



WORKER- OWNER WORKBOOK

A GUIDE TO EMBRACING THE WORKER-OWNER CULTURE.



DEVELOPED BY THE CINCINNATI UNION
CO-OP INITIATIVE

YOUR OPINION MATTERS!

This Worker-Owner Workbook (WOW) represents a concerted effort on the part of staff and volunteers over the last few years. We are proud of our work and trust it will truly be helpful to you. However, we know that you ultimately will be the judge of its usefulness. We welcome your reactions to it.

Please take the time to provide feedback as you use this book. It is a work in progress; it will be updated and improved based on user comments. Your reaction and suggestions will be of great benefit to all who use this book after you. You can provide input by filling out a feedback form/survey that will be available on our website (cincinnatiunioncoop.org/worker-owner-workbook) or by contacting Maria@cincinnatiunioncoop.org

Thank you!



Welcome to the union co-op community!

You are beginning a new phase in your work life, a different kind of job experience in which you are not only working but also becoming an owner and helping to create an economy that works for all. As you can imagine, this is hard work and we applaud you for taking this leap with us.

The Cincinnati Union Co-op Initiative (CUCI) has created this workbook to help you with this new beginning. We will be learning about the history of the U.S. labor movement, principles of worker-ownership, co-ops in the United States and in other countries, and the Mondragon network of co-ops (located in Spain).

You will be part of a group studying each topic over the coming months. But you don't have to wait—this is your workbook, feel free to page through this material on your own. We are excited to have you join our community and hope that your union co-op work experience is fulfilling.

Welcome aboard!

HOW TO USE THIS BOOK:

This Worker-Owner Workbook has been designed to help you develop your worker-ownership culture. You will build a worker-ownership mindset within yourself and with your co-op team members every week in your team meetings. In this workbook, you will:

- » Learn the essential concepts of and test your knowledge on the co-op movement, labor movement, and the Mondragon cooperative network of Spain
- » Understand nuts and bolts of business financials with open book management to give you true and effective power to understand and democratically participate in your co-op's day-to-day business decisions
- » Learn how to connect with ourselves and with others through solidarity building practices, one of our greatest tools to fight back against oppression of working people and build an inclusive economy that works for all

TEAM MEETING

A weekly meeting with your co-op team where workers check-in about personal and business-related positives and concerns, problem-solve day-to-day business items, participate in solidarity building and conflict resolution exercises, and set team goals for personal and team performance measures.

Team meetings are generally 45 mins-1 hour long. They typically happen on the job-site. We recommend that they are part of workers' paid time because they are that valuable. In CUCI co-ops workers begin by sharing two positives and one concern about anything in their lives, the co-op, or the world. It's a good way to connect and get everyone participating from the beginning. Then, the group focuses on one of the topics you will find in this book, whether it is communication, co-ops, Mondragon, labor, finance, etc. There can be time to check-in on goals –Great Game of Business style – and time to brainstorm solutions to any issues the co-op is facing. While the team meetings always begin with sharing 2 positives and 1 concern, the topic and content changes from meeting to meeting.

The Union Co-op Model	13
Components of the Model	15
1.1 CO-OPS	17
Co-op Breakdown	19
Benefits of Cooperatives	24
Challenges Co-ops Face	26
Case Study: Northeast Cooperatives	28
Worksheet: Cooperatives	29
Factsheet: Cooperatives	31
1.2 MONDRAGON	35
Our Inspiration: The Mondragon Model	37
Mondragon Today	40
10 Mondragon Principles	43
Worksheet: Ten Principles in Action	45
Organizational Structure	48
Individual Co-op Structure	48
Structure of the Co-op Network	53
Case Study: Fagor Electrodomesticos	55
Corporate Management Model	57
Values into practice: Wealth Sharing	59
1.3 LABOR	61
Start of the U.S. Labor Movement	63
The Early Labor Movement	65
Labor Federations	67
Unions, Co-ops and the Civil Rights Movement	70
The Merging of the AFL-CIO	71
The Modern-Day Labor Movement	72
The 2nd Wave of the Union Co-op Movement	74
Worksheet: Unions	77
Factsheet: Unions	79
Addressing Perceived Drawbacks of Unions	83
Labor & Union Key Terms	87
Key Terms Crossword: Labor	89
1.4 THE UNION COOPERATIVE MODEL	93
The Union Co-op Model	95
Why the Union Co-op Model?	97
Power of the Model: Unions & Cooperatives Together	99
Organizational Structure	101
Working for a Mondragon-Style Union Co-op	104
Roles & Responsibilities	105

... Of Business Owner and Top Management	106
... Of Worker-Owners, Management & Partners	107
Worksheet: Your Organizational Structure	108
Articles of Incorporation and Bylaws	109
A Collective Bargaining Agreement	110

Financial Literacy 113

2.1 FINANCIAL LITERACY	115
Open Book Management	117
The Great Game of Business	118
3 Financial Statements	121
The Balance Sheet	123
The Profit And Loss Statement	131
The Cash Flow Statement	133
Financial Key Terms	135
Crossword: Financial Key Terms	139

Cooperativism & Solidarity 145

Introduction	149
What is Solidarity?	155
3.1 CONNECTING WITH OURSELVES	159
Worksheet: Who You Are Matters	161
Worker Owner Self-Assessment	165
Circles of My Multicultural Self	169
Activity: The Leadership Compass	171
Activity: Writing Circles	173
3.2 CONNECTING WITH OTHERS	175
CLARA: Conflict Resolution Strategies	181
Nonviolent Communication	185
Feelings Inventory	187
Needs Inventory	189
Understanding Privilege	191
Understanding Learning Disabilities	195
Additional Resources	200

Introduction

Below is the introduction to the **Union Co-op Template**, written in 2012 by Rob Witherell, (United Steelworkers (USW)), Chris Cooper (Ohio Employee Ownership Center (OEOC)), and Michael Peck (Mondragon International USA), on the need and historical foundations for a Union Co-op Model:

“Those who opt to make history and change the course of events themselves have an advantage over those who decide to wait passively for the results of the change.”

– Father José María Arizmendiarieta

An economist will tell you that the “Great Recession” in the United States began in December 2007 and was officially over in July 2009 when the economy began to grow again. Looking at employment data, as well as trends in wages and compensation, however, we see that this economic growth has missed the vast majority of the population to date.

In December 2007, at the beginning of the “Great Recession”, the effective unemployment rate (more specifically, “U6” as calculated by the Bureau of Labor Statistics) was 8.8%. At the “end” of the recession, in July 2009, this unemployment rate stood at 16.5%. Two years later, the effective unemployment rate remained close to 16% throughout 2011, leaving about 25 million people in the U.S. either unemployed or underemployed.

In addition, wages have stagnated over the past 30 to 40 years, with little to no growth after accounting for inflation. As the rapidly increasing costs of health care continue to be passed to employees from their employers, net wages have actually gone down. Those of us that can find jobs are working longer hours for less pay, a continuing trend that we have lived with for decades now.

If we were to create an economy that worked for everyone, an economy that creates good, sustainable jobs and is accountable to the communities that drive it, what would that look like? ”

One powerful example to consider is the development of the Mondragon cooperatives in Spain.

Still devastated from the Spanish Civil War, most notoriously the bombing of Guernica in 1937, the Basque region in 1943

suffered political repression and high unemployment. The region had little access to capital or investments and lacked any type of social safety net.

It is in this context that Father José María Arizmendiarieta started up a small polytechnic school that was the seed for the phenomenon we know today as the Mondragon cooperatives. Thirteen years later, with the assistance of Father Arizmendi, five graduates of the school started the first Mondragon cooperative, Ulgor, a small manufacturing facility producing kerosene stoves. In a little over 50 years, that little worker-owned cooperative grew to become the Mondragon Cooperative Corporation, which today employs over 85,000 people, nearly all of them worker owners, with 2011 annual revenues over \$24 billion dollars.

The goal of the Mondragon cooperatives is to create competitive jobs and enterprises that can support their families and their communities, with values rooted in the ideals of social justice and worker dignity. Sharing that goal, the Mondragon example is the foundation on which we intend to build.

MISSION & VALUES

The mission of the union co-op model is to create social and economic justice and worker dignity through the creation of good, sustainable jobs in viable, sustainable businesses that are accountable to both its workers and the communities in which they operate, as well as to support and sustain those communities.

In contrast to a Machiavellian economic system in which the ends justify any means, the union co-op model embraces the idea that both the ends and means are equally important, meaning that treating workers well and with dignity and sustaining communities are just as important as business growth and profitability.

Just as our union co-op model seeks to build on the foundation set by the Mondragon cooperatives, the principles and values of the union co-op model build upon the ten Basic Principles of the Mondragon cooperatives as well:

- 1. Open Admission*
- 2. Democratic Organization*
- 3. Sovereignty of Labor*

4. *Instrumental and Subordinate Nature of Capital*
5. *Participation in Management*
6. *Wage Solidarity*
7. *Inter-Cooperation*
8. *Social Transformation*
9. *Universality*
10. *Education*

Creating sustainable jobs and sustainable communities requires broadening the definition of value beyond “the bottom line.” The moral values of the enterprise must matter as much, if not more so, than financial values. These values of democratic worker ownership and social and economic justice are what differentiate the union co-op model from traditional business models, making the union co-op more sustainable and giving it a competitive edge over the long term.

The union co-op model will seek to closely implement the principles and values of the Mondragon model in combination with collective bargaining in a way that not only makes the workplace more participatory and more accountable to the workers, but also further protects the interests of the workers and establishes guidelines to ensure that all workers are treated fairly.

To sustain this model, we must also ensure a dynamic labor-management relationship rooted in partnership, understanding the needs of both the worker-owners as owners and of the worker-owners as workers, and respect for the different advocacy roles each has.

Can such an idea really take root in an American culture steeped in individualism? Consider that the people who originally formed and supported the Mondragon cooperatives did so out of necessity to feed and provide for their families. They started their own schools, created their own jobs, provided their own health care and met their own banking and financing needs. Theirs is a story about self-reliance and pragmatism, not just idealism. Values such as self-reliance, ownership, and democracy obviously have deep roots in our culture and history as well.

WORKER-OWNED COOPERATIVES AND LABOR UNIONS

There are natural and historical alliances between the cooperative and labor union movements. Where those have diverged, we believe today's challenges offer a historic moment and opportunity to bring them back together.

*Worker-owned cooperatives have a long history dating back to the Rochdale Pioneers in Northern England in 1844 and the works and writings of Robert Owens in the 1820s and 1830s. Early worker-owned cooperatives may have been organized among a particular trade or community, but the advantages of earlier worker-owned cooperatives remain much the same as they do today: **economies of scale, mutual aid and support, full distribution of profits, full ownership and worker accountability.** Unfortunately, the growth of worker-owned cooperatives has been limited by a number of factors over the years; primarily access to low cost capital, lack of investment, misperceptions, and isolation. While the interest in, and adoption of, worker cooperatives has been growing, significant obstacles remain to accelerated adoption.*

Similarly, labor unions were initially formed in the United States in the mid-1800s among a particular trade as a means of mutual aid and support, a certification of training and skills in that trade, and as a means to protect from the de-skilling and devaluation of that trade. In the 1880s, however, Terence Powderly led the Knights of Labor in organizing hundreds of thousands of unskilled workers, including women and African Americans, to improve their working conditions. The Knights of Labor were also one of the first labor unions to promote the development of worker-owned cooperatives. Since the National Labor Relations Act was passed in 1935, spurring a rapid growth in union membership, the rights and ability of workers to organize and to bargain have been constantly eroded and under attack. In recent decades, U.S. labor unions have been primarily focused on bargaining and administering contracts and only in recent years become more willing to allocate significant resources to organizing, to politics and legislative issues, and to trade issues. As union density has declined, however, so has the power of the union. Layoffs, plant closings, and the demand for contract concessions have become commonplace as we watch multinational corporations run away from the communities that supported them.

The modern experience of organized labor and employee ownership has been mixed and somewhat uneasy. In the late

1980s and early 1990s, there was a movement by some unions, such as the United Steelworkers (USW), towards employee ownership, exchanging contract concessions for ownership stakes in order to keep the business afloat. However, the creation of such Employee Stock Ownership Plans (ESOPs) frequently did not result in much change to the labor-management dynamic or to the nature of the operational structure, and as a result, “ownership” meant little to nothing to the workforce. As a result, many of those involved came to view employee ownership negatively, as just another way to wring concessions out of workers, or worse, to undercut the wages and benefits at their competitors. Conversely, like much of the general public, many of the people involved in employee ownership have been suspicious that unions could only bring internal conflict, an “us vs. them” mentality, and union demands that would put their company out of business.

This history is in many ways unfortunate, as generally labor union principles share many similarities with accepted cooperative principles, including:

- » Democratic election of leadership based on one member, one vote.
- » The propensity to promote, select (and elect) leadership from the rank-and-file.
- » An emphasis on education, training, and collective attainment.
- » Concern for the community.
- » Co-operation with similar and/or affiliated entities.

The few ESOP conversions from the early 1990s that have enjoyed relative success in the years since, have two principle aspects in common: **(1) a majority ownership stake; and (2) a real change in the structure and culture in the organization that made “ownership” feel like more than just the value of a share.**

It is in this context that we seek to partner labor unions and cooperatives as a potential path towards creating good, sustainable jobs that support and sustain the communities in which they operate.”¹

We recommend downloading and reading the full “Union Co-op Template,” which can be accessed on our website at cincinnatiunioncoop.com/Resources.

ENDNOTES

1. Witherell, Rob, Chris Cooper, and Michael Peck. Sustainable Jobs, Sustainable Communities: The Union Co-op Template. Pdf. Pittsburgh: United Steelworkers, March 26, 2012.

A large, light blue, stylized number '1' is positioned in the upper right quadrant of the page. It has a rounded top and a slightly irregular, hand-drawn appearance.

THE UNION CO-OP MODEL

Components of the Model

Your cooperative business is a “Mondragon-style union co-op.” That’s a complicated term, what does it mean? In the following pages, you will find information about the main concepts of this kind of business:

- » Worker-owned Cooperatives
- » Mondragon
- » Labor Unions

Once we have laid the foundation, we will explore how the Mondragon-style union co-op business model is put into practice and what it means for worker-owners.

CONCEPT #1: WORKER-OWNED COOPERATIVES

In a typical business, ownership and control of the business are held in the hands of a few and usually separated from the workers. In a worker-owned cooperative the business is owned and controlled by its workers.



Mondragon's worker-owners voting at 2014 annual meeting.



Mondragon's Corporate Management Model.

CONCEPT #2: MONDRAGON-STYLE WORKER-OWNED COOPERATIVES

Mondragon Cooperative Corporation is a type of cooperative business and one of the most successful cooperative networks in the world. They have completely transformed a poverty-stricken region into thriving communities during their 60 years of existence. Part of their success stems from the fact that they are not just organized as individual co-ops but each of the co-ops is part of an integrated network, a family of co-ops that share profits and employ one another's worker-owners in times of economic downturn. They also follow the Ten Mondragon Principles and they create redundant structures, such as Social Councils, to help their co-ops maintain participation and scale successfully with their values. Because of their commitment to these things, they are able to support each other and their communities to create sustainable jobs with living wages.



Members of a Labor Management Partnership meeting to discuss labor relations of the organization NAVAIR. (U.S Navy photo). Public Domain.

CONCEPT #3: LABOR UNIONS

In this business model, unions protect the day-to-day interests of the worker-owners as workers. This is achieved through the creation of a **union committee**. The union committee offers a formal structure allowing worker owners more input in the day-to-day operations. Such structure is crucial as a cooperative grows in size. In the Mondragon-style union co-op business model, management is obligated to engage in collective bargaining with the union committee over issues such as wages, benefits and working conditions.

Further, union support protects the co-ops as they grow and keeps members connected to the broader goal of creating a more just economic system for everyone.

1.1 Co-ops

The first step in embracing the union co-op culture is to understand the history of the cooperative movement. What is a co-op, what are the benefits of this form of business ownership? In this section we will learn some background information on co-ops, their advantages and challenges.

Chapter Contents

CO-OP BREAKDOWN	19
BENEFITS OF COOPERATIVES	24
CHALLENGES CO-OPS FACE	26
CASE STUDY: NORTHEAST COOPERATIVES	28
WORKSHEET: COOPERATIVES	29
FACTSHEET: COOPERATIVES	31

Notes:

Lined area for notes with 30 horizontal lines.

Co-op Breakdown

WHAT IS A CO-OP?

A **co-op** is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ica.coop).¹

In other words, a co-op business is owned and controlled by its members, whether those members are workers, customers, or producers.

Another way to speak about it is to say a cooperative is a group of people acting together to meet the common needs and aspirations of its members. Members share ownership and make decisions democratically. Co-ops are not about making big profits for shareholders. They are about benefitting their members and the community.

There are seven cooperative principles of the International Cooperative Alliance (ICA) which all cooperatives use as guidelines to put their values into practice. The Mondragon Cooperatives adapt and expand on these principles in their own ten Mondragon principles.

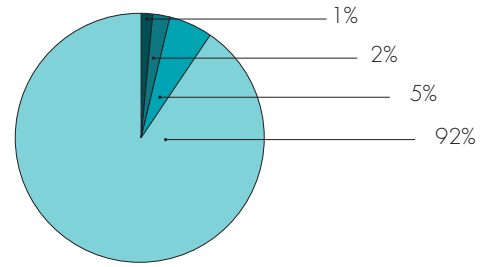
Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Co-ops are owned by their members – not by a single individual, a corporation or business investors. Ownership in a share of the business means that each member also has an equal vote in major policy and governance decisions made about the operation of the business. In order to be a member, a person must buy a share of the business (ica.coop).²

There are five kinds of co-ops. In this workbook, we will focus on worker co-ops, a business where the people who work in the company own and control the business on a democratic basis of “one worker, one vote.” (TheCAGroup.org)³

Cooperative: an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

worker co-op: a business where the people who work in the company own and control the business on a democratic basis of “one worker, one vote.”

5 TYPES OF CO-OPS



1%



Arizmendi Bakery by Will (flickr) with Creative Commons license SA 2.0.

Worker:

- » Owned and democratically governed by employees who become co-op members, worker co-ops create or maintain employment and provide workers with opportunities seldom available in conventional business settings. There are about 400. The members are the workers.
- » Examples: Cooperative Healthcare Associates, Mondragon Cooperative Corporation, Equal Exchange, Union Cab of Madison Cooperative

2%



Ace Hardware HQ by Scott Lewis (flickr) with Creative Commons license SA 2.0.

Purchasing:

- » Owned by independent businesses, municipalities, or other like organizations that band together to improve their purchasing power. The members are the purchasers.
- » Examples: Ace Hardware, True Value, Best Western, NAPA Auto Parts

5%



Two Organic Valley dairy producers at the 2017 NCBA Co-op Festival by the USDA (public domain).

Producer:

- » Owned by producers of commodities or crafts who have joined forces to process and market their products. Producer co-ops provide income opportunities for these small producers and help increase their leverage in the market. The members are the producers.
- » Examples: Ocean Spray, Organic Valley, Cabot Creamery

Language adapted from Van Gelder, Sarah. "How Cooperatives Are Driving the New Economy." *YES! Magazine*, Spring 2013, p.26-28.

92%



Mountain View REI by Coolcaesar at the English language Wikipedia (CC BY-SA 3.0).

Consumer:

- » Owned by consumers, consumer co-ops sell a wide variety of products and services with all profits shared equitably among consumer members. The members are the consumers.
- » Examples: REI, credit unions, rural electric co-ops, Nationwide Insurance



Hiper Eroski Leioa supermarket in Leioa by Javierme Javier Mediavilla Ezquibela (CC BY 3.0).

Multi-Stakeholder* (included in the co-op percentages above)

- » A combination of co-op types, where people with common interests (e.g. workers and consumers) band together. For example, in Mondragon's Eroski grocery chain, store workers are members and shoppers may also become members. Workers and consumers enjoy different levels of ownership and both groups participate in the responsibilities and benefits of business ownership.
- » Examples: Apple Street Market, Weaver Street Market, Eroski

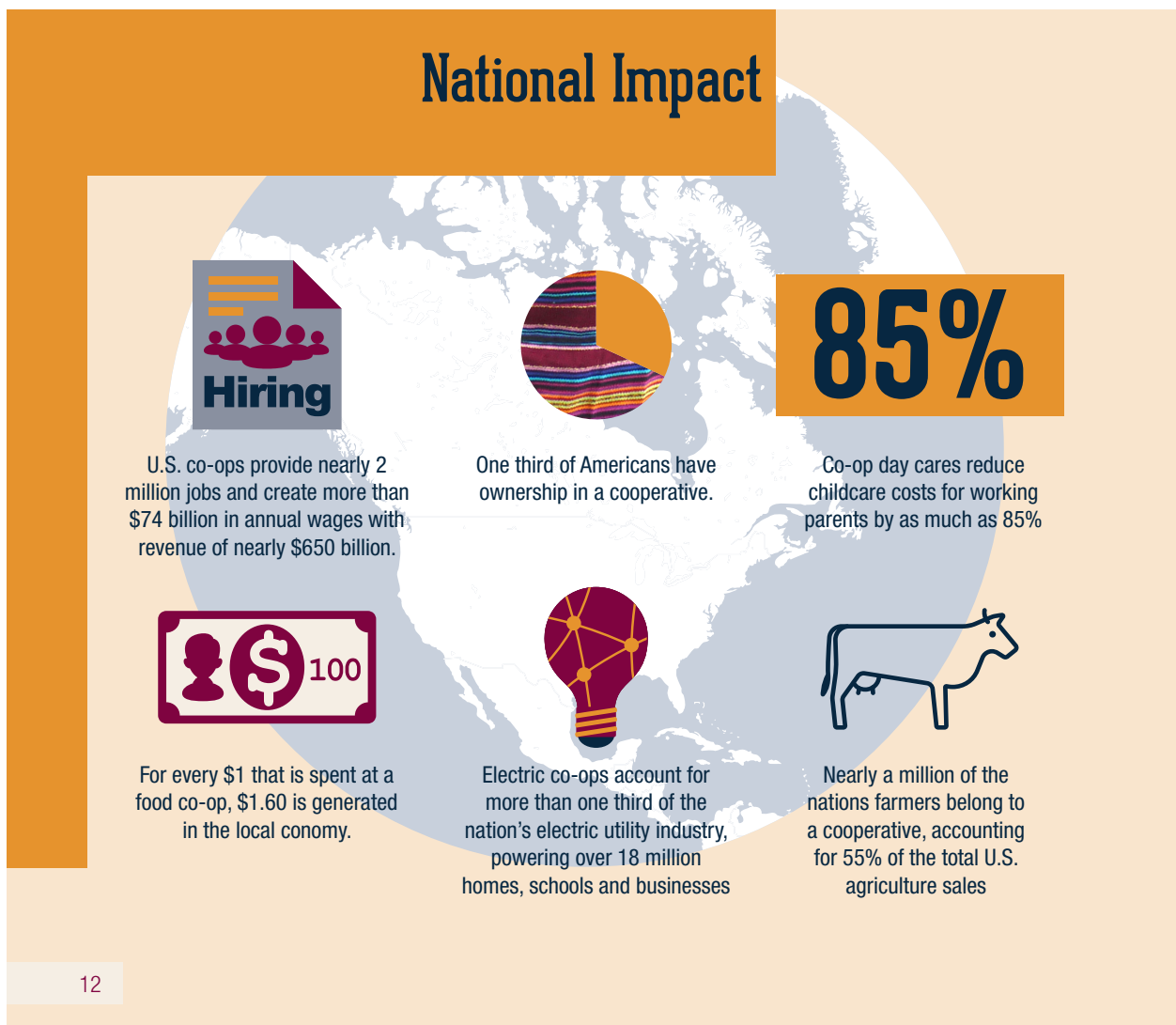
Language adapted from Van Gelder, Sarah. "How Cooperatives Are Driving the New Economy." *YES! Magazine*, Spring 2013, p.26-28.

CO-OP IMPACT IN THE UNITED STATES

According to the National Cooperative Business Association, as of 2015:


- » There are an estimated 40,000 cooperative businesses in the United States
- » One third of Americans have ownership in a cooperative
- » U.S. co-ops provide 2.1 million jobs and create more than \$74 billion in annual wages with revenue of nearly \$650 billion

The following graphics show a snapshot of the extent of various kinds of co-ops by sector of the U.S. economy and the relative scale of worker co-ops.




Annual Report 2015: *Cooperatives Build a Better World*. PDF. Reprinted by permission from National Cooperative Business Association 3/24/2017. For additional resources please visit <http://ncba.coop>.


By Sector




Utility Co-ops




More than **900 electric co-ops** provide power in nearly **every state** (47) in America




Account for 42% of the nation's electric distribution lines and **cover 75% of the nation's land mass**



More than **18 million homes, schools, and businesses are powered by co-ops**



With **\$140 billion** in assets, electric co-ops account for more than **one third** of the US electric utility industry



About **1.2 million** rural Americans in **31 states** are served by the **260 telephone cooperatives**



For every **\$1,000** a shopper spends at their local food co-op, **\$1,604 in economic activity** is generated in their local economy, **15% more than a conventional grocer**



Generates more than 1.4 billion in annual revenue






Food co-ops generate a combined **annual sales of nearly \$2 billion**






Food Co-ops





Credit Unions

-  More than **100 million** Americans belong to a credit union, **one third** of the total population
-  Credit unions can be **found in every state** and nearly every congressional district
-  As cooperatives, credit unions add over **275,000 jobs**

Agriculture

-  The majority of American farmers are members of the nearly **3,000 farmer-owned cooperatives**.
-  Co-op farmers provide over **190,000 jobs** and annual wages of over **\$8 billion**
-  Agriculture co-ops account for **\$246 billion (62%)** of the U.S. total agriculture sales of **\$395 billion**

Housing

-  More than **1.5 million families** live in cooperative housing
-  Seven states have between **10,000 and 50,000 co-op** housing units
-  **23 universities** have housing co-ops on campus or nearby
-  Co-op student housing saves students an average of **50% of room and board** costs per year, making college more affordable for more families.




Insurance




About **233 million** people are served by insurance companies owned by or closely affiliated with co-ops




Nationwide Insurance, a cooperative, is the **#1 provider** of public-sector retirement plans




There are more than **400 worker co-ops** in **17 industries**




Worker co-ops provide employment stability, **reducing the turnover rate from 60% to 15%**




Total annual revenues generated by worker cooperatives: **\$400 million**



Largest worker co-op: Cooperative Home Care Associates (CHCA) with over **2,300 workers**



26% of worker cooperatives began as traditional for-profit businesses

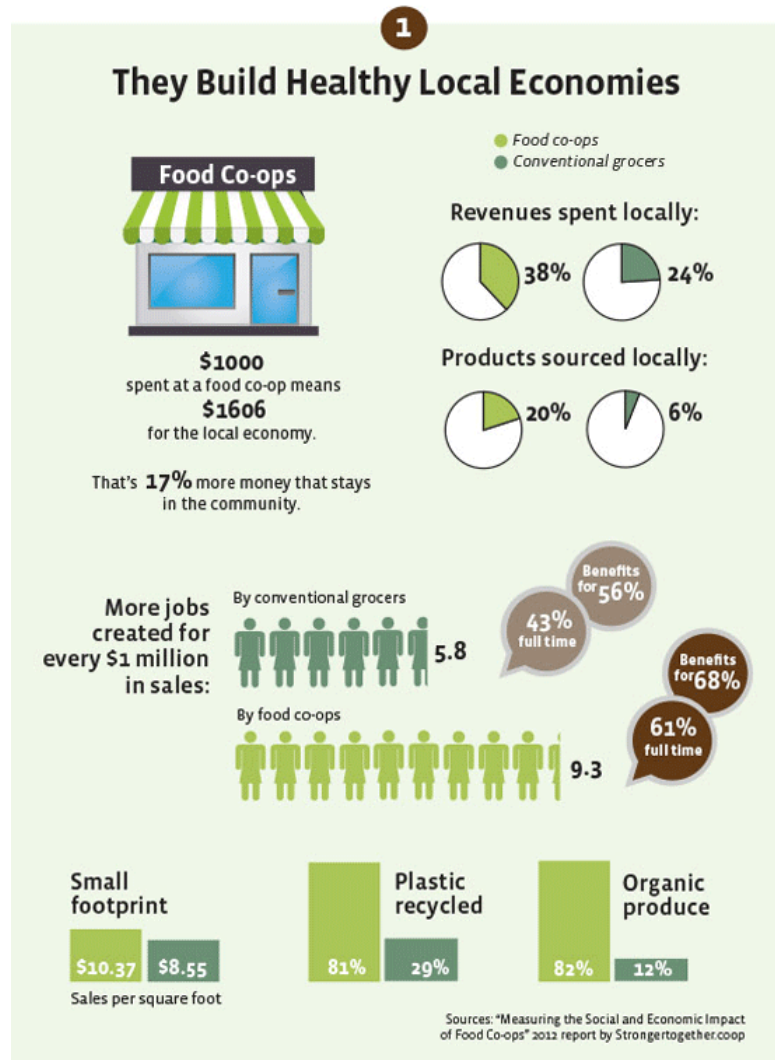


Worker

Annual Report 2015: Cooperatives Build a Better World. PDF. Reprinted by permission from National Cooperative Business Association 3/24/2017. For additional resources please visit <http://ncba.coop>.

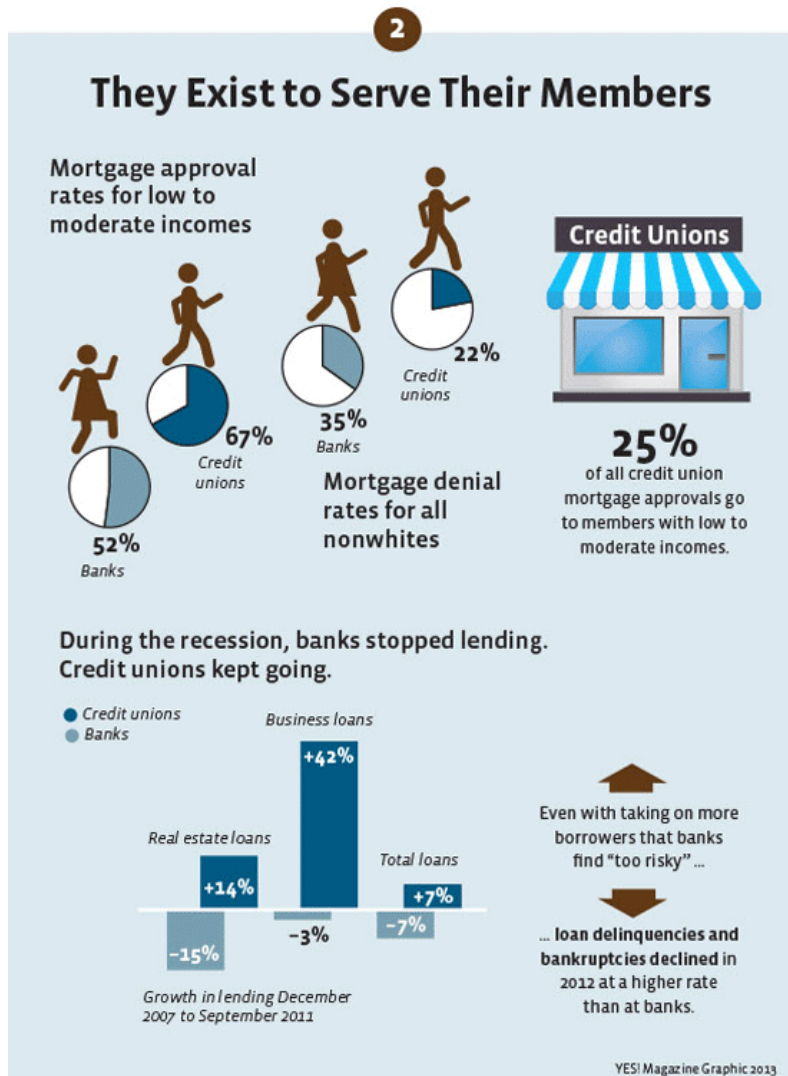
Benefits of Cooperatives

- » **Involvement:** "Because worker co-operatives are owned and run by them, their employees have far more say in the business, from day-to-day concerns through to major strategic issues."
- » **Productivity:** "Because the employees are the owners with a stake in the future of the business, worker co-operatives are more productive than conventional businesses, with staff working harder and the organization harnessing their skills more effectively."
- » **Job security.** "Because the employees themselves are in control, when there is a downturn in the economy or the market, worker co-operatives have consistently taken the decision to drop wages rather than lose jobs."⁴



Reprinted with permission from Van Gelder, Sarah 3/15/2017. "How Cooperatives Are Driving the New Economy." YES! Magazine, Spring 2013.

- » Profits do not go to distant investors, but instead go directly to the workers; stimulating the local economy and building community wealth.⁵
- » Create meaningful change for underserved populations: “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.”⁶
- » 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.”⁷



Reprinted with permission from Van Gelder, Sarah 3/15/2017. “How Cooperatives Are Driving the New Economy.” YES! Magazine, Spring 2013.

Challenges Co-ops Face

In the United States, there are an estimated 40,000 cooperative businesses, with 2 million workers. However, worker-owned co-ops are a small part of this picture with only 7,000 total workers in 400 co-ops. Why is this form of cooperative so rare in our country?

BARRIERS FOR CO-OPS

Barriers to the formation of co-ops account for their scarcity in the U.S. Several factors discourage the formation of new businesses as worker-owned co-ops.



1. **Capital is hard to come by.** Co-ops generally do not offer outside investors an equity position in the co-op, and bank loans are difficult to obtain for any startup business.⁸



2. **Business management expertise,** usually obtained by working in conventional businesses, is **generally lacking** in the non-profit world that aspires to create co-op enterprises.⁹



3. **Underlying factors in American society** also account for the absence of worker-owned co-ops. **Individualism, capitalism** and the **profit motive** are dominant American characteristics.

- a. The American Dream—hard work and persistence leading to financial success—is typically envisioned as an individual achievement, the result of competition, not collaboration. Material success and accumulation of wealth are highly valued in the U.S. ethos, more commonly aspired to than broader goals of job creation, employment stability and community enhancement.¹⁰



4. Historically, **large corporations have actively opposed** the growth of co-ops. Worker-owned businesses formed after the Civil War were considered a threat to big corporations, and were driven out of business.

LACK OF A NETWORK

External support can greatly boost the likelihood of success for new worker-owned businesses. As you will read about in the next chapter, the Mondragon Cooperative Corporation, a network of co-ops can help to nurture new co-ops. Established co-ops can provide training in participatory management skills, help newer co-ops locate financing, and help worker-owners fulfill their new responsibilities. Once established, co-ops have a better survival rate than conventional businesses, according to studies of Canadian and European firms.



Created by the Cincinnati Union Coop Initiative.

Participation in a network of co-ops, rather than operating as a standalone entity, can greatly enhance a worker-owned co-op’s likelihood of success. The Mondragon experience is one example of this. Research on worker co-ops in the United States has identified **five success factors: ongoing training/cultivation of cooperative culture; long-term support; “patient” capital; strong management; and good governance.** ¹¹The institutional knowledge and longevity of a network



Created by the Cincinnati Union Coop Initiative.

of cooperatives can offer several of these factors to its constituents. Interconnected co-ops can readily provide guidance in establishing effective training programs and can demonstrate cooperative culture. Ongoing businesses within the network have the longevity to share business expertise and management experience. Established enterprises may be able to provide capital or share their experience in accessing external sources. Experienced managers in sister co-ops can be a resource to startups.



Images created by Brad Goodwin and Josua Mormann from the Noun Project.

Case Study: Northeast Cooperatives

The experience of Northeast Cooperatives, a natural foods distributor, illustrates the difficulty of sustaining a co-op without the support of an integrated network. Northeast Cooperatives was forced to merge with a larger competitor because of intense price competition in a consolidating industry. Relatively minor price advantages were enough to entice co-op members into purchasing from outside vendors instead of their own warehouses. Declining sales volumes further reduced price competitiveness. As revenues and market shares declined, banks began to withdraw financing from Northeast Cooperatives. The co-op's merger resulted in the loss of jobs that paid a living wage, reduced service to rural customers and a decline in storefront natural foods co-ops.

In the words of Northeast Cooperatives' then-board president and chairperson Tim Kraus, this outcome could have been different:


'Because we did not have the structural supports like Mondragon, we could not survive any serious mistakes or setbacks like predatory competitors. Recently, Mondragon's Fagor appliance division collapsed because they could not survive in the world market. Maybe they made some serious mistakes in going global and that is why the business failed, but the worker owners of Fagor did not lose their jobs, because they were absorbed by the rest of the cooperatives. In the end, our food cooperative warehouses were capital starved by an economic system that didn't care whether we were a co-op or a for-profit business. There was no national cooperative infrastructure to help us get back on our feet (e-mail communication to author, August 25, 2014).'"

Worksheet: Cooperatives

INTRODUCTION

Take a few minutes and think about the following prompts. Use the 'thoughts' column to collect your thoughts on each prompt. Thoughts can be positive, negative or neutral. Share as many ideas, opinions, beliefs, and experiences you have had or you believe others may have.

There are no wrong or right responses. Then, use the 'discoveries' column to record what you learned after discussing the factsheet with your co-op team. The purpose of this exercise is to foster dialogue and learning about cooperatives.

Learning Goals	<ul style="list-style-type: none"> · Strengthen self-awareness · Think about what you already know · Discuss how and why ideas, perceptions, & experiences differ · Boost your knowledge of cooperatives
	

PROMPT	THOUGHTS	DISCOVERIES
A. What does the word <i>cooperative</i> mean?		
B. Describe a cooperative.		
C. What makes a cooperative different from other businesses?		

1.1 CO-OPS

PROMPT	THOUGHTS	DISCOVERIES
D. List the types of cooperatives.		
E. What are some of the benefits of cooperatives?		
F. What are some of the challenges cooperatives face?		

Have you ever been a member of a cooperative? If yes, which one(s):

Have you ever worked for a cooperative? If yes, which one(s):

Additional thoughts or comments:

Factsheet: Cooperatives

LEARNING GOALS

This exercise is designed to provide a safe, nonjudgmental opportunity to share and learn. Ideas and thoughts that are not your own should not be shared outside this group. Honest sharing is the best way to get the most out of this exercise.

PROMPT	DISCOVERIES
A. What does the word <i>cooperative</i> mean?	<ul style="list-style-type: none"> » an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. <p>"About Cooperatives." 2012 - International Year of Cooperatives. Accessed November 28, 2017. http</p>
B. Describe a cooperative.	<ul style="list-style-type: none"> » a group of people acting together to meet the common needs and aspirations of its members » sharing ownership and making decisions democratically » not about making big profits for shareholders » have and follow specific values and principles <p>Language adapted from the International Cooperative Alliance</p>
C. What makes a cooperative different from other businesses?	<ul style="list-style-type: none"> » Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. » Co-ops are owned by their members—not by a single individual, a corporation, or business investors. » Ownership in a share of the business means that each member also has an equal vote in decisions made about the operation of the business. » In order to be a member, a person must buy a share of the business. <p>Language adapted from Cabot Creamery & the National Cooperative Business Association</p>

PROMPT	DISCOVERIES
<p>D. List the types of cooperatives.</p>	<ul style="list-style-type: none">a. Consumer<ul style="list-style-type: none">» Examples: REI, credit unions, rural electric co-ops, Madelia Mobile Villageb. Producer<ul style="list-style-type: none">» Ocean Spray, Organic Valley, Cabot Creameryc. Worker<ul style="list-style-type: none">» Cooperative Home Care Associates, Mondragon Cooperative Corporation, Equal Exchange, Union Cab of Madison Cooperatived. Purchasing<ul style="list-style-type: none">» Ace Hardware, True Value, Best Western, NAPA Auto Partse. Multi-Stakeholder<ul style="list-style-type: none">» Apple Street Market, Weaver Street Market, Eroski

PROMPT	DISCOVERIES
<p>E. What are some of the benefits of cooperatives?</p>	<ul style="list-style-type: none"> » Involvement: “Because worker co-operatives are owned and run by them, their employees have far more say in the business, from day-to-day concerns through to major strategic issues.” » Productivity: “Because the employees are the owners with a stake in the future of the business, worker co-operatives are more productive than conventional businesses, with staff working harder and the organization harnessing their skills more effectively.” » Job security. “Because the employees themselves are in control, when there is a downturn in the economy or the market, worker co-operatives have consistently taken the decision to drop wages rather than lose jobs.”¹² » Profits do not go to distant investors, but instead go directly to the workers; stimulating the local economy and building community wealth.¹³ » Create meaningful change for underserved populations: “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.”¹⁴ » 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.”¹⁵
<p>F. What are some of the challenges cooperatives face?</p>	<ul style="list-style-type: none"> » Competition » Access to capital » Attracting and retaining quality personnel » Business management expertise » Underlying factors in American Society (i.e. individualism, competition, etc.) <p>Adapted from Hilary Abell, . 2014. “Worker Cooperatives: Pathways to Scale.” The Democracy Collaborative, Tahoma Park.</p>

ENDNOTES

- 1 "Co-operative identity, values & principles." International Cooperative Alliance. Accessed November 28, 2017. <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles..>
- 2 "Facts and figures." International Cooperative Alliance. Accessed November 28, 2017. <https://ica.coop/en/facts-and-figures.>
- 3 "What is a Worker Co-op?" The ICA Group. Accessed November 28, 2017. [http://ica-group.org/product/what-is-a-worker-co-op/.](http://ica-group.org/product/what-is-a-worker-co-op/)
- 4 "Research reveals the benefits of worker co-operatives." Co-operatives UK Newsroom. December 04, 1970. Accessed November 28, 2017. <https://www.uk.coop/newsroom/research-reveals-benefits-worker-co-operatives.>
- 5 "The Benefits of Worker Cooperatives." The Benefits of Worker Cooperatives | Democracy at Work Institute. Accessed November 28, 2017. <http://institute.coop/benefits-worker-cooperatives.>
- 6 "The Benefits of Worker Cooperatives" 2017.
- 7 "The Benefits of Worker Cooperatives" 2017.
- 8 Hilary Abell, . 2014. "Worker Cooperatives: Pathways to Scale." The Democracy Collaborative, Tahoma Park.
- 9 *ibid.*
- 10 *ibid.*
- 11 *ibid.*
- 12 "Research reveals the benefits of worker co-operatives." Co-operatives UK Newsroom. December 04, 1970. Accessed November 28, 2017. <https://www.uk.coop/newsroom/research-reveals-benefits-worker-co-operatives.>
- 13 "The Benefits of Worker Cooperatives." The Benefits of Worker Cooperatives | Democracy at Work Institute. Accessed November 28, 2017. <http://institute.coop/benefits-worker-cooperatives.>
- 14 "The Benefits of Worker Cooperatives" 2017.
- 15 "The Benefits of Worker Cooperatives" 2017.