



**Interview of Melissa Hoover**  
**Executive Director, United States Federation of Worker Cooperatives**  
**(San Francisco, CA)**

Interviewed by Steve Dubb, Research Director, The Democracy Collaborative  
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*Melissa Hoover is the Founding Executive Director of the United States Federation of Worker Cooperatives, a position she has held since 2004. The Federation is a national trade association for the worker cooperative movement. Hoover also heads an affiliated nonprofit, the Democracy at Work Institute, which provides technical assistance resources to worker cooperatives. She is also involved with the Development and Support Cooperative of the Arizmendi Association of Cooperatives, and has several years experience on financial and management teams of San Francisco Bay Area worker cooperatives. Hoover also works as an independent consultant helping co-ops and small businesses strengthen all aspects of financial management, with a focus on creating effective systems and trainings.*

**Could you explain how you came to be involved with worker cooperatives and what inspired you to focus on that sector?**

Like a lot of us, I got involved by working in a worker co-op. I was a bookkeeper on the management team of Inkworks, a print shop in Berkeley. To back up a little bit, I studied cooperatives in college – I studied the cooperative movement, particularly women’s role in consumer cooperatives in the upper Midwest in the 1930s, the way cooperatives supported political action. My parents were cooperative organizers when I was a kid. It goes way back.

I was lucky enough to be working at a co-op at a time when there was a lot of activity. The Network of Bay Area Worker Cooperatives and the western conference had been going for a while and the eastern conference was inspired by the western conference. That started a discussion of whether it was time to have a national organization. The momentum had gotten to such a point – it wasn’t an “if” question but a “how to” question. I was at that founding meeting. I went on a lark and was so inspired – a staff position opened up six months after that and I applied for it and was hired.

I always had an interest in larger movement building work, rather than just working in my own co-op, and so I moved in that direction.

**Worker cooperatives have been around for a long time, so what new push led to the formation of a national trade association this past decade?**

It’s a pretty multi-layered story. There was local organizing and regional organizing and this national group came out of that. There were a few people pushing it forward, but when they decided to push there was a lot of interest. There is actually a generational seeding of growth that is happening. There was an explosion of worker co-ops in the 1970s and before that in the 1930s and a little bit of growth in the 1980s but most didn’t last. The worker co-ops that

survived from the 1970s, they didn't just survive – they thrived, particularly in the San Francisco Bay Area. By the 1990s they were in a position whether they had some resources: Arizmendi was founded, Rainbow Grocery had an institutional program of technical assistance. So there was a pretty conscious effort to take those resources and use them to seed that growth. At the same time the anti-corporate, anti-globalization movement was coming to fruition nationally in the late 1990s and people were looking for positive alternatives. These folks brought maybe a more outward looking energy. Some of the 1970s worker co-ops were motivated by utopian tendencies. By the 1990s that was largely gone and the people who were interested in worker co-ops were much less utopian and much more willing to engage with the market and other institutions. If you take those different strands you can see why by 2004 there was pretty strong support for organizing a national group.

**Could you discuss the trade association's early development and explain how the organization has changed since you became executive director six years ago?**

Well, despite our progress, I would say we continue to be in our phase of early development. We have come a long way. We started with \$7,000 in the bank and an agenda to do everything. We've since refined our focus a little bit. One of our key principles when we were founded: we wanted to be member-supported and accountable to our members. The bulk of our funding comes from member funding. The nonprofit organization we are founding is supposed to be subordinated to that member will. Several of us had been exposed to the conversations about the problems of nonprofit funding and wanted to stay away from foundation funding. We weren't sure if that would actually work, but we're able to support staffing and projects. There is a limit – there aren't that many worker co-ops and they don't pay that much dues. We're sustainable on a low level. The question of growth is vexing right now.

For the first five years, the question was: "Can we do this?" The answer is yes. Now the question is: "Can we take it to scale? Can we be a player in terms of policy? We need to figure out how to put the final piece in place. We need to move to full-time staffing – maybe even have more than one staffer. I don't equate the federation with the worker co-op movement, but more and more we are asked to speak for the movement and corral it together. So I think in the six years we've been around, we've been able to catalyze a little more dialogue and be there when someone asks what are worker co-ops and why do they matter. That capacity wasn't there before in terms of a central point of contact.

In the last six years, the movement has gotten bigger and more diverse. The worker co-op community is one of the most diverse communities that I have been a part of. There is a vibrant tension within our movement about what our politics are, what our culture is, what our scope and scale is and where we are going.

**Could you talk a bit more about the scope of the diversity of the movement?**

The vast majority of worker co-ops are small businesses and even very small business – typically a worker co-op has less than 50 employees. There are a couple of large worker co-ops and a couple of large worker co-op projects in development. We seem to be headed to a larger scale. But our members are primarily small businesses. Management is everything from collective no-hierarchy to a manager who hires and fires. Governance is everything from completely decentralized to a board of directors with outside directors. In the last 10-15 years, there has been more interest in worker cooperatives from low-income communities, and communities of

color – there is a whole new strand of Spanish-speaking worker cooperatives. It is a given that we will offer interpretation at our conferences, which wasn't the case when we started. On the whole, people involved in worker co-ops tend to be younger than other areas of the cooperative world. One of our board members says when he goes to other co-op sector conferences he's among the youngest people in the room and when he goes to the worker co-op conferences he's one of the oldest.

**Since you also do worker co-op development, could you explain some of the challenges of the process of creating a new co-op, from capital formation to finding qualified management to the recruitment and training of co-op worker owners?**

I am in the thick of two co-op developments right now. One thing I have noticed in people who call the federation – typically, co-op developers and business owners looking to sell to their employees — the thing they are most concerned about is capital formation. And rightly so – it's hard to get financing for worker co-ops, although it has got a little better. Community banks are opening up – successful projects have paved the way. Financing is opening up a little bit. We are working to get the member business cap increased so that credit unions can make loans to worker co-ops.

Still, while financing is important, I think it would be wrong to identify that as the main issue. It is what developers think about the most because they are used to thinking about this. And I'm a finance person. I am well aware of it. But what I think the real issue is in worker co-op development is the question of creating and building democratic capacity in the workplace. It is not easy. It doesn't happen naturally at all. We have very little practice balancing individual needs with the common good. One of the things that animated the founding of the federation was that there was a lot of practice and tools for building democratic capacity within existing worker co-ops and no one knew about those. New co-op developers were consistently reinventing the wheel. What we really wanted to do was create a venue for sharing those best practices. There is still a crying need for effective successful democratic practices to be shared – and refining those – let's share what doesn't work so we can learn from that too. I think that's the largest challenge – I think it is a larger challenge than in any other form of co-op development.

The idea is not just building democratic capacity within the business, but building participatory capacity within people. Democratic management has to be not-frustrating – people have to feel heard and have some power within their business. There is a lot of thought and effort to figure out what system is best for what workplace. There are no off-the-shelf models – it varies by industry, population, and size. We are under-theorized and under-modeled in that area.

At the same time worker co-ops are effectively doing their thing and no one is asking them how they are doing it.

**How does the “worker ownership” piece work for rank-and-file workers financially? Obviously this differs by sector, but can you give some broad numbers of what worker shares tend to cost, how workers pay for their share(s), and what kind of business equity can a worker owner build up over time?**

I think again – of course it varies by industry and sector, but it also varies by age and generation. I think as we build a more professional infrastructure, there has been a bigger emphasis on this in

newer co-ops. It is a focus of a lot of new co-op development. Consequently they may have larger buy-ins and larger member capital accounts. This idea of building member equity in the co-op may not have been as present. The amount of capital required to buy-in ranges from \$1 to \$5,000. I don't know of anyone that is more than \$5,000. For the most part, you're talking about working class jobs. Anything above \$5,000 represents a pretty significant barrier.

Well established worker cooperatives can build substantial member equity. For example, in Rainbow Grocery, members have requested to withdraw their shares to put a downpayment on their house. That's an asset builder's dream. And I know Rainbow retains patronage for a very long time and they pay a significant interest rate – when people leave they often want to leave their money in because it earns a better rate than is available at a bank or credit union.

On the other end of the spectrum, others have very low patronage. That's because members need the compensation sooner rather than later. Those tend to be the smaller co-ops that don't have the same kind of technical assistance resources or capital needs.

I was working with a co-op just yesterday, which asked: “Why would we retain our patronage for longer? We're not trying to grow.” That's still at the end of the spectrum. This is what co-op developers often see as a barrier to growth: those co-ops that say, we don't want to grow, we don't need capital. I don't think it is necessarily a barrier. It's just a different kind of worker co-op.

**How is the worker co-op movement affected by growing participation by people of color?**

We are just starting to see the effect on the movement as a whole. The founding conference was an incredibly racially and class diverse group of people. There was an effortless coming together to elect a lot of people of color to the board. Since then, our board composition has changed and our member involvement – the more established co-ops, which tend to be whiter, have gotten more involved in the Federation. There is a push within the Federation that the changing demographics need to be reflected in the organization. So we plan to address that intentionally and make sure that co-op development connects to a movement. Part of that is our responsibility and part of that is the responsibility of co-op developers. There have been informal conversations for years – we do have an equity and inclusion circle – a group of members who talk about these issues. That circle and our future initiatives are predicated on the idea that co-ops are a way to build equity in society – not just financial equity but societal equity for people who have traditionally been left out of the economic mainstream. It's not just that the movement got more diverse and we need to account for that, but that worker co-ops are intended to be an economic mechanism to benefit excluded groups. The realization of that vision is both exciting and challenges us as an organization to realize our deepest commitments to equity.

**One area that has generated significant discussion among worker co-ops, as in most community building movements, has been the issue of scale. Scale can boost organizational capacity, but can also mean larger organizations that may become disconnected from the communities they serve. Could you discuss some ways that co-op federation members seek to negotiate this balance?**

I think, to be frank, many co-ops have sought to dodge the question. To me, this is one of the central tensions in worker co-ops. When faced with the opportunity to grow, there is little incentive to grow, you are going to sacrifice some return the more members you have. Faced with a decision, when it is optional, the choice is often to stay small.

There are exceptions to that. One is when market forces that dictate that you have to grow to survive – Equal Exchange and Rainbow Grocery are two examples. In both cases, they sat down and said how do we create a structure that scales.

There is also a new wave of worker development where the push for scale has been built into the projects by developers. Cooperative Home Care Associates in the Bronx is one key example. The Cleveland project as well is an example – the idea is to reach scale [*Note: The “Cleveland project” refers to the Evergreen Cooperative Initiative, which is leveraging the procurement and investment power of Cleveland’s anchor institutions to create green living wage jobs and worker cooperatives in the city’s low-income neighborhoods. For more information, see: C-W.org’s section on the “Cleveland Model” at <http://www.community-wealth.org/strategies/cw-in-action.html>. The U.S. Federation of Worker Cooperatives is a consultant on this project, researching best practices to help structure the co-ops. -sd*]. I think it can be very helpful. It may be helpful to have an outside push to reach growth and scale. My sense of worker-owned cooperatives is that on their own in many cases that will choose to stay the size they are.

Arizmendi in San Francisco sought to deal with scale in a different many. We said, “We are going to develop co-ops that are not going to be more than 25 members. So we are going to grow by growing small.” We will have a bunch of small businesses that feed back into a central organization– they feed back money into the organization and have a seat on the board. The businesses themselves are relieved of the pressure for growth. We honor that impulse to maintain small scale, yet harvest the energy and resources generated to do co-op development. The idea behind Arizmendi is exponential growth. The more co-op bakeries there are, the more development you can do. 15 years in, we are evaluating the success that against our expectations.

There have been a few approaches to scale – it continues to be one of the larger questions we face. The more innovative ideas for reaching scale come from partnerships that include worker co-ops but also other sectors. The Cleveland project is one of the more exciting things I see. It comes from workers co-ops but also from completely other perspectives. It’s a really rich dialogue there.

**What is the level of presence of worker cooperatives in the green economy? Is this a focus of the worker co-op federation’s current work?**

It is sort of an unknown area for me. Worker co-ops have tended historically to be in green industries to some extent, such as the natural foods movement, bikes and alternative transportation, solar and alternative energy. I think before there was the notion of a green economy, there were worker co-ops doing that work. And worker co-ops always tended to implement green practices long before it became a buzzword.

The other angle is more strategic ... if we see green development taking off and a lot of funding for green economic development, worker co-ops have to be part of that conversation. What’s going on with the Cleveland project is a great model. This is a part of the market we could be serving. We are just starting to talk about that and we don’t have any plans or strategies around it. I would be interested in engaging those of our members who are working in the green economy. As a federation our capacity is fairly limited, but I would think it would be a

partnership – beginning of a policy initiative or dialogue with a group that is already doing co-op development. I think it is a hugely exciting area and a direction we need to be going.

**Thinking nationally, worker co-ops are enjoying new visibility in the United States, including a recent article you co-authored in the *Christian Science Monitor*. What do you see as steps that the worker co-op movement needs to take nationally to build on this new visibility?**

I think there are a couple of things we can do. Our members need to – and are interested in – joining up with the larger co-op movement and one another in economic relationships, which we don't have a lot of. The only way to build the power of our movement is to build those linkages – when we do that we will be able to generate resources for other goals – e.g., more public education. Our goal is to make the co-op form as visible as any form – so that co-ops are on the table as an option. Until we link up with one another and generate more resources and support for the form it won't be normalized as an option.

Worker co-ops are this inspiring thing – they get deployed in policy discussions and movies – they are a really holistic form. One of the challenges is to take that inspiration and help people figure out on a larger scale how to implement this. To take it beyond being an amazing model, to be an amazing model that is available. It is a combination of creating the linkages, adequate technical assistance, and, adequate financing – it is such a struggle now to create a co-op. You need 10 experts and incredible fortitude and resilience and savvy and a lot of patience, we need to move the development process beyond the difficulties and barriers people face now.. That requires a lot of not-so-glamorous infrastructure work. The visibility isn't a problem – from the public, journalists, even policy makers, the response we get is “This is a great idea, but [it's not pragmatic].” We need to get beyond that ... this is a great idea and a possible idea.

**What are the worker co-op federation's primary goals in the areas of legislation and movement infrastructure?**

We are just beginning to form a policy agenda. The main goals in movement infrastructure are to build a library of models, do a critical evaluation – we would like to be able to have that – develop a literature on what works and doesn't work and then train the people to implement that. Train the next generation of co-op developers who are rooted in practice – not to replace existing developers but supplement their work, Via our peer advisor training program we take motivated smart worker co-operators who are interested in co-op development and train them to be useful in that way. That was one of the founding principals of the federation to get our knowledge out there.

Other infrastructural stuff – obviously there is the money piece. Create relationships with financial institutions that lead to access to financing. People are doing that in an ad hoc way – Evergreen in Cleveland is the most successful example of that. Several of our members are working within community banks and community loan funds to get them to lend to worker co-ops. We also need to crack the outside investor piece—that's another piece of the puzzle. Outside investment for worker co-ops – it hasn't been done very much, but where it has been done, it has allowed co-ops to grow. Equal Exchange is one example. And we have to also work to increase the economic relationships among co-ops.

Legislatively, one of the projects we have worked on this year is the legislation to fund state employee ownership centers. The employee ownership bank seems like a very long shot. The state employee ownership centers has a better chance. To the extent we can link up with the ESOP (employee stock ownership plan) company movement, which has greater resources, to find our points of common interest – that would be great.

We've been advocating with National Cooperative Business Association to change the Small Business Administration's loan guarantees to include worker co-ops. If we can unlock that, it would be a first step to access greater financing. Then we have also been advocating for the member business-lending cap to be raised for credit unions, which is another part of the co-op-to-co-op linkages we need. Credit unions are financial co-ops. If we can get that cap raised, that would make it more possible. I think that could be a very powerful connection.

I have to append all of that with the caveat that we are six years old and people have barely begun to listen to us. We haven't had a sense of our own voice until very recently. In August, our board will present a legislative agenda to the membership for the first time.

I'm not a policy person. I bring myself up to speed by reading a lot and trying to figure out what the policy landscape is. The C-W.org website is instructive and a meeting we had at the Casey Foundation has helped. We are working to listen to what the larger conversation is and figure out where we stand.

### **What is the role of the newly formed Democracy at Work Institute?**

That's our training mechanism. It is a grant funded 501(c)(3). We've gotten a little bit of funding from cooperative foundations to do some analysis about governance and democratic processes that exist in worker co-ops, and develop a models-based curriculum. It is also the venue for doing training programs.

### **Worker co-ops were often seen at the U.S. Social Forum, a gathering of 15,000 activists held this June in Detroit, as playing a key role in the development of a solidarity economy? What is your view of the relationship of worker cooperatives to such broader social justice goals?**

I think it fits squarely in there. Part of the attraction of our form is it is a practical form – it can be used whether you share broader social justice goals or not. But the co-op principles are intended to be a social justice mechanism. So I think there is an inherent relationship.

In some cases, social justice movements see worker co-ops as an economic engine to fund other social justice work and address the problem of grant funding. In other cases, worker co-ops have been a mechanism for the realization of social justice goals – greater equity, participation, job creation and wealth-building for people who have traditionally not had access to those things. We have an institutional connection with the Solidarity Economic Network. To the extent there is a recognizable part of the solidarity economy in the United States, you could consider it the co-op part. So to me it is a natural connection.

It is also potentially an area of tension. Because when you are talking about running a business, you are dealing with a myriad of compromises that you have to make to be in the marketplace.

To me that's where it gets interesting, where the rubber hits the road and your principles are tested. But I've seen a lot of nonprofits that are developing worker co-ops may struggle with that question. It's a compromised form – I don't think of that as a bad thing – but it's not pure. You are operating on principles that contravene the principles of business as usual and there's a struggle there. Organizations pursuing social justice goals would do well to take that in mind.

**In October 2011, the first North American worker conference is scheduled, to take place in Quebec City. And the United Nations has declared 2012 to be the International Year of the Cooperative. What do you see as the importance of these international developments for the worker co-op movement in the United States?**

I think the International Year of the Cooperative designation is huge actually. One of the organizations leading the charge was NCBA (National Cooperative Business Association), the U.S co-op apex organization. WE live in a much more globally connected society now – and it's significant. The Quebec worker co-op meeting comes out of a recognition that the north and south American regions are very different. Central & South American co-ops have a long history. The conference in Quebec will bring together co-ops from Canada, the United States, and Mexico to hopefully have some more meaningful connections and create economic and social linkages with one another. That's an incredibly positive development and that's very exciting. For the American co-op movement to be engaged in that is nothing but positive.

With the International Year of the Cooperative, we have to be able to seize on that. Not just with public relations, but with building the infrastructure that is necessary for us to grow. It is a huge opportunity and our members have a lot of energy around that.

It is important for worker co-ops in the U.S. to make those connections, since there is such a dearth of models here. There are a few, but there are not enough. So we look abroad. Many have been inspired by Mondragón. So it is important that we know Mondragón and understand it. And the same is true with understanding worker co-ops in Emilia Romagna in Italy — and also the worker co-ops of Latin America. We need to study their successes and learn from their failures. It has to be a learning opportunity for us.

**What are the worker co-op federation's main priorities going forward?**

I think the development of the training infrastructure is probably the top priority. This idea is that we need to share our resources with others who are interested in worker co-ops. To the extent that we can collect our models and train others, we can have a big impact.

I think other priorities are to continue to increase the visibility of worker co-ops. We made a commitment a year-and-a-half ago to get out in the media and we have had more success than I would have imagined. There is the *Christian Science Monitor* article and The *New York Times* blog entry, the Time.com and CNNmoney.com articles. The Cleveland project has gotten such amazing coverage. Another priority is to build on that visibility and go beyond the initial excitement to identify what are our issues and what we can do on financing. A fourth issue is to develop a legislative agenda. These things are all connected. You can't advocate for legislation until you have visibility. There is an inter-play between these things.



The other thing is we're also dealing with defending our very form. A couple of our members are undergoing audits by the Internal Revenue System, which would potentially endanger the member equity part of the worker co-op form. There is nothing more boring than tax law so I won't go into the details here. But in addition to these forward looking and visibility measures, we also have to think about how we defend and justify ourselves to bureaucrats who don't understand the form. We need to explain why what we do is legitimate and why we deserve the same treatment as other cooperatives.

**If you had to choose three accomplishments of the worker co-op federation's work to date that you are most proud of, what would they be?**

The first I think is to continue to exist, which is not a foregone conclusion after our founding. The fact that we have managed to build an organization that has a consistent and dedicated board, staffing, and a membership that is deeply involved, while maintaining a democratic structure, is no small feat.

The second is the training of these peer advisors and the development of a training infrastructure. At our founding meeting, I recall that one member said, "We don't have a movement yet, we are a bunch of worker co-ops." The point was that until we had adequate financial and technical assistance we're not a true movement. For me getting this developed is a really huge thing.

The third is micro-level but really meaningful. When we had our conference two years ago in New Orleans, we did a volunteer workweek. We worked with seven projects both to provide manual labor but also technical assistance and advice for projects that want to rebuild a city using the co-op model. For us, it was the first time that we had reached out as a movement. It's a small accomplishment, but it shows how worker co-ops do things, with direct 1-to-1 consulting and assistance, and it was the start of our sense that we had something to offer other areas.

**Anything you would like to add?**

Well, maybe some statistics. We started with maybe 20 workplaces and now we have over 100 members. The total workers in those workplaces are between 1,400 and 1,500 workers. The gross revenue of those workplaces is \$180 million. We still don't really know how many worker co-ops there are ... we think between 300 and 400 co-ops and between 3,000 and 4,000 workers. We are growing to represent a significant share of the whole. These are all modest accomplishments. We are very young. We have a shoestring budget. While we are very proud and investment in them we recognize we are but a tiny drop in the ocean right now. So we're small, but we get a lot of buzz because the idea – the form – is powerful and hopeful.

*For more information, please see the website of the United Federation of Worker Cooperatives at: <http://www.usworker.coop>.*