-term, offer extensive skills training, and provide better wages than similar jobs in conventional companies. Furthermore, worker cooperatives offer opportunities for greater participation in management and governance decisions that help the business succeed.

- **Worker cooperatives create meaningful change for underserved populations.** The New York Times concludes, "by placing workers' needs ahead of profits, they address the root cause of economic disparity." (3/23/14) More than half of worker cooperatives in the United States today were designed to improve low-wage jobs and build wealth in communities most directly affected by inequality, helping vulnerable workers build skills and earning potential, household income and assets.



# FROM A WORKER-OWNER'S PERSPECTIVE



## Adriana Sanchez

**worker-owner  
at TeamWorks Cooperatives**

“ When I arrived in the US, I had difficulty finding employment as I spoke no English and lacked an educational degree. When I heard that TeamWorks was hiring a cleaner, I did not hesitate to apply and I can say today, after being with the cooperative for about 8 years, that I could not have asked for a better opportunity. TeamWorks has taught me a lot about being a business owner, a team player, and a responsible member of society. Thanks to TeamWorks I have also been able to fund my son's education in Mexico, to build the house I always wanted, and to financially support my son and my mother in other aspects of their lives.

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## Max Perez

**worker-owner  
at Arizmendi Bakery**

“ I started out in coops picking watermelons in Florida. I moved to the Bay Area to be closer to my 6-year old daughter when I got out of prison. Even though my offense was nonviolent, I was still an ex-con and it was hard to get a job. I was cleaning dog kennels on the night shift... When I saw the Arizmendi job, I was really nervous to tell them about my past, but the coop gave me a chance because they cared more about me than my record. Without that, I don't think I would have been able to stay in the Bay. It's expensive here! But I'm here to help my daughter grow up. It's hard work at the bakery, we don't always agree, but that's why I care about this place so much, you know? I want other people to have the chance I did.

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Most worker cooperatives are small businesses, with concentrations in service industries and food-related businesses, on the coasts and Upper Midwest. Recent sector growth is among Latino immigrants and in working-class communities. This map shows some long-established worker cooperatives.

The US Federation of Worker Cooperatives estimates:

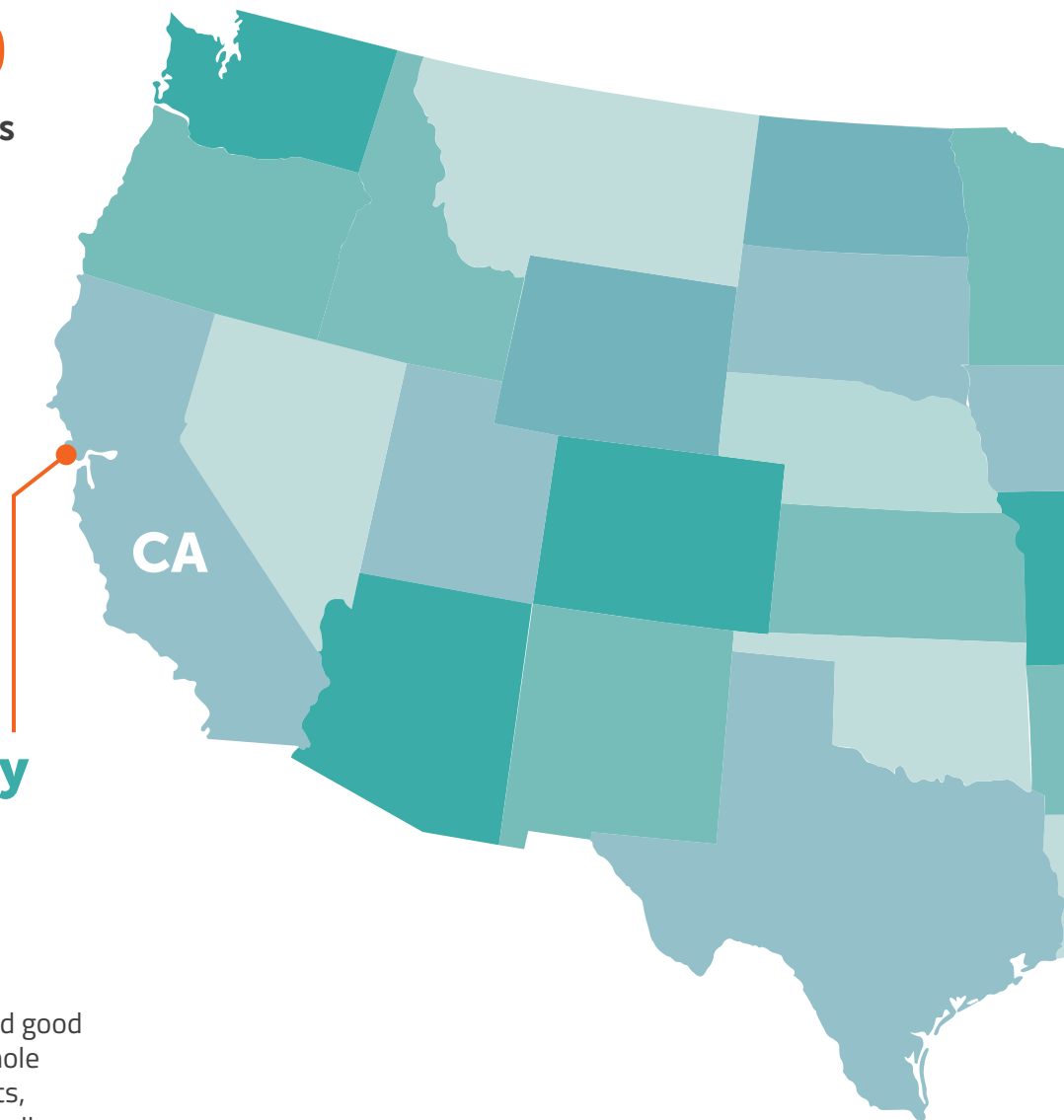
300-400

worker cooperatives



4500

employees



## Alvarado Street Bakery

Industry: Industrial Bakery  
Employees: 120  
Year started: 1981  
Location: Petaluma, CA

Manufactures over 30 baked good products using primarily whole grain and organic ingredients, which are distributed nationally and to Canada and Japan.

## Isthmus Engineering & Manufacturing

Industry: Manufacturing Custom Automation Equipment  
Employees: 60  
Year started: 1980  
Location: Madison, WI

Concepts, designs and builds custom automation equipment. Since 1980, they have fielded applications ranging from highspeed automated assembly to material handling to system integration, and everything in between.

## Equal Exchange

Industry: Fair Trade Food Products  
Employees: 145  
Year started: 1986  
Location: West Bridgewater, MA

National distributor and retailer of fair trade, organic foods, best known for their coffee, but also specializes in tea, sugar, bananas, avocados, cocoa, and chocolate bars. Goods are produced by farmer cooperatives in Latin America, Africa and Asia.

## Cooperative Home Care Associates

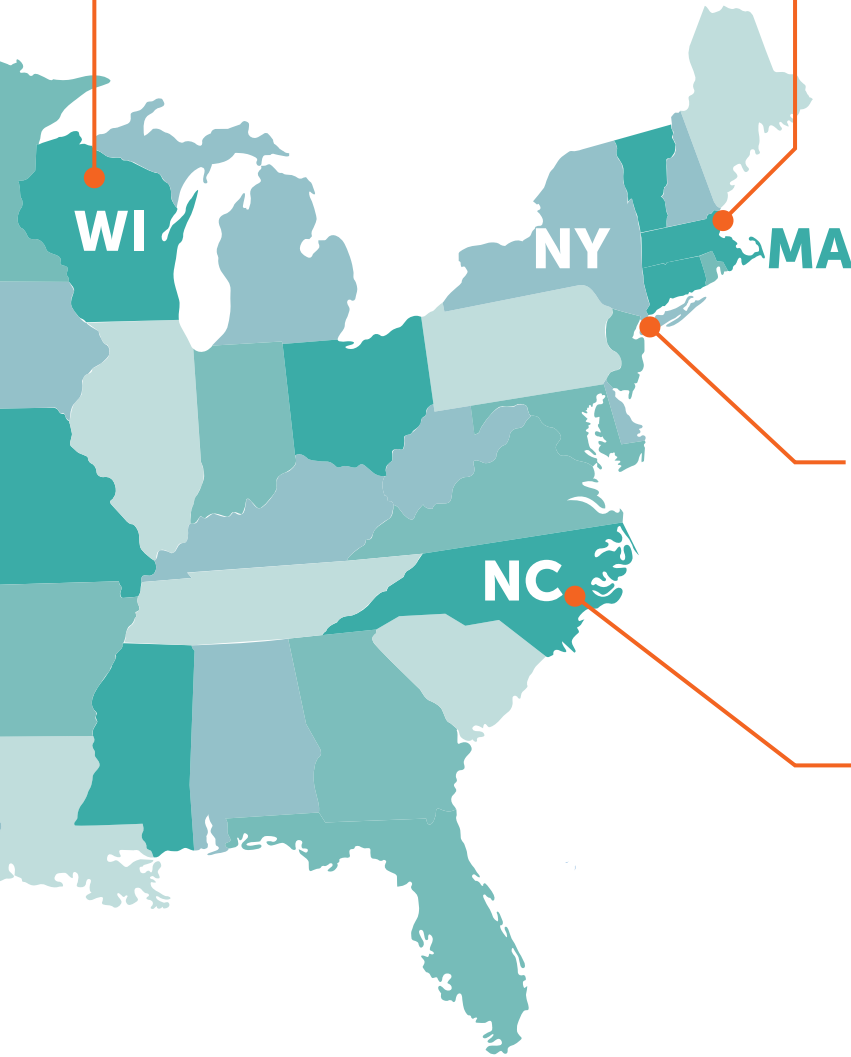
Industry: Home Care Provider  
Employees: 2,400  
Year started: 1985  
Location: Bronx, NY

Founded to provide quality home care to clients by providing quality jobs for direct-care workers.

## Weaver Street Market

Industry: Grocery  
Store Employees: 175  
Year started: 1988  
Location: Carrboro, NC

Multi-stakeholder cooperative (consumers and workers) grocery store and community center operating three locations in North Carolina, with over 18,000 consumer members and 175 employee-owners.





# WHY IS NOW THE TIME TO SUPPORT THE GROWTH OF WORKER COOPERATIVES?

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## THE UNITED STATES IS FACING UNPRECEDENTED LEVELS OF INEQUALITY

In the wake of the financial crisis of 2008, unemployment soared, leaving many individuals and families unable to meet their most basic needs. The jobs created during the resulting Great Recession are often low-wage and part-time, an inadequate replacement for the full-time jobs lost. We are also in the midst of a much longer economic trend toward a service economy that keeps workers contingent and without benefits while concentrating wealth in the hands of fewer and fewer CEOs and shareholders.

A recent report released by the Aspen Institute concluded that “upward mobility into the middle class remains a possibility for fewer and fewer low-income people,” and the numbers are alarming:

- The top 10% used to earn 1/3 of total income; it now takes in 1/2.
- The average CEO now earns 273 times more than the average worker.
- The top 1% has a net worth 288 times higher than the typical family (a record in the United States).

We know that growing inequality is bad for families, for social cohesion, and ultimately for the economy itself. Lack of economic and social mobility undermines the promise of our democratic institutions.

Bringing more stakeholders in to share the fruits of successful business can be a key to addressing inequality. By placing workers’ needs before investors’ profits, successful worker cooperatives democratize wealth rather than concentrating it. Through sharing risk, cooperatives make business ownership possible for entrepreneurs of all backgrounds. They build skills and participation in the workforce. Shared ownership can even be a means of preserving small businesses and saving good jobs when owners retire.

A growing consensus recognizes worker cooperatives as a timely and powerful tool for stabilizing jobs, expanding ownership opportunities, and reorienting business toward broad-based prosperity. According to the New York Times, “Support for full-fledged co-ops has inched into the mainstream as communities have grown weary of waiting for private investors to create good jobs — or sick of watching them take jobs away.” (3/23/14)

# CREATING CHANGE WITH WORKER COOPERATIVES

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## NONPROFITS DEVELOPING WORKER COOPERATIVES

**Cooperative Home Care Associates (CHCA)** is the largest worker cooperative in the United States with over 2,000 workers. The cooperative was developed by a social service agency in 1985 as part of a strategy to improve the low-wage occupation of the homecare industry. In the 1990s, an independent nonprofit, the Paraprofessional Healthcare Institute (PHI), was formed to provide training and support to help CHCA grow and thrive. PHI and CHCA work together to offer an employer-based workforce development program that provides free training for 600 low-income and underemployed women annually.

**Women's Action to Gain Economic Security**, or Prospera, is a nonprofit organization that has incubated five Bay Area worker-cooperatives. The cooperatives provide above-market incomes, benefits, and workforce and financial training to its 92 members, who are 95% immigrant, 100% Latina, and 90% from below the poverty line. All of the existing cooperatives are in the green cleaning industry, although Prospera is preparing to launch a food cooperative in late 2014.

**The Center for Family Life** is a neighborhood-based family and social-services organization in New York. The Center has developed three cooperative businesses—in housecleaning, babysitting and child care, and elder care—to create living wage jobs in a safe environment, and provide social supports and educational opportunities for their members. Each of these successful business ventures has its own website and is owned and operated by the members themselves.

## NYC: WORKER COOPERATIVE DEVELOPMENT AS AN ECONOMIC DEVELOPMENT STRATEGY

On June 26th, 2014 the New York City Council voted to approve the city's annual budget, which contains a \$1.2 million initiative to fund the development of worker cooperatives. This investment – the largest to date by a city government – represents an endorsement of worker cooperatives as a means of creating quality jobs and anchoring businesses in local communities. The funds will support existing cooperative development projects, support new efforts to develop cooperatives around anchor institutions' procurement, and help business owners sell to their employees.

## REPLICATING SUCCESS THROUGH A NETWORKED MODEL

The Arizmendi Association of Cooperatives serves as a network, incubator, and technical assistance provider to six well-known bakeries in the Bay Area. The original bakery was the Cheese Board Collective, a retail artisanal cheese and bread store that developed independently, becoming a worker cooperative in 1971. The Association came together to replicate the Cheese Board, and in the process create as many good jobs as possible. The five subsequent bakeries have used Cheese Board's recipes, organizational structure, and goodwill to build successful businesses connected to the Association, but independently owned by each bakery's cooperative members. Together the six bakeries now employ approximately 200 workers.

The Democracy at Work Institute was created by the US Federation of Worker Cooperatives (USFWC) to ensure that worker cooperative development in economically and socially marginalized communities is adequately supported, effective, and strategically directed.

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It is the only national organization dedicated to building the field of worker cooperative development. Through research, education and relationship-building, it meets the need for coordination of existing resources, development of standards and leaders, critical discussion of models and best practices, and advocacy for worker cooperatives as a community economic development strategy. The Institute brings both a birds-eye view of the national stage and an experiential on-the-ground understanding of cooperative business, making sure that our growing worker cooperative movement is both rooted in worker cooperatives themselves and branches out to reach new communities of worker-owners.

Drawing on our ongoing research and on-the-ground-knowledge of worker cooperative enterprises, we work with a variety of clients and partners:

- With worker cooperatives to help them develop, grow and replicate.
- With non-profit organizations to support the implementation of new cooperative programs, and to increase the impacts of existing programs.
- With conventional businesses to support them in succession planning & transition to cooperative ownership.
- With governments and economic developers to design and implement policies and programs that use worker cooperatives as a tool for local economic development.

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## DEMOCRACY AT WORK INSTITUTE

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