



photos Melita Podesta

Bringing Wealth Creation Closer to Low-Income Communities

Fred Rose

UNIVERSITY OF MASSACHUSETTS, AMHERST

An unusual multisector collaboration is focused on providing job training and employment for the unemployed and underemployed in Springfield, Massachusetts.

In the fall of 2013, the Wellspring Upholstery Cooperative (WUC) opened in Springfield, Massachusetts. It was the first of a planned network of worker-owned companies developed by the Wellspring Collaborative to provide entry-level jobs for some of the hardest-to-employ residents in the area.

The Wellspring Collaborative is modeled after the Mondragon Cooperatives in Spain (110 cooperatives employing 80,321 people in 2012) and the Evergreen cooperatives in Cleveland (a network of four worker-owned companies).¹ Evergreen uses the purchasing power of large anchor institutions to provide a stable market for new place-based, worker-owned companies and has received national attention for its potential to revitalize blighted neighborhoods.²

The Role of Anchor Institutions

The Springfield Armory, the anchor institution of its day, served as an engine for innovation and job creation until it was closed in 1968. Today the network of large and small machining and manufacturing companies that grew up around the Springfield Armory are mostly gone, along with their organizational and financial capacity and their skilled workforce.

What remains are the hospitals, colleges, and universities that are now the region's largest employers. These place-based institutions have large infrastructure investments and educational and health missions that make it unlikely they would ever leave the community. Their annual purchases of more than \$1.5 billion of goods and services could provide an engine for local job creation and innovation. Yet less than 10 percent of their purchasing power is spent within Springfield, and very little of their money circulates in the low-income neighborhoods that surround them.

Wellspring is carrying out detailed business plans to study goods and services that anchor institutions import from outside the area and to identify those that could be profitably produced locally. The goal is to develop worker-owned businesses that can provide entry-level jobs and job training that will serve the urban population—mostly low-income people of color and new immigrants with limited formal education.

The initiative favors worker-owned companies because they tend to stay in the neighborhoods where employees live and because they provide workers with a share of the profits. According to current growth projections, each Wellspring employee could accumu-

late \$50,000 through profit sharing over 10 years—money that is likely to be invested in homes, education, or other necessary assets.

Wellspring has brought together a diverse partnership to implement its economic development strategy. Anchor partners include Baystate Health, the University of Massachusetts at Amherst, Springfield Technical Community College, Western New England University, and Sisters of Providence Health System. Community and labor organizations include Jobs with Justice, New North Citizens Council, the Center for Popular Economics, Partners for a Healthier Community, GreenWorks, and the Pioneer Valley Project. Development agencies include the Hampden County Regional Employment Board, Springfield Neighborhood Housing Services, the Cooperative Fund of New England, MassMutual Financial Group, and United Way of Pioneer Valley. The work is supported by research from the Center for Public Policy and Administration at the University of Massachusetts.

Worker-Owned Companies

Worker-owned companies add resilience to local economies. As the Mondragon cooperatives in Spain's Basque region have demonstrat-



ed, they are able to adapt to changing economic conditions by moving workers, reducing wages, and distributing costs among businesses to maintain employment in a downturn.³ During the 1980s, when unemployment in the Spanish economy reached 27 percent, Mondragon's unemployment rate was below 1 percent. In 2012, when Spain's overall unemployment rate was 24 percent, the Basque region's was only 12 percent, and the Mondragon cooperatives did not lay off any workers.



Wellspring Upholstery Cooperative, Springfield Massachusetts





Mondragon's worker cooperatives grew to scale in the protected economy of the 1950s. Similar initiatives in more competitive economies, however, have remained small. That does not discount the history of consumer cooperatives for electricity, utilities, health care, or large marketing, supply, and servicing agricultural cooperatives. But the Evergreen cooperatives' use of anchor institutions and the focus on building a network of cooperatives represent innovative thinking that has the potential to revitalize a region's economy.

Wellspring has its own version of the Evergreen model. In particular, it is obtaining production expertise not by hiring entrepreneurs early in the development process, but by partnering with successful businesses in the community. It is also developing smaller start-up businesses that require less capital up front. That enables Wellspring to hire workers earlier in the development process so they can help shape the businesses they will eventually run.

Wellspring has established a relationship with the local regional employment board so that qualified employees can use on-the-job training funds to learn both technical skills and co-op management skills. The co-op management training curriculum has been developed in collaboration with other worker cooperative organizations in the region.

Wellspring's First Company

Wellspring Upholstery plans to provide institutional upholstery services to colleges and public schools across New England. It is working closely with the Hampden County Sheriff's Department,

which has 25 years of experience teaching upholstery skills in its jail, and Alliance Upholstery, a skilled upholstery business with 40 years of experience in Springfield. Alliance Upholstery and its affiliated company, Corporate Design NE, are heirs to Springfield's prestigious Bottaro-Skolnick furniture company, known for doing fine upholstery work since the 1930s.

Wellspring decided to create an upholstery cooperative as its first business for a number of reasons. The Hampden County Sheriff's Department provides a pool of employee candidates with some initial upholstery training and a well-established support system to address social needs after incarceration. Wellspring is providing long-term employment for ex-offenders who otherwise face limited employment opportunities.⁴ A modest-sized, low-capital-intensive business like upholstery is useful as a learning experience for Wellspring itself. WUC will employ six low-income Springfield residents during its first year of operation and expects to double the number within six years.

Wellspring Upholstery has established a production workshop for institutional seating within the established workshop of Alliance Upholstery, which continues to carry out high-end upholstery work at a reduced scale. Experienced upholsterers from Alliance were hired to manage WUC's business and train new workers. Alliance brings great skill and capacity to the cooperative, and at the same time, Wellspring provides access to a new generation of upholsterers and the potential for a business succession plan in the future.

Corporate Design NE's owner, David Rothenberg, notes the

need: “Upholstery is an immigrant business. My father and grandfather did it, but our kids aren’t taking over. The old upholsterers are retiring, and there aren’t new people coming up.”

Many upholstery shops are closing as their owners retire because they haven’t built bridges to the newer communities in the city. By partnering with Wellspring, Alliance Upholstery is helping to train the next generation to carry on the craft.

Wellspring is studying goods and services that anchor institutions import from outside the area, with the goal of identifying those that could be profitably produced locally.

New Thinking

Wellspring’s development work is one of the first 12 projects nationwide to be funded by a Robert Wood Johnson Foundation Roadmaps to Health grant. The grants represent a shift in focus for the foundation from narrowly targeted public health projects, to multi-stakeholder, multi-issue projects that recognize how individual health is tied to the social and economic conditions where people live.

Wellspring’s development work asks our institutional partners and community members to see their interests as intertwined. Purchasing outside the community comes at a cost for local anchor institutions because the accompanying poverty, poor health, and blight can hurt core operations and the bottom line. Jobs and wealth creation for inner-city families tend to reduce crime and recidivism and improve neighborhoods. That will help colleges and hospitals attract more students, patients, and professional staff. Detailed business planning that has community partners on board can highlight the advantages of shopping locally for some of the products and services that anchor institutions need.

Meanwhile, Wellspring’s experience has lessons for the growing number of communities interested in using the purchasing power of anchor institutions to drive wealth accumulation and job creation in low-income neighborhoods.

Fred Rose is a codirector of the Wellspring Collaborative at the Center for Public Policy and Administration, University of Massachusetts, Amherst. Contact him at frose@pubpol.umass.edu.

Endnotes

¹ Mondragon Cooperative 2012 Annual Report, <http://www.mondragon-corporation.com/LinkClick.aspx?fileticket=ZzxamLvmVgk%3d&tabid=331>. For a discussion of Evergreen’s relationship to Mondragon, see the winter 2008–

2009 “Owners at Work” newsletter of the Ohio Employee Ownership Center at Kent State University, www.kent.edu/cas/oeoc/upload/winter0809oaw.pdf.

² For more information about the Evergreen Cooperatives in Cleveland, see John Tozzi, “Buying Local on a Large Scale,” *Bloomberg Businessweek*, February 12, 2010; and Bill Bradley, “Cleveland’s Evergreen Cooperatives Finding Better Ways to Employ Locals, Keep Cash Flow in Town,” *Equity Factor*, June 12, 2013, <http://nextcity.org/equityfactor/entry/clevelands-evergreen-cooperatives-finding-better-ways-to-employ-locals-keep>.

³ Tom Burrage, “Basque Co-operative Mondragon Defies Spain Slump,” August 13, 2012, <http://www.bbc.co.uk/news/world-europe-19213425>; and Saioa Arando, “Assessing Mondragon: Stability and Managed Change in the Face of Globalization” (William Davidson Institute Working Paper 1003, University of Michigan, November 2012), <http://wdi.umich.edu/files/publications/workingpapers/wp1003.pdf>.

⁴ More than 80 percent of employers now use CORI checks to decide who to interview, and job candidates with prison records are less than half as likely to be hired as nonoffenders.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at www.bostonfed.org/commdev/c&b.