

# CO-OPS MATTER

## THE ABCs OF CO-OP IMPACT

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A REPORT FROM THE  
URBAN INSTITUTE

DECEMBER 2018



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## ACKNOWLEDGMENTS

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This brief was funded by the Cooperative Development Foundation in partnership with the National Cooperative Business Association, with original funding from the Robert Wood Johnson Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at [urban.org/fundingprinciples](http://urban.org/fundingprinciples).

We would like to thank the following individuals who participated in phone interviews for this project: David Hammer, The ICA Group; Bill Hampel, Credit Union National Association; Brent Hueth, University of Wisconsin–Madison; Melissa Hoover and Tim Palmer, Democracy at Work Institute; Sheila Ongie, National Co+op Grocers; Russell Tucker, National Rural Electric Cooperatives Association.

We are also grateful for the individuals who joined a workshop where we presented a draft assessment framework and provided feedback: Katrina Badger, Robert Wood Johnson Foundation; Terry Barr, CoBank; Paul Bradley, ROC USA; Clifford Deaton, The Aspen Institute; Luis Dopico, Filene Research Institute; Brent Hueth, University of Wisconsin–Madison; Chuck Fluharty, Rural Policy Research Institute; Diane Gasaway, Northwest Cooperative Development Center; Noemi Giszpenc, Cooperative Development Institute; Bill Hampel, Credit Union National Association (retired); Donald Hinkle Brown, The Reinvestment Fund; Melissa Hoover, Democracy at Work Institute; Emilia Istrate, National Association of Counties; Camille Kerr, The ICA Group; Joyce Klein, The Aspen Institute; Margaret Lund, Co-opera Co.; Jamila Medley, Philadelphia Area Cooperative Alliance; Sonja Novkovic, St. Mary's University; Sheila Ongie, National Co+op Grocers; Tim Palmer, Democracy at Work Institute; India Pierce Lee, Cleveland Foundation; Alison Powers, Capital Impact Partners; Mike Schenk, Credit Union National Association; M. William Sermons, Catholic Charities USA; and Russell Tucker, National Rural Electric Cooperatives Association.

# CO-OPS MATTER

## THE ABCs OF CO-OP IMPACT

**T**oday's economic climate is marked by growing insecurity in the face of structural changes to work, benefits, and business ownership. Small business start-ups are at their all-time lows, and entrepreneurship is lower among millennials than previous generations at those same ages (Wilmoth 2016).<sup>1</sup> The income gap between the top and bottom of wage earners grew 27 percent from 1970 to 2016. And wealth inequality is growing as well. In the 50 years between 1963 and 2013, the top 10 percent saw their wealth quadruple while the bottom 10 percent went from having essentially no wealth to being \$2,000 in debt.<sup>2</sup> Wages have risen 3 percent (in real terms) among workers in the lowest tenth of earnings while the top tenth has risen 15.7 percent.<sup>3</sup> And the longest economic expansion on record has not yet resulted in higher living standards for American workers, with increases in earnings paralleling increasing costs. Contract, temporary, and shift work has grown exponentially, and though some of these positions are lucrative, many have low pay and low stability. Indeed, many are beginning to question what the "future of work" is for large segments of US adults.<sup>4</sup>

**STRUCTURAL CHANGES IN THE ECONOMY HAVE BROUGHT RENEWED ATTENTION TO THE COOPERATIVE OWNERSHIP MODEL.**

In the face of these challenges, local, state, and national policy and practice leaders are searching for more satisfying and sustainable models of work and business. One established model that is attracting renewed attention is cooperatively owned businesses. Cooperatives exist in a diverse set of sectors, offering alternatives to traditional shareholder- or proprietor-owned business structures.

Though cooperative businesses have existed for over 100 years, evidence about their unique contributions to American economic activity, community vitality, and worker well-being is still emerging. International research on cooperatives finds that data identifying

the economic and social dimensions of cooperatives remains fragmentary (Brown et al. 2015).

What is needed are evaluations of cooperative activities in different sectors and regions. More foundational, however, is the need for a shared framework that cooperatives—and the policymakers, practitioners, researchers, and philanthropies interested in them—can use to systematically understand whether, to what extent, where, and how cooperatives promote social and economic opportunity in a way that leads to improved health and well-being.

# BACKGROUND

Cooperatives are member-owned, democratically controlled business enterprises. They are formed to help small players gain parity with large investor-owned competitors to address market failures where

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neither the private sector nor the government provide a needed service or to give consumers a deliberate choice of enterprise to better meet their common needs and aspirations. The very structure of a cooperative requires that it be responsive to

its member owners and, in turn, to the local community. The nature of cooperatives is inherently both locally based and participatory, embodying a direct connection between member needs and the services provided. Because of this, cooperatives are well positioned to contribute directly to community vitality and stability, modeling equitable and inclusive economic practices. This essential aspect of cooperatives can affect community health through the support of stable, community-based institutions and the nurturing and developing of authentic local

leaders and informed and empowered members. Unfortunately, with limited data on cooperatives and a need for performance measurement indicators to better measure cooperatives' impact over time, it is hard to know whether cooperatives are in fact meeting their promise and, if so, to what degree.

Cooperatives have been described as businesses where “the interests of the business user, or patron, are primary to the capital investor, and returns on capital are limited. Cooperative control is in the hands of member patrons, who democratically elect the board of directors. Member patrons are the primary source of equity capital, and net earnings are allocated on the basis of patronage instead of investment.<sup>5</sup> But as Hueth details, the definition of cooperatives can be more technical and complex than this and can even vary somewhat across sectors.

Cooperatives are a meaningful part of the US economy—though, to be sure, they are more prevalent in certain sectors and geographies than others. In 2017, the University of Wisconsin identified more than 64,017 cooperative businesses in the US across four sectors (not including housing cooperatives): commercial sales, marketing, and production; financial services; social and public services; and utilities.<sup>6</sup>



# TYPES OF COOPERATIVES

In this brief, we focus on three primary types of cooperatives as well as hybrid models. The three primary types are classified by the people or groups that use the business: consumer, independent small business and farms, and worker. Hybrid models include elements of two types and evolving work arrangements.

## CONSUMER COOPERATIVES

Membership is made up of people who want to buy goods or services from the cooperative. Consumer cooperatives are present in a wide set of sectors, including grocery stores, utility services, housing, insurance, and credit unions (table 1). These cooperatives vary tremendously in size, from Dill Pickle Food Co-op in Chicago with one market and deli location and 2,350 members<sup>7</sup> to the Navy Federal Credit Union with nearly \$92 billion in assets and 7 million members.<sup>8</sup> Consumer cooperative members can be involved in the running of the business, but, more

**TABLE 1**  
FIVE TYPES OF CONSUMER COOPERATIVES

| Consumer cooperative          | Services or goods provided                   | Geographic reach  | Number of establishments                             | National membership  |
|-------------------------------|--|---|--|--|
| Credit union <sup>a</sup>     | Financial services                           | National to small employer-based credit unions operating in a specific city or state. | 5,644 credit unions                                  | 117.9 million consumer members   |
| Insurance <sup>b</sup>        | Health and other forms of insurance          | National mutual companies<br>Small cooperatives operating in a specific city or state | Mutual insurance, 3,913<br>Health insurance, unknown | Mutual insurance, 233 million<br>Health insurance, unknown   |
| Utility <sup>c</sup>          | Electric, telephone, water, broadband access | National to small cooperatives operating in a specific city or state                  | Electric, over 900<br>Water, 3,300<br>Telephone, 260 | Electric, 42 million consumer members<br>Water, at least 923 with 2 million memberships<br>Telephone, 1.2 million rural Americans in 31 states |
| Food and grocery <sup>d</sup> | Grocery products                             | Individual stores serving a neighborhood<br>Chain of stores across multiple states    | Between 300 and 350 stores                           | Unknown, but 1.3 million consumer members own the 146 food cooperatives represented by the National Co+op Grocers                              |
| Housing <sup>e</sup>          | Housing units                                | Often a single property, though size may vary   | 6,400 buildings made up of 1.2 million units         | 1.2 million consumer members   |

<sup>a</sup> CUNA (Credit Union National Association), "US Credit Union Profile: First Quarter 2018" (Washington, DC: CUNA, 2018), [https://www.cuna.org/uploadedFiles/Global/About\\_Credit\\_Unions/CUMonthEst\\_SEPT18.pdf](https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/CUMonthEst_SEPT18.pdf); CUNA, "Monthly Credit Union Estimates: September 2018" (Washington, DC: CUNA, September 2018), [https://www.cuna.org/uploadedFiles/Global/About\\_Credit\\_Unions/CUMonthEst\\_JUNE18.pdf](https://www.cuna.org/uploadedFiles/Global/About_Credit_Unions/CUMonthEst_JUNE18.pdf).

<sup>b</sup> "Mutual Insurance," University of Wisconsin Center for Cooperatives, accessed November 21, 2018, <http://reic.uwcc.wisc.edu/financial/>; "Financial Services," University of Wisconsin Center for Cooperatives, accessed November 21, 2018, <http://reic.uwcc.wisc.edu/financial/>.

<sup>c</sup> NRECA (National Rural Electric Cooperative Association), "America's Electric Cooperatives: 2017 Fact Sheet" (Arlington, VA: NRECA, January 31, 2017), <https://www.electric.coop/electric-cooperative-fact-sheet/>; "Water," University of Wisconsin Center for Cooperatives, accessed November 21, 2018, <http://reic.uwcc.wisc.edu/water/>; "Rural Telephone Cooperatives," University of Wisconsin Center for Cooperatives, accessed November 21, 2018, <http://reic.uwcc.wisc.edu/telephone/>.

<sup>d</sup> "Grocery Cooperatives," University of Wisconsin Center for Cooperatives, accessed November 21, 2018, <http://reic.uwcc.wisc.edu/groceries/>; "About Us," National Co+op Grocers, accessed November 21, 2018, <https://www.ncg.coop/about-us>.

<sup>e</sup> NAHC (National Association of Housing Cooperatives), "Housing Co-operatives in USA" (Washington, DC: NAHC, 2012), <http://www.uwcc.wisc.edu/pdf/Coop%20Housing%20USA.pdf>.

frequently, membership's primary involvement is in the consumption of its goods or services.

Membership is most often made up of community residents within geographic proximity to the cooperative business. For some such businesses, the barrier to membership is low. For example, a grocery cooperative may ask residents to sign up for a low fee to become a member. In other cases, such as housing cooperatives, the number of units and potentially rules around members' financial assets limit the number of consumer members involved in the cooperative. In some cases, consumer cooperatives extend their benefits beyond members. Grocery cooperatives often serve nonmembers, but nonmembers cannot vote or receive rebates at the store. In other cases, cooperatives open their office or business space to host community events, donating proceeds to local initiatives and joining in coalition advocacy around local and national policy issues, such

as the preservation of affordable housing or environmental justice issues.

### FARMER AND INDEPENDENT SMALL BUSINESSES COOPERATIVES

These cooperatives serve members' marketing, processing, and purchasing needs. Independent businesses in service sectors such as retail, hospitality, and agricultural businesses (which includes farming, fishing, and forestry) are the most typical sectors that form these sorts of cooperatives.<sup>9</sup>

These cooperatives bring business owners and farmers together to collectively buy goods and services that would otherwise be too costly for an individual business owner to purchase alone.

Purchasing cooperatives provide benefits to owner members via cost savings through bulk purchasing. For example, hotel owners may see savings



through joining together to purchase linens and cleaning products in bulk. Joint purchasing gives small businesses scale to compete against much larger firms.

Processing cooperatives add value to commodities through the collective ownership of processing equipment. Marketing cooperatives provide members access to regional, national, and international markets for their goods that would not be available to independent producers. Additionally, these cooperatives may give member owners the benefit of national brand names that add value to products marketed through the cooperative. Cooperatively owned brands include Land O'Lakes, Sunkist, Ocean Spray, Ace Hardware, Carpet One, and Blue Diamond Growers.

Measurement can be used to assess the extent to which the market power of purchasing cooperatives helps keep main street businesses open and provides stable employment in small communities and neighborhoods. The success of these cooperatives can also be understood by whether they are more likely than other business structures to keep money in the community, instead of with upstream processors.

### WORKER COOPERATIVES

Worker cooperatives are businesses that some or all the employees own. Members produce and/or sell different goods and services and share profits. Many worker cooperatives are small, and worker members play direct roles in decisionmaking from setting hours of operation to designing membership eligibility criteria. Some, however, are larger enterprises, like New York's

**WORKER COOPERATIVE MEMBER OWNERS ARE MORE PRODUCTIVE AND HAVE LOWER TURNOVER THAN THEIR NON-COOPERATIVE COUNTERPARTS.**

Cooperative Home Care Associates with over 2,000 employees, the largest worker cooperative in the United States.<sup>10</sup>

Many worker cooperatives are anchored in a neighborhood with members coming from the surrounding community. In some cases, the goods or services sold are predominantly sold to local residents, but in others, worker cooperatives sell their products nationally and internationally.

Worker cooperatives are well positioned to provide benefits to their members. Studies show that member owners have a higher productivity rate and lower turnover rate than noncooperative jobs in the same industries, especially in comparison with traditionally low-wage jobs (Pérotin 2014). To the extent they offer stable jobs, defined by consistent hours, benefits, and wages that keep up with the cost of living, worker cooperatives can be quality employers in their community.

### HYBRID AND PLATFORM COOPERATIVES

These include two emerging models, consumer-worker cooperatives and cooperatives focused on workers in the freelance economy, which is often online or app based. In consumer-worker cooperatives, both the employee members and consumer members own and manage the cooperative. This model can also extend into grocery and retail-based cooperatives.

The increased reliance on short-term or contract-based jobs, including app-based jobs such as ride sharing and home repair, as well as freelance work in domestic work, media, and the arts, is inspiring the development of new cooperatives that meet the needs of these gig employees.

Platform cooperatives may blend elements from the different cooperative types previously discussed and use the growing reliance on internet and app-based commerce to develop cooperative businesses. For example, the app Up & Go (<https://www.upandgo.coop/>) offers house cleaning from local worker-owned cooperatives. Unlike other home cleaning apps that take up to 30 percent of workers' income, Up & Go charges workers hired through the app 5 percent to maintain the platform. To lower costs for purchasing insurance or work materials, platform cooperatives can also adopt aspects of the purchasing cooperative model. In other cases, cooperatives may focus on the worker cooperative model and organize into a collective of worker owners who accept contract-based work with established minimum wages and access to shared facilities for trainings or equipment storage.<sup>11</sup>

# DEVELOPING AN ASSESSMENT FRAMEWORK

To better understand cooperatives and their links supporting a more inclusive economy, we worked with the Cooperative Development Foundation and the National Cooperative Business Association CLUSA International to develop a shared framework for assessing impact on cooperative enterprises, their members, and the communities they serve (box 1). The framework focuses on factors that build equitable, healthy, and sustainable communities as well as inclusive economy indicators, such as participation, growth, and stability (Benner and Pastor 2016).<sup>12</sup>

Guided by this, we identified both output and outcome metrics for cooperative members and their broader communities. An output is the direct quantity of work activity a cooperative produces. An outcome measures enduring changes in attitudes, behavior, health, and economic or social conditions brought about by a cooperative.

Cooperatives and their partners can use this information to make an evidence-based case to funders and policymakers about their creation of social and economic opportunity in a way that leads to improved health and well-being.

Specific metrics will vary by type, of course, but we articulate seven areas where cooperatives should assess their efforts.

It is important for cooperatives to measure their effects at all relevant levels, and, as such, we discuss outputs and outcomes for different beneficiaries. Most immediately are outputs and outcomes for members, which are affected by the direct activities and results of activities. Also important are the direct benefits to the cooperative business—outputs and outcomes that include profit and firm survival. Lastly are the more indirect benefits—outputs and outcomes for communities that relate to “spillover” effects for a local economy, community, and even region.

The cooperative economy enables greater community ownership of businesses than other structures and, as a result, an increase in local spending of those profits within the community. Yet, the benefits of community wealth building that derives from the presence of cooperatives are challenging to measure. Business profitability and sustainability of the cooperative itself is an important measure of success, but there are a broader set of metrics of interest. The presence of cooperatives owned by and serving communities that historically lack access to small business capital, groceries, and health services, to name a few, must also be captured in a comprehensive review of cooperative impact.

## BOX 1

### APPROACH

Our framework was informed by several sources. To begin, we reviewed literature on cooperative industries and associations with well-developed measurement approaches. Next, we interviewed experts on cooperatives, including leaders of cooperative businesses, academics, and trade association

representatives for cooperative sectors. Finally, we collected information during a Cooperative Development Foundation and National Cooperative Business Association convening in Philadelphia with economic advisers and foundation, research, and cooperative representatives.

# THE ABCs OF COOPERATIVE IMPACT

We know that the cooperative model enables greater community ownership of businesses and, as a result, an increase in local spending of those profits within local communities. Yet, it is challenging to find a compelling, discreet group of metrics that apply across cooperatives given their range of activities and local contexts. Despite the challenge, it is important to do so, and we present a streamlined framework with specific examples of metrics across the spectrum of cooperative industries. Our research surfaced seven key areas of impact where cooperatives can be thoroughly assessed in the extent to which they promote social and economic opportunity. We first introduce each area of impact briefly, then describe examples of sector-specific metrics, and, finally, provide a proposed series of metrics across cooperative sectors.

- A ccess:** A cooperative can increase access to affordable quality products, services, suppliers, and markets, lowering costs and serving markets and communities historically seen as “higher risk” or underserved.
- B usiness sustainability:** A cooperative business structure can increase firm survival and profitability through higher and less volatile revenues, lower costs, and a focus on long-term outcomes, including scaling the cooperative to compete with multinational corporations.
- C ommunity commitment:** A community-focused cooperative is committed to being a good neighbor through education, financial support, facility use, and business practices that reflect the values of the community.
- D emocratic governance and empowerment:** : In a well-functioning cooperative, membership actively participates and shapes the mission and decisions of the organization, which translates into broader civic and political involvement.

**E quity, diversity, and inclusion:** To be an effective contributor to its community, cooperative membership reflects the community in racial composition, gender, age, and abilities, and historically excluded communities and individuals have a voice and leadership opportunities.

**F inancial security and advancement for workers:** Cooperatives work best for their members, employees, and communities when they provide living-wage jobs with benefits and increased opportunity for wealth building, career advancement, training, and leadership development with lower turnover and higher job satisfaction.

**G rowth:** Cooperatives can be local and regional anchors, promoting economic growth through stable jobs, high industry standards, consistent services, and economic multiplier effects through increased community investment, local jobs, and local procurement.

## A CLOSER LOOK

Cooperatives can operationalize these ABCs and measure their effects in different ways depending on the needs of the communities they serve and specifications of their business model. Metrics allow for comparison between two groups or two points in time to illuminate the impact of cooperatives in comparison with a counterfactual or baseline measurement. Cooperatives can develop metrics based on the ABCs to best measure their work compared with noncooperative business competitors or show their impact on a local community and economy. An agricultural purchasing cooperative’s approach to business sustainability and civic participation would, for example, look different from a limited equity housing cooperative in a large city—but both can achieve success in the seven ABCs.

**METRICS CAN MEASURE THE ECONOMIC AND COMMUNITY IMPACT OF COOPERATIVES COMPARED TO NON-COOPERATIVE BUSINESSES.**

Some sectors are further along than others in measuring outputs and outcomes. And measurement in some sectors is easier than in others, just as collecting information on some specific metrics is easier than others. We advance

this framework aware that realities of expense, response rate, time horizon, and access to data will shape the specific metrics that cooperatives choose to measure.

Table 2 provides a set of output and outcome domains for each of the cooperative types and each of the ABCs. In some cases, cooperative sectors share similar or overlapping outputs and outcomes, and, in other cases, the distinct nature of a cooperative type will lead to differences. Below, we illustrate how each of the ABCs can be applied using examples across the various cooperative types and sectors. As the examples make clear, there are multiple ways to define, document, and analyze data related to the ABCs. It is worth noting that in many cases, both qualitative and quantitative approaches can be taken to assess cooperative outputs and outcomes, with different strengths to each (Creswell and Clark 2010).

## ACCESS

Access is about the ability of a cooperative to provide members, consumers, workers, or the broader community with the ability to purchase or make use of products, services, suppliers, and markets. This may occur through lower prices than would otherwise be possible and also serving high-risk or underserved markets and communities. Credit unions could, for example, be assessed against the extent to which they expand account and financial product availability, offer more flexible underwriting standards, charge lower rates and fees, provide higher-quality and more personalized customer service, result in decreased consumer use of high-cost alternative financial services, and improve consumer financial health when compared with other financial service providers or in markets or with populations that other firms are not serving.

Access is still relevant but looks different for farm supply cooperatives. They could be assessed against how much they increase the availability and affordability of supplies and services for cooperative members and to what extent this leads to lower cost and greater choice.

A utility can be judged against the access outputs and outcomes of consistent and competitively

**TABLE 2**  
ABCs OF IMPACT BY TYPE OF COOPERATIVE

| ABCs                                  | Credit union   | Insurance   |
|---------------------------------------|--|---|
| Access                                | Expanded account/product availability, more flexible underwriting standards, lower-rate loans and fees, higher savings interest rates, personalized customer service, resulting in decreased use of high-cost alternative financial services and improved financial health | Available affordable disaster, flood, health, life, auto, disability, and home insurance resulting in improved financial health |
| Business sustainability               | Reduced revenue volatility based on taking less risk and willingness to accept lower profits   | Willing to accept lower profits to serve vulnerable markets   |
| Community commitment                  | Expanded engagement via education, financial   |   |
| Democratic governance and empowerment | Membership actively participates and shapes  |   |
| Equity, diversity, and inclusion      | Membership reflects the community, and   |   |
| Financial security and advancement    | Increased provision of living wage jobs with career advancement, training, and leadership job satisfaction   |   |
| Growth                                | Increased community investment by local businesses and consumers via expanded access to credit and savings products  | Business and consumer growth through risk mitigation that results in increased community investment                             |

| Consumer  |   |  | Farmer and Independent Small Businesses  |   |
|---|---|--|--|---|
| Utility   | Food and grocery  | Housing  | Marketing, processing, and purchasing  | Worker  |
| Consistent and competitively priced energy, water, and broadband  | Increased availability of healthy, high-quality food options                                      | Increased housing options, increased affordability, housing stability and lower delinquency/ foreclosure/ eviction | Increased availability and affordability of business supplies, services, and processing options, leading to lower costs and greater access to value-added processing and markets   | Expanded consumer choice for products and services  |
| Firm able to exist and profit in both competitive and hard-to-serve markets   |   | Housing development able to operate and profit over the long term in hard-to-serve markets                         | Improved marketing and distribution, increased productivity and production, lower costs for supplies and services, increased market share, improved profitability, decreased revenue volatility, and increased firm survival | Increased productivity and improved profitability   |
| supports, facility use and business practices that reflect the values of the community                                |   |  |  |   |
| the mission and decisions of the organization, and is empowered to engage the broader community                       |   |  |  |   |
| historically excluded communities and individuals have a voice and leadership opportunities                           |   |  |  |   |
| benefits, and opportunity for wealth building, development with lower turnover and higher                             |   | Opportunities to develop leadership and financial skills and build equity  | Increased provision of living-wage jobs with benefits, and opportunity for wealth building, career advancement, training, leadership development with lower turnover and higher job satisfaction                             |   |
| Increased community investment by local businesses and consumers, via expanded access to energy, water, and broadband | Local sourcing, local employment, and profit sharing, resulting in increased community investment | Increased residential stability  | Local sourcing, local employment, and impact on supplier labor and environmental standards   | Local sourcing, local employment, and profit sharing, resulting in increased local growth |

priced energy, water, and broadband services. In Virginia, the Roanoke Electric Cooperative's Upgrade to \$ave Program, conducts a free home or business energy efficiency assessment. Based on the assessment, the co-op recommends weatherization upgrades to achieve cost and energy savings. If the member chooses, the co-op helps facilitate low-cost financing so the member can invest in energy efficiency improvements and the member can save money in the long term.<sup>13</sup>

How might this translate into specific metrics? The cooperative could identify the number of current members who would qualify for the Upgrade to \$ave Program and collect data on the number of members enrolled in the program. In the longer term, the cooperative will have the information to assess if there is increased participation over time and if they have expanded access to energy efficient services for member owners and the degree to which the improvements increased discretionary income.

## **B** BUSINESS SUSTAINABILITY AND STABILITY

Sustainability and stability are essential if cooperatives are going to survive long term. Cooperatives across all sectors can be assessed to see whether a cooperative business structure can increase firm survival and improve profitability, either through higher and less volatile revenues or through lower costs. For a cooperative grocer, this might mean the business is simply able to continue existing and maintaining profitability in a difficult-to-serve market. Or, compared with other business structures, a cooperative insurer might be willing to accept lower profits and thereby serve more vulnerable markets. A cooperative structure may allow business owners to scale and thereby compete with multinational corporations.

One well-documented example is the importance of the cooperative structure for rural electric service. Many parts of rural America were electrified only because of the work of cooperatives, as other



market-driven approaches were deemed too risky. And these cooperatives are profitable, as defined by several example outputs and outcomes, including that sales and customers are growing more quickly than for the industry overall.<sup>14</sup>

## C COMMUNITY COMMITMENT

Community commitment can happen in a variety of ways but is an important element in assessing cooperatives impact over time, one to another, and against other types of businesses. Cooperatives can participate in their local community by providing education, financial help, and the use of their facility and by using business practices that are environmentally sound—and all sectors can be assessed against these things.

The largest agricultural cooperative in the United States, CHS Inc., operates a foundation focused on investing in the next generation of farmers.<sup>15</sup> The CHS Foundation (<https://www.chsfoundation.org/>) is working toward a goal to invest \$8.9 million in agricultural education by 2020, including scholarships, grants, and training programs for young people and educators.

Another example is the Withlacoochee River Electric Cooperative, which held a visioning day to understand resident needs beyond utility services.<sup>16</sup> From this engagement process, the cooperative spearheaded the development of a community center that includes a Boys and Girls Club and medical clinic. The cooperative also funds college scholarships for members, and cooperative staff participate in the community from chairing the region's public housing authority to working at a domestic violence survivor organization. Each of these activities from fundraising for the community center to number of scholarships given and number of staff volunteering in the community can be quantified into specific measures. If the cooperative clarifies long-term health and education outcomes, informed by existing metrics like the University of Wisconsin Population Health Institute and Robert Wood Johnson Foundation's County Health Rankings,<sup>17</sup> the Withlacoochee River Electric Cooperative can capture its record of investment in broad community development to show investment and neighborhood-level engagement.

## D DEMOCRATIC GOVERNANCE AND MEMBERSHIP EMPOWERMENT

Democratic control and membership empowerment are foundational, even definitional, elements to any cooperative and often stand in stark contrast to traditional private enterprise. All types of cooperatives can be evaluated to see the nature and level of membership participation, including to what extent members shape the mission and decisions of the organization and whether

**DEMOCRATIC CONTROL AND MEMBER EMPOWERMENT IN COOPERATIVES STAND IN STARK CONTRAST TO TRADITIONAL PRIVATE ENTERPRISE.**

becoming a cooperative member helps individuals become more active and involved in their community.

Cooperatives can measure these democratic elements by collecting data on the number

of members voting at meetings or participating in leadership or board member elections depending on organizational structure. In addition, for consumer cooperatives, leadership can create member-engagement strategies like community advisory boards and ensure that customer members make up a certain percentage of organizational leadership or seats on a governing board.<sup>18</sup>

Of course, democratic control, requirements for volunteer boards, and other elements can introduce challenges to managing larger cooperatives. Though direct member participation in organizational decisionmaking is common in some sectors, in larger cooperatives it creates challenges around ensuring authentic democratic participation and capturing appropriate data to explore cooperative impact on member empowerment.

## E EQUITY, DIVERSITY, AND INCLUSION

These concepts are increasingly used to provide insights into not just how financially viable cooperatives are, how much they lower purchasing costs, or how democratic they are, but for whom they do so. These concepts can be operationalized as outputs and outcomes and used to assess the extent to which a cooperative's membership reflects the communities it serves and gives a voice and leadership opportunities to historically excluded communities and individuals.

Cooperatives can begin by collecting data on membership demographics including race, gender, age, disability, income, and other relevant attributes. After identifying who makes up cooperative membership, cooperatives can then compare membership characteristics to those of their nonmember staff (for consumer cooperatives), the geographic area they serve, or the neighborhood where the cooperative is located. Identifying mismatches in representation between the local community and membership, as well as staff demographics and membership, can allow cooperatives to develop strategies to address patterns of exclusion.

For example, in the utility sector, the US Department of Energy identified a persistent employment gap for Hispanics, African Americans, and American Indians in the country's energy sector (24 percent of the overall workforce, 9 percent in energy sector).<sup>19</sup> Cooperatives could assess how they are doing relative to industry norms and the workforce as a whole.<sup>20</sup>

## **F**INANCIAL SECURITY AND ADVANCEMENT

Others have laid a lot of groundwork that cooperatives can adapt to achieve financial

security and advancement. For example, the Organisation for Economic Co-operation and Development measures job quality and earnings quality, labor market security, and quality of the working environment.<sup>21</sup> Cooperatives can assess how employee wages and benefits compare with local and national living-wage indicators by using a living-wage calculator.<sup>22</sup> Payroll data and surveys can be used to identify turnover rates and job satisfaction. Additional outputs and outcomes can measure financial security for employees, including a company's ability to provide flexible work arrangements, dependent care, work-family stress management, benefits, and community involvement. Membership training and leadership development are also important components of this area, and cooperatives can offer trainings and leadership opportunities for members and document participation and progress.

Cooperative Home Care Associates offers free four-week trainings to workers, providing dual certification as a certified home health aide and personal care assistant. Workers who complete the certificate are guaranteed employment through Cooperative Home Care Associates. This training program developed after members identified a gap in available home health education at the area's local community college.<sup>23</sup> The cooperative filled



this need, enabling greater access to the career ladder in health care jobs. And by guaranteeing hours to new home care workers, the cooperative provides additional employment stability to members entering the field.

## **G**ROWTH

At the community and regional levels, growth is something that cooperatives can contribute to in meaningful ways. Credit unions can increase community investment by local businesses and consumers via expanded access to credit and savings products. Cooperative insurers can boost economic growth through risk mitigation that results in increased community investment. Housing cooperatives can provide increased residential stability, especially limited equity cooperatives, which provide an alternative to renting (Temkin, Theodos, and Price 2010). Agricultural cooperatives can be assessed on whether they expand local sourcing and hiring over other types of firms, thereby keeping more money in a region.

Local spillover benefits can be challenging to measure accurately. One option is to make use of input-output models to estimate local benefits based on industry and investment size assumptions. For example, based on the University of Wisconsin's 2009 multipliers, utility cooperatives create a total economic impact of \$57 billion in revenues, more than 133,000 jobs, and wages of \$9.6 billion annually.<sup>24</sup> Any method to measure local spillover benefits should be used with some caution, however, defining a model's assumptions and how it translates into accurate estimates for a specific geography, sector, business structure, and time period. Other options available to measuring spillover benefits include comparing communities with and without cooperatives that are otherwise similar and examining changes over time with cooperatives entering or leaving a community.

# APPLYING THE FRAMEWORK

Current measurement and knowledge of cooperative impact is uneven. We have suggested a framework to help level the playing field by giving guidance on how to improve evidence on the contributions cooperatives make to their members, workers,

**METRICS CAN BE USED TO IDENTIFY PATTERNS OF EXCLUSION AND DIS-EMPOWERMENT.**

consumers, and communities. Moving from framework to actual measurement and then to action is important. We offer several next steps to implementing this framework,

and other measurement resources may also prove helpful as well (such as those from Theodos and Seidman [2017]).

Individual cooperatives, associations, stakeholders, impact investors, and philanthropic funders interested in understanding the impact of one or more cooperatives can begin by discussing each of the ABCs and grappling with different ways to operationalize the framework presented above. We recommend casting an initially wide net during this brainstorming stage.

A next step is to review existing materials published either for a cooperative-specific audience or a more general, but still applicable, audience. Where possible, incorporating already-accepted metrics can allow for comparisons within sectors or business type, across different business structures (e.g., cooperative versus not), and the aggregation of information across establishments to represent the cooperative sector overall.

Combining the brainstormed ideas and other resources, the third step is to pare back and prioritize the list of potential metrics. Cooperatives and partners should at this point be guided by a sense of which metrics are the most important and feasible to collect in terms of cost, burden, completeness, and quality. We recommend that cooperatives start parsimoniously and build up as needed. A small subset of high-quality data

outstrips, in value, a large swath of poor-quality information. Cooperatives will need to get specific about the metrics of interest, including over which time periods they should be measured (e.g., monthly or annual rates), for which populations

**METRICS SHOULD BE DETERMINED BY IMPORTANCE AND FEASIBILITY OF COLLECTION.**

(e.g., all members working for a cooperative this year or all members working for a cooperative as of the point of an annual spring survey), and with which denominators (e.g., scaling per member or per month or per region). Above all, cooperatives should remember that the process of determining metrics can be even more valuable than the destination—as it can be the opportunity to engage in strategic planning and target setting.

To measure increases or improvements in outputs and outcomes that can be causally attributed to the cooperative business requires comparing similar data on a counterfactual, such as noncooperative businesses, or over two or more points in time. Not every metric requires a counterfactual, but cooperatives and partners should give thought to the audience of interest and what their information needs are.

After finalizing a list of metrics, cooperatives should build out a data collection and reporting strategy. This includes not just what data are collected, but how they are collected and how often. It is also valuable to clarify specifically who will complete the analysis and what audiences will receive it. To accomplish this work, cooperatives will need to develop databases and software to more easily collect and store data, as well as employ staff focused on measurement and evaluation. Similarly, associations will need to do so for commonly reported metrics.

Next, cooperatives and partners will need to pretest both the metrics and data collection processes.

They should ensure they are getting the information they want and need from the metrics and data collection strategy. Metrics and data collection approaches should be revised and the previous steps repeated until the cooperative is assured that the data collected will be of value.

Finally, of course, cooperatives and partners should make good use of the data—both

data they have in house and secondary data from the Census Bureau and Bureau of Labor Statistics. This includes examining data to inform operational improvements and to communicate impacts to stakeholders.

To help along this journey, cooperatives and their partners may need technical assistance. Some may need help building their capacity for data collection, and others may need assistance with analysis. In addition, partnerships with universities and third-party evaluators can help cooperatives quantify and extrapolate on long-term economic impacts.

Though this list looks discrete, we appreciate that progress in measurement and learning is often iterative, not linear. But some sectors are well under way in the steps we have articulated. Associations can help, facilitating the work of standardizing metrics and data collection approaches, as well as identifying what collective data gaps exist. From this point, an industry can plan to collect and jointly report on data relevant to their sector.

Given the diversity of the cooperative sectors, we offer an assessment framework without prescribing universalized metrics, except for seven areas we feel are universal to all cooperatives: access; business sustainability; community commitment; democratic governance and empowerment; equity, diversity, and inclusion; financial security and advancement for workers; and growth. We provide this framework to support the work of inventorying and developing measurement for cooperative sectors and helping individual cooperatives and their associations understand and fill gaps. Data, once collected, can facilitate information sharing across sectors on best practices, improving implementation, and communicating strategic value.

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The Cooperative Development Foundation is a 501(c)(3) non-profit foundation headquartered in Washington, DC that promotes and develops cooperatives to improve economic opportunities for all. CDF is a thought leader in the use of cooperatives to create resilient communities, including the housing and care needs of seniors. Through its

funds, fiscal sponsorships and fundraising, CDF provides grants and loans that foster cooperative development domestically and abroad. CDF facilitates the Cooperative Hall of Fame induction ceremony, recognizing the accomplishments of outstanding cooperative leaders at the National Press Club in Washington DC each year.

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The National Cooperative Business Association CLUSA International (NCBA CLUSA) is the apex association for cooperative businesses in the United States and an international development organization. Founded in 1916, NCBA CLUSA strives to advance, promote and protect cooperative enterprises through cross-sector advocacy, education and public awareness that help co-ops thrive, highlighting the impact that cooperatives have in bettering the lives of individuals and families.

Internationally, NCBA CLUSA has worked in over 100 countries building sustainable communities, creating economic opportunities and strengthening cooperatives. Our work focuses on an approach that empowers smallholder farmers, women, and youth in the areas of food security, agricultural development, strengthening of communities and farmer organizations, community-based health and natural resources management.

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to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.

# THE ABCs OF COOPERATIVE IMPACT

The impact of cooperatives on social and economic opportunity should be evaluated on the following seven factors:

- A ccess:** A cooperative can increase access to affordable quality products, services, suppliers, and markets, lowering costs and serving markets and communities historically seen as “higher risk” or underserved.
- B usiness sustainability:** A cooperative business structure can increase firm survival and profitability through higher and less volatile revenues, lower costs, and a focus on long-term outcomes, including scaling the cooperative to compete with multinational corporations.
- C ommunity commitment:** A community-focused cooperative is committed to being a good neighbor through education, financial support, facility use, and business practices that reflect the values of the community.
- D emocratic governance and empowerment:** In a well-functioning cooperative, membership actively participates and shapes the mission and decisions of the organization, which translates into broader civic and political involvement.
- E quity, diversity, and inclusion:** To be an effective contributor to its community, cooperative membership reflects the community in racial composition, gender, age, and abilities, and historically excluded communities and individuals have a voice and leadership opportunities.
- F inancial security and advancement for workers:** Cooperatives work best for their members, employees, and communities when they provide living-wage jobs with benefits and increased opportunity for wealth building, career advancement, training, and leadership development with lower turnover and higher job satisfaction.
- G rowth:** Cooperatives can be local and regional anchors, promoting economic growth through stable jobs, high industry standards, consistent services, and economic multiplier effects through increased community investment, local jobs, and local procurement.