

# Worker Cooperatives: A Shared Ownership Strategy

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[www.usworker.coop](http://www.usworker.coop)

## **A cooperative is a business that is**

- owned by its members
- operated for the benefit of its members

### Examples:

- Producer cooperatives
- Consumer cooperatives (buying clubs)

## **Worker Cooperatives**

- Members = worker-owners
- Worker-owned
- Worker-controlled

# **What is a worker cooperative?**

- **California Cooperative Corporation Code**
  - Cooperatives are corporations
  - Worker co-ops use a modification of the consumer cooperative code
  - Name-controlled
  
- **A cooperative by any other name....**
  - Cooperative corporations
  - General partnerships
  - LLCs
  - C Corps and S Corps run collectively

## **California Cooperatives**

- **Member Capital Accounts**

Member equity (initial buy-in)

Retained patronage

- **Patronage = Ownership Dividend**

- Wage is paid throughout the year to members  
(as workers)

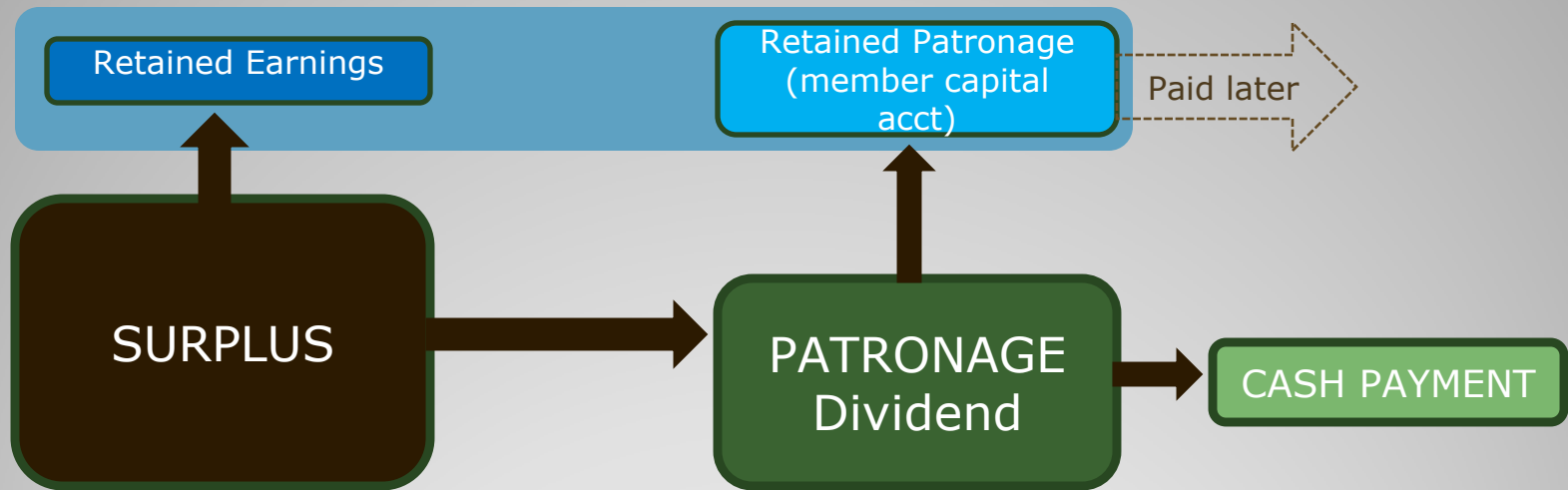
- Annual *surplus* is distributed to members  
(as owners)

- Patronage distribution

  - part paid in cash

  - part retained in member capital accounts

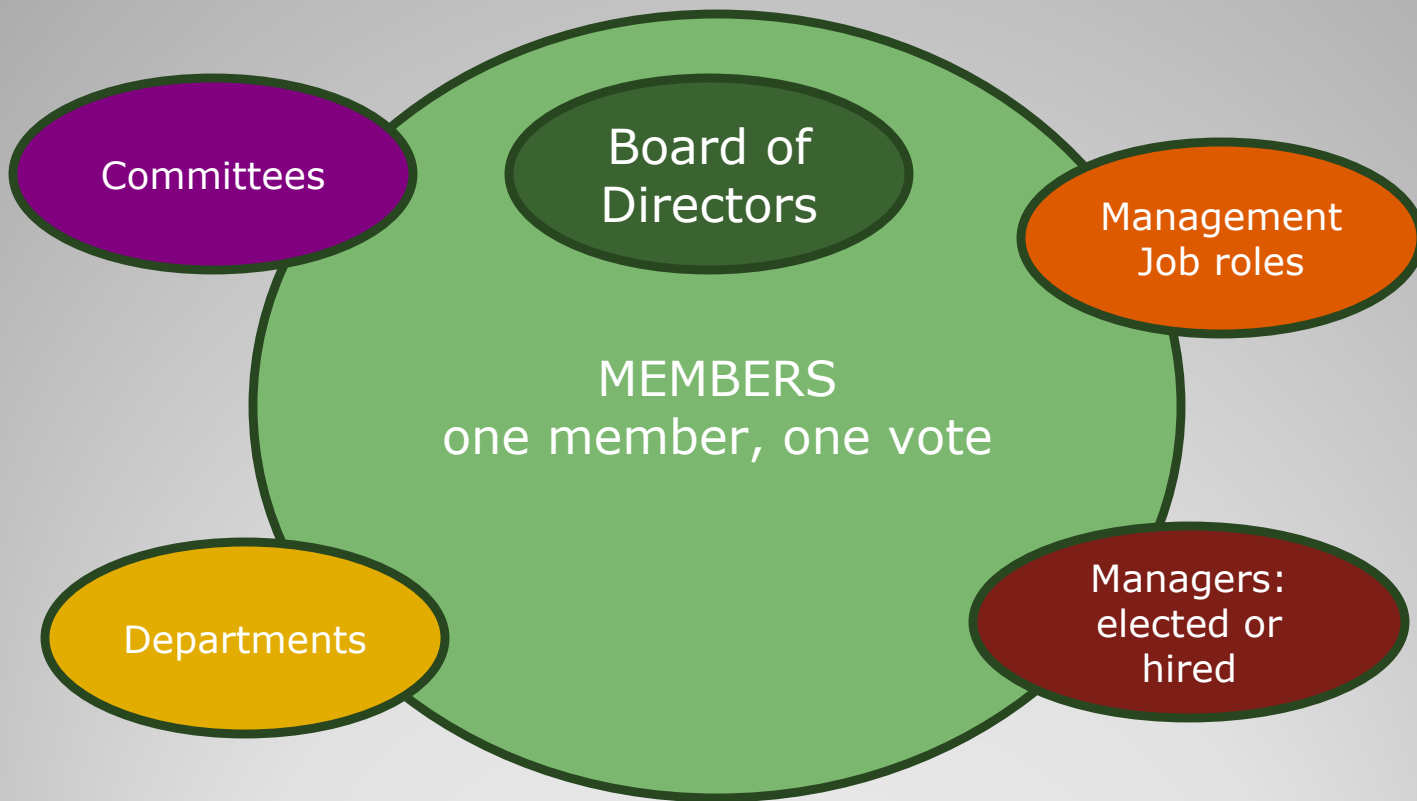
## **Cooperative Ownership Structures**



## Cooperative Ownership Structures: Diagram

- Avoids double taxation
  - Patronage is not subject to corporate income tax (even retained patronage)
- Means of retaining cash in the cooperative, doesn't discourage longer term planning
- Member capital accounts can be savings mechanism
- No real incentive for outside equity investment

## **Implications of Cooperative Ownership**

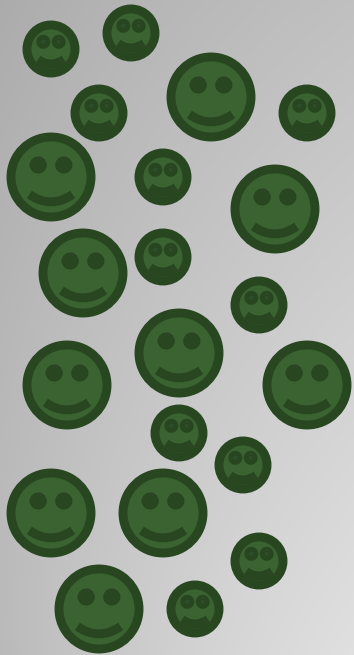


## **Cooperative Management & Decision-Making**

- Not much data!
- Estimates:
  - 300+ democratic workplaces
  - 2000-3500 workers
- Vast majority: small businesses
- Traditionally strong in natural foods, bikes, building. Recent trends in service, health care, tech, transport. Very little manufacturing.
- USDA economic impact study to be published soon

**Economic impact of worker cooperatives?**

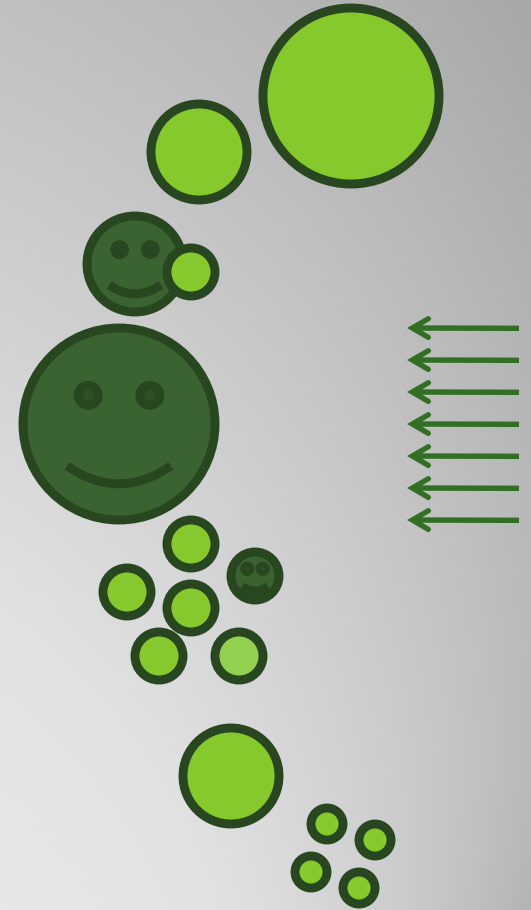
1970s



1990s



2000s



**Evolution & Growth**

- **Equal Exchange**  
fair trade mission
- **Green Worker Cooperatives**  
green jobs in poor communities
- **Cooperative Home Care Associates & Paraprofessional Healthcare Inst.**  
quality jobs for paraprofessionals – national network: 1600 jobs, \$60 million annually

*In the Bay Area:*

- **WAGES**  
Eco-housecleaning co-ops of immigrant women
- **Arizmendi Association of Cooperatives**  
Meaningful living wage jobs, sustainable development model
- **People's Grocery**  
Food security in West Oakland

**New currents: social mission**

- **Job creation**

  - Success rates of cooperative businesses

  - Quality jobs

    - Wages and benefits

    - Skill-building

    - Participation

  - Development rate is slow

  - Need for scalable models

- **Asset-building**

  - An open question

**Cooperatives and social objectives**

- **Worker co-op development is not easy**
  - Democratic management structures make or break
  - Substantial training investment
  
- **Specialized technical assistance required for this specialized model**
  - Financial and legal singularities
  - Decision-making, management, governance, workflow
  - Models and templates

**Interested? Some caveats...**

- ICA Group  
[www.ica-group.org](http://www.ica-group.org)
- Cooperation Works!  
[www.cooperationworks.coop](http://www.cooperationworks.coop)
- NCBA – National Cooperative Business Association  
[www.ncba.coop](http://www.ncba.coop)
- NoBAWC – Network of Bay Area Worker Cooperatives  
[www.nobawc.org](http://www.nobawc.org)
- US Federation of Worker Cooperatives  
& Democracy at Work Institute  
[www.usworker.coop](http://www.usworker.coop)
- Local worker cooperatives and co-op developers

## **Technical Assistance Resources**

## **USFWC**

- National grassroots membership organization for worker cooperatives
- 50+ member workplaces nationwide - and growing
- Founded in 2004, out of local and regional organizing efforts
- Supports cooperative development, education, advocacy

## **Democracy at Work Institute**

- Addresses the need for specialized technical assistance
  - Document Library
  - Referrals and consultations
- Projects in progress
  - Partnered with ASC to do educational workshops with Canal Alliance
  - National Worker Cooperative Technical Assistance Network by 2010

**US Federation of Worker Cooperatives  
& Democracy at Work Institute**  
[www.usworker.coop](http://www.usworker.coop)