

THE ABCs OF CO-OP IMPACT



WORKER COOPERATIVES: A FRAMEWORK FOR MEASURING IMPACT

ABOUT THE ABCs

This sector report examines how worker co-op ownership influences economic activity, community vitality and individual well-being based on a seven-factor framework developed by the Urban Institute in partnership with NCBA CLUSA and the Cooperative Development Foundation. These factors are: Access; Business Sustainability; Community Commitment; Democratic Governance and Empowerment; Equity, Diversity and Inclusion; Financial Security and Advancement; and Growth.

ABOUT WORKER CO-OPS

A worker cooperative is a business that is owned and controlled by its workers, who constitute the members of the cooperative. The two central characteristics of worker cooperatives are:

- workers own the business and participate in its financial success on the basis of their labor contribution to the cooperative
- workers have representation on and vote for the board of directors, adhering to the principle of one worker, one vote

In addition to their economic and governance participation, worker-owners often have a say in the day-to-day operations through various management structures.

With about 25 new startups per year, the worker co-op sector is one of the fastest growing segments of cooperative enterprise. Worker-owned cooperatives exist in virtually every industry, and at every size. While most worker cooperatives in the U.S. are small businesses, the largest—Cooperative Home Care Associates in the Bronx—has about 2,000 employees.¹

¹ 2019 Worker Cooperatives in the United States, Democracy at Work Institute and U.S. Federation of Worker Cooperatives.

² Co-ops with surplus remaining after payment of business expenses and contributions to reasonable reserves are obligated to equitably distribute that profit to worker-owners, usually on the basis of hours worked. This figure is the average for co-ops that made patronage distributions.

Overall, worker co-ops
in the U.S. are estimated
to account for:

465
KNOWN BUSINESSES

6,454
WORKERS

\$505
MILLION
IN REVENUE

Worker-owners in the
U.S. earn, on average:

HOURLY WAGE OF
\$19.67

ANNUAL PATRONAGE
DISTRIBUTION OF

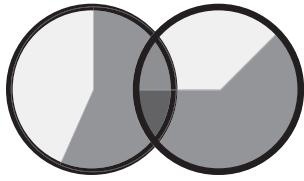
\$8,241²



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WORKER CO-OP IMPACT BY THE NUMBERS



PEOPLE OF COLOR MAKE UP
56.8%
OF WORKER-OWNERS, AND
PEOPLE IDENTIFYING AS FEMALE
MAKE UP
62.5%
OF THE WORKFORCE AT
WORKER CO-OPS³



WORKER-OWNED
CO-OPS ARE
TWO-THIRDS
MORE LIKELY
TO SUCCEED
THAN THE AVERAGE
U.S. COMPANY⁴



WORKER-OWNED
CO-OPS ENJOY
5%
HIGHER PRODUCTIVITY
LEVELS
THAN TRADITIONAL
BUSINESSES⁵



WORKER CO-OPS EMPLOY
HAPPIER
WORKERS WITH A
HIGHER LEVEL OF
JOB SATISFACTION
THAN TRADITIONAL
COMPANIES⁶



WORKER CO-OPS
MAINTAIN A
2:1 PAY RATIO
COMPARED TO THE
AVERAGE CEO-TO-
WORKER PAY RATIO OF
303:1⁷



**ANNUAL EMPLOYEE
TURNOVER**
FOR WORKER CO-OPS IS
15%
COMPARED WITH
INDUSTRY NORMS OF
40-60%⁸

3 2019 Worker Cooperatives in the United States, Democracy at Work Institute and U.S. Federation of Worker Cooperatives.

4 Abell, Hilary. "Worker Cooperatives: Pathways to Scale" The Democracy Collaborative, 2014.

5 "Investing in Worker Ownership." Democracy at Work Institute

6 Murray, Anthony. "Co-Operatives Make for a Happy Place to Work." Co-Op News, 2013.

7 2019 Worker Cooperatives in the United States, Democracy at Work Institute and U.S. Federation of Worker Cooperatives.

8 Abell, Hilary. "Worker Cooperatives: Pathways to Scale." Community Wealth, The Democracy Collaborative, 2014.

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A CCESS

Worker-owned cooperatives give workers more control over the work process and a greater share of company earnings. They are also an excellent self-help vehicle for promoting work for hard-to-employ populations, such as returning citizens, or workers in rural and deindustrialized areas.

B USINESS SUSTAINABILITY

Worldwide, worker-owned enterprises stay in business longer and make less frequent use of lay-offs, leading to greater stability among these

enterprises. In addition, worker cooperatives are more productive than conventional businesses in the same industry, with employees working "better and smarter."⁹

C OMMUNITY COMMITMENT

In addition to providing employment and making a profit, many worker cooperatives have a social, cultural or environmental purpose. This purpose

9 Virginie Perotin, "What do we Really Know About Worker Cooperatives?" Cooperatives UK. https://www.uk.coop/sites/default/files/uploads/attachments/worker_co-op_report.pdf

may involve the central product of the business, such as solar energy or fair-trade products. Or it may be a defining attribute of a co-op working in an otherwise conventional industry, such as a commitment to reducing the carbon footprint of the manufacturing process. On a local level, worker-owned cooperative employees are much more likely to volunteer in their community compared with the general population.¹⁰ And, worker-owners are more likely to vote.

DEMOCRATIC GOVERNANCE AND EMPOWERMENT

The democratic nature of cooperative ownership positively impacts job satisfaction and productivity. Worker control may be a key factor in the superior performance of worker-owned firms around the world.¹¹ While the practice of consulting with worker-members may initially be more time-consuming, in the end a decision made on a collaborative basis typically takes less time to implement. Thus, an engaged and informed membership saves the company money and effort when compared with the practices of competitors in the same industry.

EQUITY, DIVERSITY AND INCLUSION

From the pay ratio to the diversity of the workforce, worker co-ops excel at creating an equitable, diverse and inclusive work environment. The average pay ratio between the lowest and the highest paid employees at a worker co-op is 2:1—a stark contrast compared to the CEO-to-worker pay ratio of 300:1 at the average publicly traded corporation in the U.S. The largest worker-owned cooperative in the U.S. has a workforce (and ownership base) comprised almost exclusively of Latina and African American women, a population not otherwise highly represented in business ownership.¹²

FINANCIAL SECURITY AND ADVANCEMENT

Three quarters of worker-owners report that overall pay and benefits at their co-op are similar or superior to compensation at their previous workplace, and that the average value of their capital accounts—the financial measure of their

ownership stake—is modest, but real. A majority also reported that professional development opportunities are better at their co-op than at previous jobs. For example, Cooperative Home Care Associates maintains a workforce development program that provides free training for more than 600 low-income and unemployed women annually and serves as a significant driver of employment in the Bronx.¹³

GROWTH

Worker-members are by definition local owners, generating significant potential economic multiplier effects as wages and profits are kept in the community rather than sent to outside investors. Worker ownership keeps assets invested locally and selling a business to employees is an increasingly popular alternative for retiring small business owners interested in preserving the legacy of their business. A cooperative, committed to taking the long view, is a positive economic development partner from an overall community perspective.

13 Cooperative Home Care Associates, chcany.org, 2020.



Photo: Opportunity Threads

Worker cooperatives such as Opportunity Threads and Cooperative Home Care Associates provide training, career growth opportunities, quality jobs and a voice in the business.



Photo: CHCA

10 Laura Hanson Schlachter, University of Wisconsin, "White Paper: Preliminary Analysis of the Worker Co-op Census Data", Democracy and Work Institute, November, 2017. This survey reached over 1,100 employees of worker-owned cooperatives in 82 different firms, making it the most comprehensive survey of worker cooperators in American that has yet been conducted.

11 Perotin.

12 Democracy at Work Institute.

CASE STUDY

ALVARADO STREET BAKERY: A WORKER CO-OP INNOVATES FOR GROWTH AND STABILITY

Alvarado Street Bakery, a worker-owned cooperative in Petaluma, California, built a model workplace in a uniquely cooperative manner. In the Bay area, where the cost of living is 80 percent above the U.S. average and housing costs are three times the national average,¹⁴ the bakery blends democratic decision making, innovation, growth and technology not only to make certified, organic bread, but also—critically—to provide worker-owners the compensation they need to live in the community where they work.

To meet this challenge, the bakery had to embrace growth and technology. “It’s simple math,” said Joseph Tuck, Alvarado Street’s retired coordinator. Simple or not, many workers see technology and automation as threats to their livelihood, with investors pocketing the money saved on wages and workers out on the street. Because Alvarado Street is a worker-owned co-op, every major investment in new technology is subject to a democratic decision-making process. “You have to make the case to workers, even for efficiency gains,” said General Coordinator and CEO Bryan Long. “We are not out to replace people . . . we need to find the balance between creating jobs and making sure those jobs are high quality,” he added.

Established in 1977, the co-op’s embrace of technology and growth came fairly early in its history, when another whole grain bakery went out of business and Alvarado Street suddenly inherited their accounts. Co-op members were forced to invest in machinery simply to meet the demand of the contracts and found, in the process, that wages went up. As time went on, the concept of buying into



Photo: Alvarado Street Bakery

Alvarado Street’s automated production line has allowed the bakery to increase units per man-hour by more than 50 percent.

technology became more and more accepted, as workers saw the benefits. “We wanted to be able to offer a good, stable standard of living,” Tuck said.

While the co-op pays tiered wages based on the skill of the worker, it is an equitable employer, with a rich benefit package that is spread equally across the workforce enabling a degree of financial security for workers seldom seen in the industry. Alvarado Street offers a generous 401(k) plan that requires no match from workers and averages more than \$5,000 per person, per year in contributions. Gainsharing bonuses are paid every quarter in equal amounts to every worker, pro-rated for full and part-time workers. Full health insurance is also part of the plan, with alternative care such as chiropractic and acupuncture covered. And workers with 10 years tenure get six weeks of paid vacation.

Many worker-owners stay with Alvarado Street long enough to accrue that benefit. Average tenure at the co-op is currently 13.5 years, an exceptional show of loyalty to an exceptional workplace.

14 https://www.bestplaces.net/cost_of_living/city/california/petaluma