

THE
COOPERATIVE
BUSINESS

JOURNAL

Building Diversity, Equity and Inclusion Amid Crisis

Diversity in Governance

A cooperative model for deeper,
more meaningful impact

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serving workplace equity,
entrepreneurship and economic
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brakes on a predatory system
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THE COOPERATIVE BUSINESS JOURNAL

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Perspectives

Building Diversity, Equity and Inclusion Amid Crisis

To introduce this issue of the *Cooperative Business Journal*—the last of the year—I want to take a moment to reflect on 2020. From a global pandemic to a groundswell of activism against systemic racism, this year has been unprecedented. Yet one thing hasn't surprised me: the resilience of cooperatives. They have pivoted, adapted and innovated, continuing to demonstrate why this business model is better.

Back in 2019, I questioned the commitment of nearly 200 CEOs representing the biggest corporations to be better corporate citizens by considering the interests of workers, customers and the environment—a step away from their sole focus on shareholder profits. A year later, I was disappointed but not surprised to learn that their intentions—whether hollow or truly well meaning at the time—have not led to transformational behavior.

In fact, as a group, these newly conscious corporations actually increased investor payouts and were 20 percent more likely to implement layoffs and furloughs during COVID-19. They were also less likely to donate to recovery efforts or offer customer relief such as discounts or waived fees.¹

Meanwhile, we saw cooperatives embrace their identity and lean into the challenge, leveraging their unique people-centered business model and taking real, concrete steps to help their members and their communities cope with the devastating impacts of the twin pandemics of COVID-19 and institutional racism.

For ChiFresh Kitchen, that meant launching a co-op during a pandemic. Their model holds critical lessons for how BI-POC communities can build power and wealth. For electric co-ops, it meant setting up free Wi-Fi hotspots, waiving late fees and renewing their commitment to bridge the digital divide.

We can attribute part of this response to good governance. As we learn in our opening article, cooperatives that rise to the occasion in crises do so because they are structured to reflect and respond to the society and economy in which they operate. A great example is the Independent Drivers Guild, which we also learn about in this issue. When power is shifted to the drivers, a new model for ride-share apps emerges.

At their core, cooperatives exist to serve the people who use the business; in turn, those people have the best interests of their communities in mind. The COVID-19 pandemic, as it has in so many other spaces, only magnified the distinction between co-ops and non-co-ops. 🙌

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From a global pandemic to a groundswell of activism against systemic racism, this year has been unprecedented. Yet one thing hasn't surprised me: the resilience of cooperatives. They have pivoted, adapted and innovated, continuing to demonstrate why this business model is better.



In Cooperation,

Doug O'Brien
President & CEO
NCBA CLUSA

1 Useem, Jerry. "Beware of Corporate Promises," *The Atlantic*. August 2020.



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Diversity in Governance

A cooperative model for deeper, more meaningful impact

Cooperatives have the potential to instigate transformative change as they address the structural causes of inequality and social injustice.

By Karen Miner and Sonja Novkovic

There is a convergence of ideas around redefining the purpose of both enterprises and the broader economy. The rhetoric has become ubiquitous—from the Davos 2020 “Sustainability Manifesto”¹ and the U.S. Business Roundtable’s Statement on the Purpose of a Corporation² to conscious capitalism, “for purpose” enterprise³ and the circular economy. That being said, it is difficult to imagine how the corporate model of business would be capable of sufficient transformation to deliver truly sustainable outcomes, since the fundamental purpose of ownership, control and benefit is tied to investment (e.g. financial return on capital).

On the other hand, the cooperative business model is compatible with the most progressive understanding of sustainability, but many cooperatives still need to broaden their view toward deeper and more meaningful impact. This requires sophisticated and systematic adherence to the cooperative enterprise model in order to enable transformation from an economic to a humanistic paradigm and from purely financially-motivated enterprise to alignment with the 7 Cooperative Principles, as expressed in the International Cooperative Alliance (ICA)’s *Statement on the Cooperative Identity* (referred to as ICA Statement throughout).⁴ > >

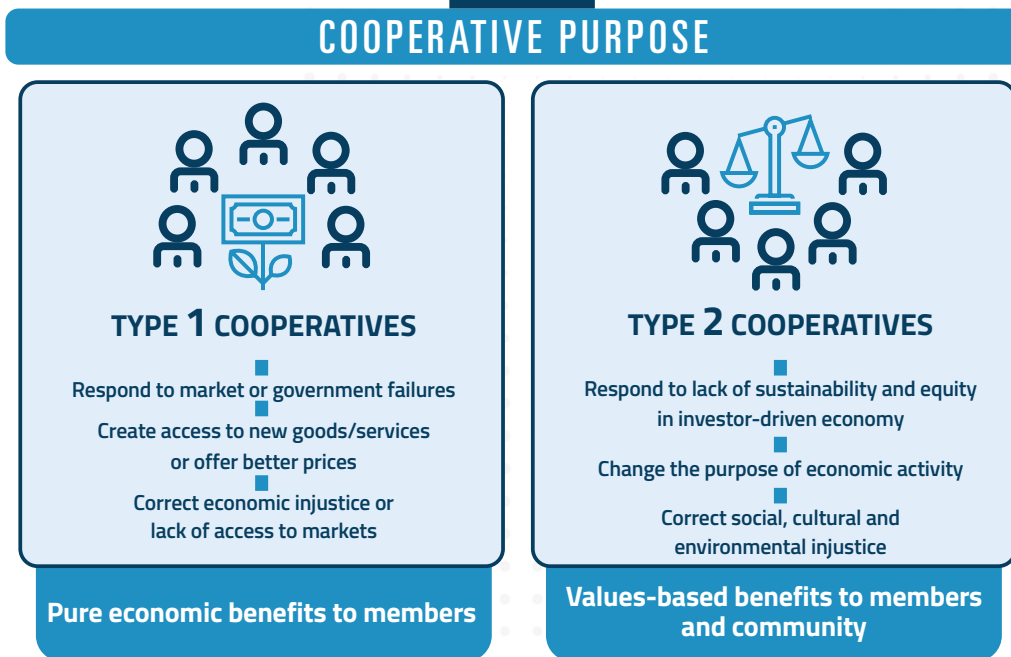
1 <https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution>

2 Novkovic S. 2018 The impact of cooperatives: Transformative, or just business? *The Cooperative Business Journal*, Fall issue, September, NCBA Washington DC

3 Birkinshaw, J., N. Foss and S. Lindenberg 2014 Combining purpose with profits. *MIT Sloan Management Review* 55,3:49-57.

4 ICA 1995; Statement on the Cooperative Identity <https://www.ica.coop/en/cooperatives/cooperative-identity>

FIGURE 1



In the world of cooperative research and practice, we talk about co-ops as if they are all made equal. Although the saying “Once you’ve seen one co-op, you’ve seen one co-op” has become something of a mantra in the movement, we continue to talk about cooperatives as one homogeneous enterprise model. Partly, this is due to the unifying ICA Statement—to which the global cooperative movement subscribed in its latest iteration in 1995—but it can also be attributed to democratic governance as a common feature.

While all cooperatives are member focused and democratically run, what that means and how it is applied varies widely, depending on context. The enterprise model and organizational purpose (purpose of membership) influence the type of cooperative (see Type 1 and 2 in Figure 1) and the resulting democratic governance structures (control through to collaboration). In this article, we elaborate on Type 2 cooperatives and discuss diversity (as opposed to homogeneity) in membership, humanism in management and governance (not “economism”), member-centricity (not investor), broader external environment, and big picture context (long-term, community and environment). In closing, we illustrate some aspects of humanistic governance by the OAS

Federal Credit Union’s participatory structures that are driven by a humanistic approach and values-based purpose.

Building blocks of the cooperative enterprise model

Regarding organizational purpose, cooperative “ideal type” has two interpretations in the literature.⁵ Type 1 provides pure economic benefit to members, while Type 2 captures the essence of the ICA Statement. Although the reality is more complex than either ideal type, placing a cooperative in one or the other of these categories clarifies the foundational elements of purpose, values and principles as the critical aspects of the cooperative enterprise model (see Box 1). For example, some credit unions will focus on economic benefit to members (Type 1) while others will move deeply into Type 2 territory (redefining wealth, defining its purpose as vehicles for community and economic development). The same dichotomy can be observed in other sectors (e.g. food, agriculture, electric).

The economic benefit interpretation (Type 1) dominates the neoclassical and new-institutional economics view, as well as some legal definitions. The stress there, besides the cooperative’s objective

5 Zamagni, S. and V. Zamagni 2010. *Cooperative Enterprise: Facing the Challenge of Globalization*. Cheltenham, UK & Northampton, MA: Edward Elgar; Spear, R. 2011. Formes cooperatives hybrides. *Recoma: Revue internationale de l’conomie sociale*, 320; Novkovic, S. 2018

to address “market failure,” is on the property rights of members and an investor logic. The advantage of cooperation—particularly when members are small businesses or self-employed—is seen to be in the economies of scale reflected as either lower costs of inputs, or increased prices for outputs earned through market pricing and patronage dividends, or possibly value-added production process. For worker cooperatives, the incentive to form a Type 1 cooperative is in average income increasing with a share in profit distributed to workers, according to this view. In addition, favorable regulatory frameworks or fiscal incentives may induce cooperative formation.

Type 2 cooperatives take the much broader view reflected in the ICA Statement⁶ and implicate economic, social, environmental or cultural motivations for cooperative formation, as enterprises embody the ethical values of their founders in a collectively owned and controlled enterprise. The global cooperative movement subscribes to this definition, as do the United Nations’ (UN) agencies. The International Labour Organization’s Promotion of Cooperatives Recommendation (No. 193, 2002) adopts the ICA Statement in its entirety. This was also the basis for the UN’s proclamation of the 2012 International Year of Cooperatives, and is the interpretation of a cooperative enterprise we adopt in this article.

Adhering to cooperative identity implies a deliberate choice of an ethically-grounded enterprise reflecting solidarity among its members. This is typically the practice of cooperatives that build the social

and economic resilience of communities; focus on creating well-being including, but not limited to, financial benefit; serve as agents for social and economic transformation; and pursue explicit social, economic and environmental objectives.⁷

The ICA Statement has a deeper meaning, beyond a one-dimensional sketch of a cooperative enterprise. When taken apart, it uncovers purpose, values and principles, along with three building blocks of the cooperative enterprise model: people-centered⁸, jointly owned and controlled, and democratically governed.⁹ Taken together, these properties inform business practices, as well as organizational structures; incentivize organizational behavior that is markedly different from capital, state and nonprofit entities; and frame the purpose and nature of the cooperative enterprise as a values-based business (see figure within Box 1).

Governance

The governance system of the cooperative enterprise can also be understood differently, either as a principal-agent problem, a humanistic model,¹⁰ or a combination of the two. Under agency, members are represented by the board of directors who hire professional managers to run the enterprise. Due to the separation between ownership and control and managerial opportunism—an assumption about human behavior shared with the view of investor-owned businesses—a primary role of the board is to hire, manage and monitor the CEO to ensure that the enterprise operates in concert with member interests.¹¹ The more homogeneous (less diverse)

6 ICA Statement includes the definition, and values and principles of cooperation. “A cooperative 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.”

7 Novkovic. S. 2018

8 As opposed to capital-centred. The ownership right, including to control the enterprise, is rooted in the use of the enterprise as worker, consumer, or supplier. In other words, voice is a personal right, rather than property right (Ellerman 1983), while capitalization of the enterprise is a responsibility of membership, instead of an investment opportunity.

9 Novkovic, S and K. Miner (eds.) 2015. *Co-operative Governance Fit to Build Resilience in the Face of Complexity*. International Co-operative Alliance. Brussels

10 Principal-agent model is contrasted with the stewardship model in a ‘control vs collaboration’ role of the Board (Sundaramurthy and Lewis 2003). There is also recognition in the ‘paradox’ literature of over-simplification and the need to deploy both control and collaboration in different circumstances (Cornforth 2004)

11 Berle, A., & Means, G. 1932. *The modern corporation and private property*, Macmillan. New York, 2(3), 45-53.; Jensen, M. C., & Meckling, W. H. 1976. *Theory of the firm: Managerial behavior, agency costs and ownership structure*. *Journal of Financial Economics*, 3(4), 305-360

the members, the easier and less costly it is for the board to represent them.¹²

Under the humanistic paradigm, on the other hand, member representatives (e.g. board) and managers are viewed as stewards of the enterprise, and consider multiple stakeholders in their decisions. Diversity is lauded in this case (Turnbull 2002) because human beings have limited cognitive abilities to process and store information. The more diverse voices are at the table, the better information sharing and processing capacity, and

better governance. And, governance structures are more diverse, moving beyond the concept of only an apex board toward a system of board(s), committees and councils that engage more members and stakeholders in decision-making.

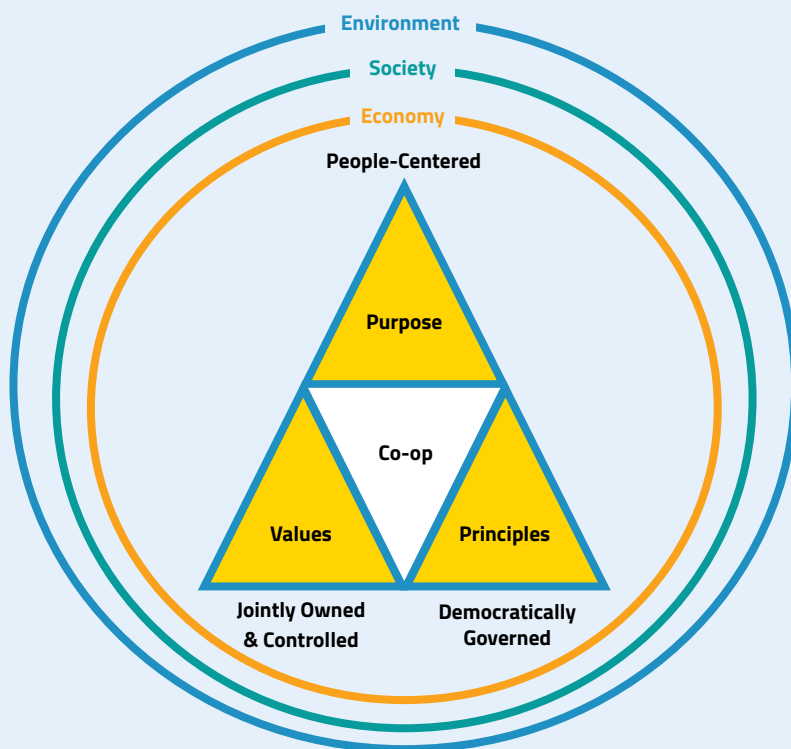
Some call for a balance between the principal-agent and humanistic approaches¹³ as paradoxical forces are at play in organizations, including cooperatives. While seemingly at the opposite ends of the spectrum, both control and collaboration between management, members and other stakeholders

12 Hansman, H. 1996 *The Ownership of Enterprise*. Harvard University Press

13 Cornforth, C. 2004. The governance of cooperatives and mutual associations: A paradox perspective. *Annals of Public and Cooperative Economics*, 75(1), 11-32; Sundaramurthy, C., & Lewis, M. 2003. Control and collaboration: Paradoxes of governance. *Academy of Management Review*, 28(3), 397-415.

BOX 1

THE COOPERATIVE ENTERPRISE MODEL



The cooperative enterprise model is a trifecta of purpose, values and principles coupled with three fundamental properties inherent in cooperatives as peoples' organizations (people-centered, jointly-owned and controlled, democratically governed). These three properties, when operationalized, form the building blocks of the cooperative advantage in the context of increased complexity:

People-centred (as opposed to capital-centred) governance and management assumes people are intrinsically motivated social beings, balancing their personal and group interests in accordance with general moral principles. Organizations, in this view, embrace a balance of objectives (including financial), and tend to involve key stakeholders in their decision-making process.

Joint ownership and control (distributed, rather than concentrated) is a hallmark of cooperative organizations, and it is intertwined with members as owners, controllers and beneficiaries. Although typically operating under private property regimes, cooperatives distribute ownership rights equally among their members and may hold a part of their assets in non-divisible reserves.

Democratic governance is based on one member, one vote (rather than wealth-based). Self-governance is the underlying engine of autonomous cooperative enterprises, with the vital component being democratic decision-making by their members. Decision-making practices in cooperatives depend on the purpose of the organization, and wider context.

are required for effective leadership, it is argued.¹⁴ In a similar vein, cooperatives are seen to deploy both democracy and hierarchy; while regarding their members' motivations, they seek both individual and collective benefit; and pursue social and economic goals.¹⁵

Realizing that cooperative members collectively own and control the enterprise as its patrons (or workers); democratically govern with voting as a personal right, rather than based on capital shares; and subscribe to social and economic justice through cooperative values and purpose, governance systems need to match this underlying enterprise structure. Misalignment between the two results in discrepancies in the organization's strategy,¹⁶ as well as CEO motivations,¹⁷ leading to isomorphism and an increasing risk of the cooperative's potential demise.

A case for diversity: humanism, members and society at a crossroads

Assumptions of humanistic theories in economics and business are more suitable for people-centered cooperative enterprises.¹⁸ Capital plays an instrumental but subordinate role, reflected in voting as a personal right of members, rather than a property right.¹⁹ When this rule is altered, such as in some producer cooperatives, it is altered by the volume of patronage²⁰—critical for the co-op's survival and success. This is an indication of membership as a user-relationship,²¹ rather than investor (see more on this below).

Humanism and governance of cooperative enterprises Humanistic economics²² and humanistic management theories²³ put people first, arguing that the purpose of economic activity and institutions needs to shift from its current focus on wealth maximization, to increasing well-being and promoting human dignity.

As self-help organizations formed to attend to the needs of their members, cooperatives fit well with the humanistic paradigm, as they address socio-economic injustice and structural imbalances in the economy. Worker cooperatives are the benchmark model in humanistic economics, while other types of cooperation express the need to extend promotion of human dignity beyond the realm of work into all aspects of economic life.

Cooperatives come together to address questions of ethical principles and values, with a model of enterprise that relies on members' vision and democratic participation. There is a point of view and some evidence that most cooperatives (including

A WORD ON GOVERNANCE

"The word governance has its root in the Latin verb *gubernare*, which derives from the Greek *kybernan*, meaning "to lead, to steer, to be the head of, to set rules, to be in charge of the power." Governance is related to vision, decision-making processes, power dynamics and accountability practices. The ultimate goal of governance is to effectively fulfill an organization's goals in a way consistent with the organization's purpose. Cooperatives are member-owned and democratically-controlled organizations. Their governance has to meet cooperative's objectives, protect member interests and maintain member control. Cooperatives are also values-based businesses whose governance and management principles and practices need to reflect and safeguard their values." – *excerpt, Novkovic and Miner, 2015:10*

14 Ibid

15 Audebrand, L. 2017. Expanding the scope of paradox scholarship on social enterprise: the case for (re)introducing worker cooperatives. *M@n@gement* vol. 20(4): 368-393

16 Borgen, S. O. 2004. Rethinking incentive problems in cooperative organizations. *The Journal of Socio-Economics*, 33(4), 383-393.

17 Crombie 2006 *Towards a contingency theory of governance in corporations and mutuals*. Unpublished

18 Novkovic and Miner, 2015

19 Ellerman, D. 1982

20 As an example, in Fonterra dairy cooperative (New Zealand), board elections and constitutional amendment voting is weighted based on milk production; however, a 35 person shareholders (member) council is elected on the basis of one farm, one vote. Shadbolt, N. and A. Duncan 2015. *The capital conundrum for cooperatives*, ICA:94-103 <https://www.ica.coop/en/media/library/capital-conundrum>

21 'Usership' includes work relationship in worker cooperatives.

22 Lutz, M. A., & Lux, K. 1988. *Humanistic economics: The new challenge*. New York: Bootstrap Publisher

23 Pirson, M. 2017. *Humanistic management: Protecting dignity and promoting well-being*. Cambridge University Press

Type 1), have good reasons to provide conditions for humanistic governance. The paradox view²⁴ notwithstanding, the usership relationship ought to prevail.²⁵ As Crombie points out, "Overall, the evidence suggests that mutuals are likely to use collaborative governance systems, whereas corporations are more likely to use controlling systems."²⁶

Further, there is evidence that members of producer cooperatives, although facing a significant economic risk, deal with a cooperative on the basis of social commitment, rather than purely economic drive.²⁷ Members engage in governance, patronage, committee work, financing and other forms of participation as a result of affective and normative commitment,²⁸ and not purely on financial grounds. Therefore, to impose an agency-relationship between cooperative boards and managers may result in a self-fulfilling prophecy with reduced trust and increased opportunistic behavior.²⁹ The potential risk of oligarchy (too much power given to the CEO) needs to be resolved with appropriate governance architecture.

*The member dimension: ownership, control and benefit*³⁰
Members are the foundation and heart of all cooperative enterprises as it relates to ownership, control and benefit. The multi-dimensional characterization of a member is an essential aspect of the enterprise model; a cooperative's approach to this member relationship determines the strength of a shared commitment and common purpose underlying membership.

Related to all three elements of membership, their motivations to join a cooperative (sketched

above as Type 1 or 2) will influence and ultimately dictate the way that the enterprise is governed and managed. Why a member joins a cooperative will also determine what types of democratic structures are put in place to represent and protect member interests.

The type of membership will have a profound impact on members' concerns, which will be reflected in the governance and management structures and processes. Worker-members—insiders to the firm—typically care about fair income distribution, job sharing, non-hierarchical power structures and conflict resolution mechanisms. Producer-members may care about equity and fair supply mechanisms, prices, risk mitigation and supply management. Consumer-member motivations vary, from access to necessities and protection from market fluctuations (housing cooperatives are one example), to access to ethical products, and local development.

Members jointly own, control and benefit from the cooperative, and engage with the enterprise as workers, consumers or producers. However, members "wear many hats."³¹ Besides their primary type of engagement and patronage, the responsibility of membership includes participation in governance, capitalization of the enterprise, and other forms of support. Membership is a complex set of relationships that affect every facet of the cooperative.

Multi-stakeholder cooperatives (MSC), also called solidarity cooperatives, integrate multiple types of members into cooperative ownership, management

24 Cornforth, C. 2004

25 Borgen 2004; Crombie 2006

26 Crombie 2006: p5

27 Apparao, D. M. 2020 *Examining commitment and heterogeneity within the membership base of agricultural cooperatives*. PhD thesis, Massey University, NZ

28 Organizational commitment has three components - affective (emotive; deliberate choice), normative (ideological; 'the right thing to do') and continuance (utilitarian; financial) (Allen and Meyer 1991. A Three-Component Conceptualization of Organizational Commitment. *Human Resource Management Review*, 1, 61-89)..

29 Ghoshal 2005. Bad management theories are destroying good management practices. *Academy of Management Learning and Education* 4(1): 75-91; Sudaramurthy and Lewis 2003, Ghoshal and Moran 1996. Bad for practice: A critique of the transaction cost theory. *Academy of Management Review* 21 (1):13-47.

30 USDA https://www.rd.usda.gov/files/CIR45_2.pdf

31 Mamouni Limnios, E., Mazzarol, T., Soutar, G.N., & Siddique, K.H. 2018. The member wears Four Hats: A member identification framework for co-operative enterprises. *Journal of Co-operative Organization and Management*, 6(1), 20-33

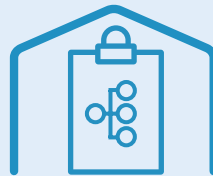
DEMOCRATIC GOVERNANCE AND THE COOPERATIVE ENTERPRISE

The ICA's Cooperative Principles and Values (ICA, 2015) suggest that cooperatives institute participatory forms of democracy in their organizational governance and management that respect and promote human dignity, democratic decision-making, and engagement of members, employees and other key stakeholders. Further, those members engaged in governance activities focus on total value creation and equitable distribution of benefit.

Governance of cooperatives is both inseparable and integrated within the enterprise model (see Box 1). As is consistent with our overall framing of the enterprise model as context specific, cooperative governance must push back against a one-size-fits-all view of the cooperative or corporate governance models, as the best models evolve and are dependent on the cooperative type, size, culture, country, sector, economic and other factors.

The governance system, as a component of the enterprise model, is built around structures, processes and

dynamics that experiment with and/or fully embrace member-centricity, participation, engagement and democracy.

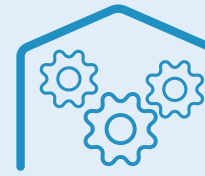


Structures will be impacted by the organization's purpose and members' relationship with the cooperative. Different factors will shape formal governance structures, including the nature of ownership and control, the type of governance bodies, and formal rules and policies.



Processes are defined as the way strategic direction-setting and control is carried out. They are democratic and participative in well-functioning cooperatives, but context dependent and not uniform. What that means and how it may be executed is contingent on the type of members, and whether members are involved in the operations (insiders, such as in worker and housing co-ops), or external to the organization. Further, the size of the cooperative

and stage in its lifecycle will influence the processes.



Dynamics refer to the changing nature (adaptation and evolution) of structures and processes over time, due to evolving internal and external factors influencing members' needs and goals. As an example, the external environment can call into question the original *raison d'être* of the cooperative, thus requiring a proactive approach to organizational change, rather than as a response to crises brought on by competition, changing consumer behavior, economic turmoil, etc.

When we consider this governance system, some cooperatives are exemplary in their adaptation of governance to fit the enterprise model, while others lean into conventional corporate governance approaches designed for investor-owned corporate models. It is important to be knowledgeable about the differences to ensure that wise choices are made and a strong cooperative enterprise is enabled.

and governance.³² This added heterogeneity and diversity in governance structures is thought to be costly and unsustainable,³³ yet in practice this model is quite prevalent, both as a legal form in some regions, and as a practice where laws do not prescribe membership type. Engaging multiple stakeholders in setting the vision, and in the decision-making, is a feature of humanistic governance systems.³⁴ Generally speaking, individual members also simultaneously belong to multiple categories of users of the cooperative: as workers, consumers, suppliers and community members.³⁵ Therefore, there is more to multi-stakeholder management and

governance than the transaction costs economic literature would suggest, particularly with regards to motivations for MSC ownership and control. Solidarity is at the root of social relationships in most MSCs; a common purpose ensures MSC longevity. Lund calls this feature "solidarity as a business model," arguing that stakeholders in MSCs build long-term relationships to encourage transformation, rather than engage in purely transactional relations.

These lofty expectations of membership in a cooperative certainly benefit from diverse perspectives. The question, of course, is how to

32 Novkovic, S. 2019. Solidarity co-operatives as a means for jobs creation and social transformation in Roelands, Eum, Esim, Novkovic, and Waltteri (eds.) *Cooperatives and the World of Work*, Routledge

33 Hansmann 1996

34 Turnbull, S. 2002. *A new way to govern: Organisations and society after Enron*. New Economics Foundation

35 Lund, M. *Solidarity as a business model: A multi-stakeholder cooperatives manual*. Kent, OH: Cooperative Development Center at Kent State University

manage diversity to ensure that each different voice is not pulling the cooperative in a different direction. The answer, at least in part, seems to be the shared purpose of the enterprise. As long as members share the vision and the purpose of their cooperative, diversity may be an asset, rather than a cost. Therefore, establishing a clear understanding of the cooperative purpose and adapting to evolving members' needs is the governance priority—a task that must be revisited on a regular basis. How cooperatives do that depends on the context.


The big picture

Beyond the variability in cooperative business context, we must also situate ourselves in the current social and economic context. This creates an important opportunity for the cooperative movement and business model.

As we have collectively become acutely aware of the planetary boundaries and shortfalls in the provision of basic necessities—and reminded of it by the fallout of the COVID-19 global pandemic—this is the time for all cooperatives to live up to the expectations set by the ICA Statement. This requires a collective effort to promote, develop and enhance Type 2 cooperatives, including motivating changes within cooperatives that have been focused purely on financial gain to members. Social-ecological purpose and financial benefit are not separable, nor is there a trade-off between the two in values-based cooperatives.

Members' motivations to establish a cooperative may have been different decades ago, but a cooperative enterprise today must promise social justice, equity, equality and reflect the society in which it operates. Governance systems need to reflect this changing reality: cooperative leaders cannot afford to wait and see when their members will notice the changes around them, but must provide vision and direction as to where they need to go to "do the right thing." Economic paradigms are changing, and are more aligned with the ICA Statement than they have ever been. Cooperatives have the potential to instigate transformative change as they rest on a different (not-for-profit and people-centered) logic; they address the structural causes of inequality and social

injustice, which are the root causes of contemporary development issues. However, larger, more mature cooperatives are prone to isomorphism as conditions around them change. In order to serve their members in these new social and economic circumstances, cooperatives need to stay in touch with member and community needs and find purpose in protecting member vulnerabilities. Deep forms of member participation, engagement and social innovation are key elements of success in so doing.

Cooperative members rise to the occasion in a crisis, forming cooperatives where needs arise, in a self-help effort to resolve the issues as they have been doing for centuries. But in order to remain relevant and fulfill the vision outlined in the Blueprint for the Cooperative Decade (2013), current and future cooperative enterprises need to find a way to fit into and contribute to the big picture. The path to success involves cooperatives with complex purposes and accompanying humanistic management and governance systems. 

Since 2003, the International Centre for Cooperative Management (ICCM) at Saint Mary's University has provided leadership in cooperative management and governance. Sonja Novkovic and Karen Miner are particularly focused on cooperative governance and are collaborating on a research project through 2022 with colleagues at the Katholieke Universiteit Leuven (KU Leuven) with the funding support from FWO Belgium (SBO project 5006019N). Learn more at managementstudies.coop.

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Cooperative Culture and Participatory Governance at OAS Staff Federal Credit Union

The Organization of American States Staff Federal Credit Union (OASFCU) is a financial cooperative headquartered in Washington, DC serving a global membership. The credit union has developed a vibrant, successful and innovative governance system while striving to uphold the spirit of the International Cooperative Alliance's (ICA) Statement on the Cooperative Identity. This approach embraces the cooperative model's basis in joint ownership and control, democracy and people-centeredness. As such, OASFCU is well placed to navigate the uncertain terrain of a rapidly changing business, social and natural environment.

OASFCU arose out of the financial needs and interests of OAS employees new to the country who lacked financial history and needed affordable financial services. The credit union was established in 1962, initially serving OAS employees only before growing to serve 8-9,000 members worldwide today across more than 40 organizations. Asset holdings amount to more than USD \$250 million, though financial accumulation is not the credit union's only measure of success.

Living the cooperative ethos

While the financial performance and growth of the credit union is also an important consideration, Board Chair K.C. Soares describes how OASFCU places high importance on the satisfaction of member needs and on "living our values."¹ That is to say, the ICA cooperative principles and values underpin OASFCU's organizational culture and purpose, resulting in a commitment to member and stakeholder (particularly staff) participation and human dignity in the governance decision-making

process. "We're very aware of culture here," which allows for open dialogue, debate and discussion "in a healthier and more productive and constructive manner," Soares said.

Participatory governance structures

As a financial cooperative, decision-making ultimately resides with the OASFCU's user-members. However, there also exists a practice of multiple stakeholder engagement in line with the cooperative identity and promotion of diversity and human dignity. For example, Soares explains that she is a big believer in employee ownership, participation and self-management—and, indeed, "solidarity economics" more generally such as in a Latin American context. This kind of thinking underpins the promotion of member, staff and outside stakeholder participation at OASFCU.

An intriguing aspect of this participatory governance culture is the Credit Union's Volunteer Program, for which suitable members are approached and/or can apply to serve on a number of specialized committees that operate inter-dependently with the board. These volunteer committees have been in place for the past decade and act as "a bridge between members, the community and our FCU," Soares said.

There are generally around 50 member-volunteers involved in the organization's committee system, alongside members of staff who provide knowledgeable input and administrative support. Where necessary, external experts are also brought in to advise the committees. Education and training for prospective volunteers is provided through the

¹ Comments attributed to K.C. Soares throughout are drawn from an interview conducted on 22 January 2020.

CASE STUDY *continued*

Volunteer Leadership Development Program² designed and delivered by Soares. And, there is also an effort to build a new generation of volunteer-member-directors through the Associate Volunteer Program.³ Once an associate volunteer graduates to full volunteer status, with the given rights and responsibilities, further opportunities for advancement open up to them.

Staff engagement with volunteers and serving on committees increases worker participation in governance, reducing misunderstandings in an innovative way. OASFCU CEO Carlos Calderon is supportive of the participatory cooperative governance approach:

“We can have total participation in governance, through the channels of volunteers, the elected board, and other volunteer groups that you might develop... Our engagement approach would be with members, employees and [committee] volunteers... we also keep a very close relationship with our sponsor organizations.”

The wide network of engaged volunteers and staff creates vibrant channels of communication. OASFCU strikes a balance between the imperatives of control and collaboration in the power relationships between its nested governing bodies: the board, management team, member (volunteer) committees, and general members meetings.

Looking to the future

Following its 2018 merger with the National Geographic Society’s Federal Credit Union,

Calderon reveals that OASFCU now plans on “developing and restructuring the organization” over the next five to ten years. This will involve “an institution-wide assessment to find the pitfalls and what needs we have... [taking into account] feelings from staff, volunteers and members.” To date, there has also been a strong Latin American focus within the organization, as regards the “structure, culture and language.” Soares suspects that this may partly explain the relatively high levels of member and stakeholder engagement within the organization. With a well educated staff, there are greater capacities to engage in organizational decision-making.

“Now that we’re growing... we have to be more inclusive of the majority of the population... The culture here is very cosy, but once you bring [in] other groups you have to be careful and you have to ensure that everybody feels welcome... So that could also be part of our governance, and how do we manage that—not only in our day-to-day operations serving our members, [but also] board meetings and committees [etc.]”

Calderon also feels that the organization needs to encourage more volunteers from other SEGs⁴ besides “our main sponsor the OAS”—particularly National Geographic, “which is huge, and other groups that are not here in the [United] States.” He continues: “We [have] got to find some way to [include] representation on these committees... One idea may be that we do want to have a certain percentage of... non-OAS volunteers on each committee, and go out of our way to do that.”

2 “The program is based on four pillars: personal development, inter-personal and team work, better understanding of OASFCU, and knowledge of the credit union industry and other cooperative industries” (OASFCU, 56th *Annual Report*, p. 9)

3 “Each of the seven committees [outside of the Credit Committee and the Board] can have up to eight people: five members and three associate members. And [the latter is] our way of engaging more people, getting new ideas and getting younger people involved etc.” (K.C. Soares)

4 Selected Employee Groups (SEGs). Employees of the sponsor organization, or SEG, are members of the FCU. The number of SEGs has expanded over the years to 41 as of March 2020.

OASFCU Consensual Governance Communication Flows



Source: A case study of OASFCU governance by Cian McMahon, ICCM

Adapting in the face of challenge

OASFCU now confronts an uncertain and rapidly changing economic, social, political and ecological environment, particularly with the advent of the COVID-19 global pandemic and the ensuing social and economic crisis. The organization has grown from

strength to strength during its lifespan and has had to reconfigure its governance system in response to similar (if perhaps not on the same scale) challenges in the past. Once again, it will rely on the collective intelligence of its members and stakeholders to steer the ship and navigate stormy seas. 🌊



Order Up



< *The founding worker-owners of ChiFresh Sarah Stadtfeld, Edrinna Bryant, Daniel McWilliams, Renee [last name withheld] and Kimberly Britt with Chef Consultant Nyah Griffin (front). Photo: Kai Brown, courtesy ChiFresh Kitchen.*

ChiFresh Kitchen is serving workplace equity, entrepreneurship and economic stability

By Greg Irving, with research by Camille Kerr and collaborators

In 2020, cooperatives—and particularly worker-ownership—are growing in relevance and in importance. In light of the COVID-19 pandemic, its disproportionate impacts on Black and Brown communities, and renewed calls to bring about social, racial and economic justice, the need for innovative tools to address racial inequities is more dire than ever. In this context, cooperatives are demonstrating their potential to build the social and economic power of indigenous, Latine, Black and other marginalized communities. Innovative models are proliferating across the country, and one group of worker-owners in Chicago is pioneering their own innovative approach to help spread economic security and equalize social power.

ChiFresh Kitchen, a food service business, is harnessing the cooperative model to address food insecurity, prepare healthy meals and enhance the economic security of its formerly incarcerated members. Despite opening earlier this year during a pandemic and economic crisis, they are already paying a living wage (\$18/hour and a minimum of 32 hours per week) and benefits. Their model has important and novel lessons for how BIPOC communities can build power and wealth, including by showcasing a highly intentional and well-planned process conducted in no small part by the formerly incarcerated Black women—both as advisors and worker-owners—who have been the decision-makers throughout the cooperative development process.

ChiFresh's startup was characterized by in-depth considerations surrounding financial resilience, community impact and building worker wealth. Crucially, its model has been designed from the start to be replicable in urban areas across the country. In this way ChiFresh offers lessons and plans that hopefully will blaze a trail to more cooperatives advancing social justice and workplace equity, as well as a more sustainable, equitable food system.

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The need for innovative tools to address racial inequities is more dire than ever.

Economic insecurity compounded

The COVID-19 pandemic has exacerbated the longstanding problems that marginalized, low-income communities have faced for generations. At the end of 2019, approximately seven out of every ten Americans still had less than \$1,000 in savings.¹ Roughly half, or 45 percent, had \$0 in savings. Importantly, the impacts of low savings—and the closely related issue of low household wealth—do not fall on everyone evenly. White families in the

U.S. had a median household wealth of \$171,000 in 2016.² This is approximately ten times that of Black families, whose median wealth stood at \$17,150. Native and Latine families have comparable, if slightly higher, levels of wealth to Black families. Black and Latine families are roughly twice as likely as white families to have \$0, or a negative, net worth.³ Roughly one-third of such families have no or a negative net worth.

For returning citizens—especially those who are Black women—economic hardship is even more severe. Even before the pandemic, 43 percent of formerly incarcerated Black women were unemployed. That's compared to 35 percent for formerly incarcerated Black men, 23 percent for formerly incarcerated white women, and 18 percent for formerly incarcerated white men. In addition, 75 percent of formerly incarcerated women experience homelessness, and women who cannot secure safe housing often return to abusive partners or family situations for housing and financial reasons. Most formerly incarcerated women are also mothers and frequently the primary caretakers of their children. Reunification is a critical issue, made more difficult by economic insecurity.

The pandemic has constricted economic activity and thus further reduced opportunities for economic advancement. The current conditions reinforce the disparities discussed above and have fostered greater inequities in a system that reflects the longstanding exploitation of women, Black people, indigenous groups, Latine people, and other marginalized groups such as the formerly incarcerated.

Leading with values to meet member needs

Equitably solving such problems requires bottom-up and member-owner-led strategies. These methods avoid reproducing the systems and hierarchies that place certain groups of people into economic precarity and that thwart the development of the skills and capacities of, particularly, the non-white and non-wealthy. Starting last year, ChiFresh Kitchen's

1 <https://finance.yahoo.com/news/survey-69-americans-less-1-171927256.html>

2 McIntosh, Kristin; Moss, Emily; Nunn, Ryan and Jay Shambaugh. "Examining the Black-white wealth gap". Brookings Institute. February 27, 2020. Accessed at <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/> on 8/26/2020.

3 "Wealth Inequality in the United States". Inequality.org. Accessed at <https://inequality.org/facts/wealth-inequality/#racial-wealth-divide> on 8/26/2020.



Despite opening during a pandemic and economic crisis, ChiFresh Kitchen is already paying its worker-owners a living wage (\$18/hour) and benefits. Photo: Kai Brown, courtesy ChiFresh Kitchen

founders set out to create, pilot and disseminate a model for cooperative development that combines organizing principles reflective of these needs with scalable, sustainable business development practices. The success of the venture will ultimately be measured by the number of ChiFresh members who receive a living wage and are able to build wealth through the cooperative.

ChiFresh's approach combined a bottom-up, member-led process with expertise on entrepreneurship, market assessments and business strategy. ChiFresh's original organizers were three women of color, one of whom had been incarcerated. They started this project to create a worker cooperative owned and determined by formerly incarcerated folks, primarily Black women. They focused on this mission because they believe that—when properly resourced and supported—formerly incarcerated Black women have the

experience, resilience and wisdom to build a better model for our economy. They also chose the demographic recognizing a profound financial need; the unemployment faced by formerly incarcerated Black women causes financial insecurity for themselves, their families and their communities.⁴

In executing their mission, the founders set requirements that they believed were necessary to fulfill their purposes. First, the business needed to sustain more than 100 workers to attain the scale necessary to significantly impact local unemployment. Second and similarly oriented, it needed to be replicable in other urban areas. Legally, the jobs have to be accessible for formerly incarcerated folks, meaning that there are no prohibitive licensing requirements that might disbar them from employment. The supported positions also needed to pay at least \$15 per hour with minimal education requirements.

⁴ Coulote, Lucius & Daniel Kopf. "Out of Prison & Out of Work: Unemployment among formerly incarcerated people". Prison Policy Initiative. July 2018. Accessed on 8/28/2020 at <https://www.prisonpolicy.org/reports/outofwork.html>.



ChiFresh works closely with the Chicago Food Policy Action Council to become the go-to prepared meal vendor for anchor institutions implementing good food purchasing policies.
Photo: Kai Brown, courtesy ChiFresh Kitchen

The founders of ChiFresh also recognized the importance of community. To foster this they wanted a centralized location where most of the work would be performed on-site. Likewise, they did not want the business to adversely affect their communities by, for example, contributing to the displacement of long-time residents. Resilience, as well as physical and economic security, were all prioritized. To avoid the common dangers that low-wage workers face, the workplace conditions needed to ensure low OSHA injury rates. To minimize risk during a recession, the founders wanted to specialize in an industry that was relatively recession resistant. Food and food service provision has historically been one of these industries.⁵

Although ChiFresh is a startup, the business was not built from scratch. ChiFresh's business is modeled after City Fresh Foods of Boston, Massachusetts.

Founded in 1994, City Fresh is a Black-owned social enterprise with more than 120 employees and \$10 million in revenue.⁶ City Fresh's quarter century of experience developing recipes, navigating food sourcing and sourcing policies, and refining operational practices enabled ChiFresh to form and to operate as an informal "branch" of City Fresh. ChiFresh Kitchen founders also drew inspiration from Spain's Mondragon Corporation and lessons from initiatives like the Evergreen Cooperatives of Cleveland, Ohio and the Arizmendi Cooperatives in the Bay Area, California.

ChiFresh launched by engaging with local and state efforts to reduce food insecurity during the pandemic. The pandemic accelerated the need from the perspective of worker-owners as well, as founding members found themselves among the millions of workers laid off during March 2020. They hoped

5 Chappelow, Jim. "Industries That Thrive During Recessions". Investopedia. April 15, 2020. Accessed at <https://www.investopedia.com/articles/stocks/08/industries-thrive-on-recession.asp> on 8/26/2020.

6 "City Fresh Foods." Dunn & Bradstreet, Accessed 9/22/2020 at https://www.dnb.com/business-directory/company-profiles.city_fresh_foods_inc.ed60f3331c3d0b14483348b0ec3a9b16.html.

both to create some economic stability for themselves during a trying time and to bolster their community's emergency food response.

ChiFresh Kitchen's strategy for achieving these goals has been to specialize in preparing and delivering daily meals for schools, nursing homes, after-school programs and community organizations. Although there is significant local and national competition in the Chicago foodservice contracting industry, ChiFresh is positioning itself as the go-to vendor for institutions implementing the Good Food Purchasing Program (GFPP), including those interested in supporting urban agriculture and/or demonstrating their commitment to economic and racial justice.⁷

The program guides the food procurement of many large-scale entities and municipalities. It has been adopted by the City of Los Angeles,⁸ the City of New York⁹ and, importantly, the city of Chicago and the roughly coterminous Cook County.¹⁰ Organizations that commit to the GFPP in turn commit their considerable purchasing power to sourcing their food needs in alignment with five values: prioritizing local economies, environmental sustainability, valued workforce, animal welfare and nutrition.¹¹

The cooperative development process

In finding its niche, ChiFresh has not simply taken advantage of an opportunity. Rather, the co-founders have creatively leveraged that opportunity to serve Chicagoans healthy and quality food to spur the greater employment of returning citizens, particularly Black women. By doing this, they are pioneering a new model of cooperative development that can grow and spread the benefits of enterprises like ChiFresh across a hopefully ever-expanding range of localities. A look at their early work and the processes therein can help us to understand how this can happen.

The organizers brought in a business consultant to help identify industries that met their criteria, and

decided on a worker cooperative structure to ensure the fullest share of benefits accrued to workers. Starting from the full list of North American Industry Classification System (NAICS) codes, the organizers and business consultant worked together to narrow the list to three industries that would best meet these criteria: laundry, food production and logistics.

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The unemployment faced by formerly incarcerated Black women causes financial insecurity for themselves, their families and their communities.

At that point, the organizers had assembled an advisory board of entrepreneurs, community organizers and cooperative developers—the majority of whom were formerly incarcerated and all of whom are people of color. When presented with the options, the advisors removed laundry because of their personal experience in that industry. They conducted further market research on food production and logistics, highlighting specific business models within each that were market viable in Chicago. After reviewing the market research and workplace conditions of the two industries, advisors then decided on prepared meal production.

Once they had a business model, they recruited members, primarily through relationships their advisors had already formed. Five formerly incarcerated individuals showed up at the first meeting and have been with the co-op continually since. They are the founding members of ChiFresh Kitchen. Since coming on board, they have become the decision-makers for the ownership and governance structure, business model, location and more, with the support of a cooperative-focused consulting agency, Upside Down Consulting.

7 Further information on the Good Food Purchasing Program may be found at <https://goodfoodpurchasing.org/program-overview/> accessed on 8/26/2020.

8 See <https://www.goodfoodla.org/good-food-purchasing-policy>, accessed on 8/26/2020.

9 See <https://www1.nyc.gov/site/foodpolicy/governance-initiatives/good-food-purchasing.page#:~:text=The%20Good%20Food%20Purchasing%20Program,%2C%20animal%20welfare%2C%20and%20nutrition.,> accessed on 8/26/2020.

10 See <https://goodfoodcities.org/portfolio/chicago/> accessed on 8/26/2020.

11 Supra at footnote 5.



"It has been a life-changing event," Worker-Owner Kimberly Britt told Fifty By Fifty this summer. "I was told I would not have opportunities upon release. But now I'm a business owner."
Photo: Kai Brown, courtesy ChiFresh Kitchen

These member-leaders of ChiFresh moved during this early phase to gather best practices from cooperative exemplars. They wanted not merely to copy or to implement them. Their intent was to adapt them into vehicles for ensuring future successful co-ops—with similar goals—could be built on what ChiFresh would learn. They did this in five major ways.

First, they cultivated industry partnerships. Learning from the approach of Arizmendi Cooperatives in the Bay Area, which used the successful business model of the Cheese Board to spur independently-gov-

erned cooperatives, ChiFresh developed a partnership with an existing company in their industry to support startup operations. Like with Arizmendi, although ChiFresh Kitchen is completely governed by its (local) members, it has benefitted from the shared intellectual property and advice of its sister business, City Fresh Foods. In addition to the policies mentioned earlier, this intellectual property includes numerous recipes and techniques for food preparation that City Fresh developed and turned into successfully selling products.

Second, ChiFresh members have consciously

chosen to work with Upside Down Consulting, the organization that supported the development process, as ongoing management consultants. Through their relationships and research, Upside Down Consulting learned that many cooperative developers unwittingly become entrepreneurs. Some co-ops post job descriptions and go through an extensive recruitment process, only to have the board come back and recommend that the original developer serve as the manager. Upside Down is deliberately stepping into the role of management consultants (pro-bono) for an indefinite period of time, bringing their entrepreneurial experience and cooperative knowledge to the business.

Third, ChiFresh has modeled itself as an “Anchor Institution 2.0.” ChiFresh has pulled lessons and inspiration from the “anchor institution” approach used by the Evergreen Cooperatives in Cleveland.¹² Put simply, they are using a business model that primarily contracts with large, local institutions with significant purchasing power. However, unlike the Evergreen Cooperatives, which focused primarily on hospitals and some universities as its primary anchors, ChiFresh has contacted an expanded list of anchors, including the YMCA, city and county government agencies, Meals on Wheels, and more.

Fourth, ChiFresh has strongly prioritized plans that incur only relatively modest startup costs. Many high-profile worker cooperative development projects, to date, have involved multi-million dollar startup costs—much of which is usually provided by foundations—making them difficult to replicate. The budget for ChiFresh Kitchen’s startup was \$150,000, at least half of which (like vehicle and equipment loans) could be financed at reasonable interest rates.

Finally, ChiFresh has incorporated pro-bono work from exterior organizations into its planning. ChiFresh has leveraged the local cooperative, food and small business ecosystem by partnering with

academic institutions and nonprofits that can provide the cooperative valuable services. Students under the supervision of Professor Renee Hatcher at John Marshall Law School are providing ChiFresh with free legal advice. Students in the Solidarity Economy class taught by Professor Stacey Sutton at the University of Illinois at Chicago are conducting an anchor institution study. The Chicago Food Action and Policy Council is connecting ChiFresh with potential clients who have committed to better food purchasing practices. Lastly, the Co-op Ed Center and Cooperation for Liberation have offered to provide members free cooperative training.

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The COVID-19 pandemic has exacerbated the longstanding problems that marginalized, low-income communities have faced for generations.

Scale and replication

ChiFresh is designed to scale and to be replicated. The founders chose a more than \$900 billion industry (food service contracting), due to its modest startup costs and incredible market potential.¹³ To accelerate the startup, they created a partnership with an existing company in their industry—City Fresh Foods. Through this partnership, they obtained access to recipes, menus, financial models, safety procedures, nutrition compliance policies and, as a result, they were prepared to contract with institutional vendors on day one. City Fresh Foods has \$10 million in revenue, more than 120 employees, and is the sole contractor for the YMCA in Boston, which was one of ChiFresh’s early target clients in Chicago. With their support, ChiFresh plans to reach City Fresh’s capacity and number of employees within five years.

¹² For an explanation of Evergreen’s anchor institution approach, see Yates, Jacquelyn. “The Evergreen Cooperative Initiative Can “Anchor Institutions” Help Revitalize Declining Neighborhoods.” 23rd Annual Ohio Employee Ownership Conference. Ohio Employee Ownership Center, Kent State University. P. 44-47. 2009. Accessed on 9/2/2020 at <https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/article-yates09.pdf>.

¹³ “Food Service Industry: Market Segments”. Economic Research Service, United States Department of Agriculture. June 4, 2020. Accessed on 9/22/2020 at <https://www.ers.usda.gov/topics/food-markets-prices/food-service-industry/market-segments>.



< ChiFresh Kitchen is partnering with Urban Growers Collective to meet emergency food needs caused by COVID-19. Here, ChiFresh Management Consultant Camille Kerr joins worker-owners to deliver freshly cooked meals to families experiencing food insecurity. Photo: Kai Brown, courtesy ChiFresh Kitchen >

ChiFresh members are leveraging other key partnerships as well. They work closely with the Chicago Food Policy Action Council to become the go-to prepared meal vendor for anchor institutions implementing good food purchasing policies. As an increasing number of institutions become aware of the importance of supporting local, sustainable food systems, they intend to partner with other local vendors to shift purchasing from giants like Aramark and Sodexo, offering an alternative that creates quality local jobs and sources food locally.



The choice of industry to operate within also promotes replicability. Food service is a viable and thriving industry in every urban area across the U.S. Already, ChiFresh Kitchen is exploring whether its business model is a good fit for a community wealth-building initiative in Ohio. They have also been approached by cooperative developers in New York, Minnesota and California about how to replicate the ChiFresh model in those states. Over the next two years, they hope to at least have 2-3 replication projects in progress. Closer to the present, ChiFresh organizers are already supporting multiple local cooperative development projects with tools and advice on replicating their strategy. ChiFresh's work is inspiring others to embrace their bottom-up, member-centered, scale-oriented strategies.

ChiFresh Kitchen and the future

ChiFresh is a new venture. The advisors, developers and worker-owners have embarked on

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When properly resourced and supported, formerly incarcerated Black women have the experience, resilience and wisdom to build a better model for our economy.

a business journey during almost unprecedented circumstances, while a pandemic rages and mass economic hardship looms. Still, their careful planning, coupled with the significant early interest in spreading their model, speaks to the promising future of the venture.

These innovators saw numerous problems in the way that local food is sourced and in an economy that unjustly excludes people from earning enough to live the dignified lives they deserve. By honing their focus to make meaningful change for formerly incarcerated Black women, they pave a way to make the economy serve more than just the wealthy, predominately white individuals already benefiting economically from society as it is currently structured. They also open up opportunities for all of us. We all benefit when we remove the barriers that prevent people from stepping into their potential to embrace—and fully express—their whole selves. 🙌

Greg Irving is a Research Assistant at NCBA CLUSA. His work focuses on ways cooperatives can create an economy that works better for all of us.

Camille Kerr is working to build a democratic economy in service to U.S. social justice movements including organizations advancing Black liberation, immigrant rights, food justice and the U.S. labor movement. She specializes in cooperative startup development, managing complex worker-centered initiatives and supporting worker co-op conversions, as well as policy advocacy and drafting. She is Founder and Principal of Upside Down Consulting, and a member of NCBA CLUSA Council of Cooperative Economists.

Essential



There are an estimated 6.3 million rural households served by electric co-ops without access to broadband, a challenge cooperative communities are working to meet. Here, Prince George Electric Cooperative hangs fiber on existing poles in Virginia.
Photo: Prince George Electric Cooperative

Workers

From Wi-Fi hotspots to waived late fees, electric co-ops stepped up to support their communities during COVID-19

By Russell Tucker and Mike Sassman

Electric cooperatives, which provide service to much of rural America, quickly took action to support their communities that have been hit hard by COVID-19. At the height of the pandemic, supply chain disruptions impacted agriculture and manufacturing, while employment in the service sector declined due to stay-at-home orders. As furloughs and lay-offs mounted, many residential consumer-members struggled to pay their bills. Moreover, as schools shifted to distance learning, many students were on the wrong side of the digital divide, without access to the broadband communications required for remote learning.¹ >>

¹ This article is part of a continuing series about electric co-ops and their positive impacts. See "Electric Co-ops Powered America: What's the Next Energy Revolution?" Cooperative Business Journal, Fall 2017, "The Digital Divide: Electric Co-ops Can Provide Last-Mile Broadband to Rural America," Cooperative Business Journal, Fall 2018, and "Solar Revolution: Electric Co-op Technology Innovation Are Reinventing Rural America," Cooperative Business Journal, Fall 2019.

Concern for community

COVID-19 pandemic shutdowns were particularly hard for family-owned dairy farms. Their losses began early as schools and restaurants closed. Losses worsened when processors saw sales stall and inventories stack up, causing prices to collapse. Electric distribution co-ops in Wisconsin had already cancelled their annual meetings due to social distancing concerns, so funds that would've otherwise been spent on the meetings were repurposed to support their communities.

A coupon program was developed to provide co-op members with a free gallon of milk at the outlets of a participating statewide retailer. This helped families stretch their grocery dollars while the total impact of purchasing 120,000 gallons of milk helped draw down some of the surplus, providing market support to dairy farmers as well. In addition, Dairyland Power Cooperative, the electric generation and transmission cooperative in Wisconsin, provided 2,500 gallons of milk to food pantries in their service area to help expand the milk giveaway promotion.²

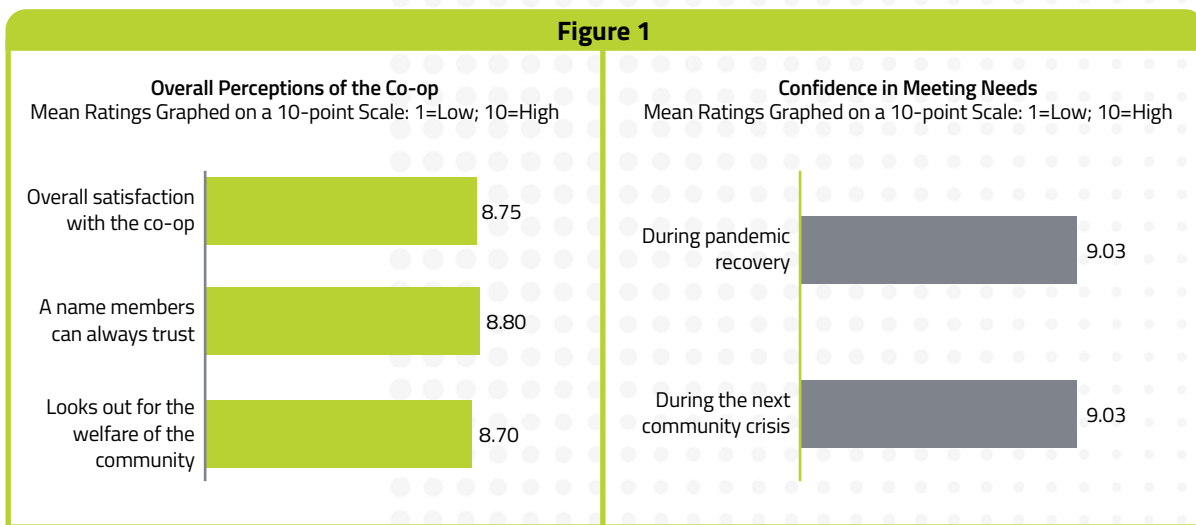
In eastern Oregon, the pandemic caused more harm to an already weak timber industry. Regional manufacturing was also adversely impacted as supply chain delays and social distancing requirements in

the workplace reduced production. Electric sales to local industries fell 20 percent, an indicator of a sharply declining economy. At Oregon Trail Electric Cooperative (OTEC), there were 10 times the normal rate of overdue payments as members struggled to pay their bills. Like most co-ops, eastern Oregon-based OTEC suspended service disconnections and late fees during the pandemic.³

At Roanoke Electric Cooperative in Aulander, North Carolina, the unemployment rate increased as service sector jobs were lost in restaurants, barbershops and salons. In May, the co-op reported that unpaid electric bills increased 50 percent in one month's time. The co-op, which serves one of the poorest areas in the nation, waived the penalties and late fees that it normally charges. The co-op's board of directors also voted to retire about three times the amount of capital credits it normally would, providing \$1.5 million in refunds to members to help them pay their bills. "It's important that the co-op play a major role in trying to help them get through this," said Curtis Wynn, Roanoke's president and CEO.⁴

Consumer-members give high marks to their electric co-ops

In September, NRECA and Touchstone Energy®



Consumer-members trust their electric co-ops and are confident they are prepared to handle a crisis.

2 Derrill Holly, "First Person: Members Will Remember That Their Electric Co-ops Stepped Up," NRECA, June 4, 2020.

3 Erin Kelly, "Co-op Voices, Part 2: The Expanding Financial Toll of the COVID-19 Pandemic," NRECA, June 1, 2020.

4 Erin Kelly, "Co-op Voices: The Expanding Financial Toll of the COVID-19 Pandemic," NRECA, May 18, 2020.

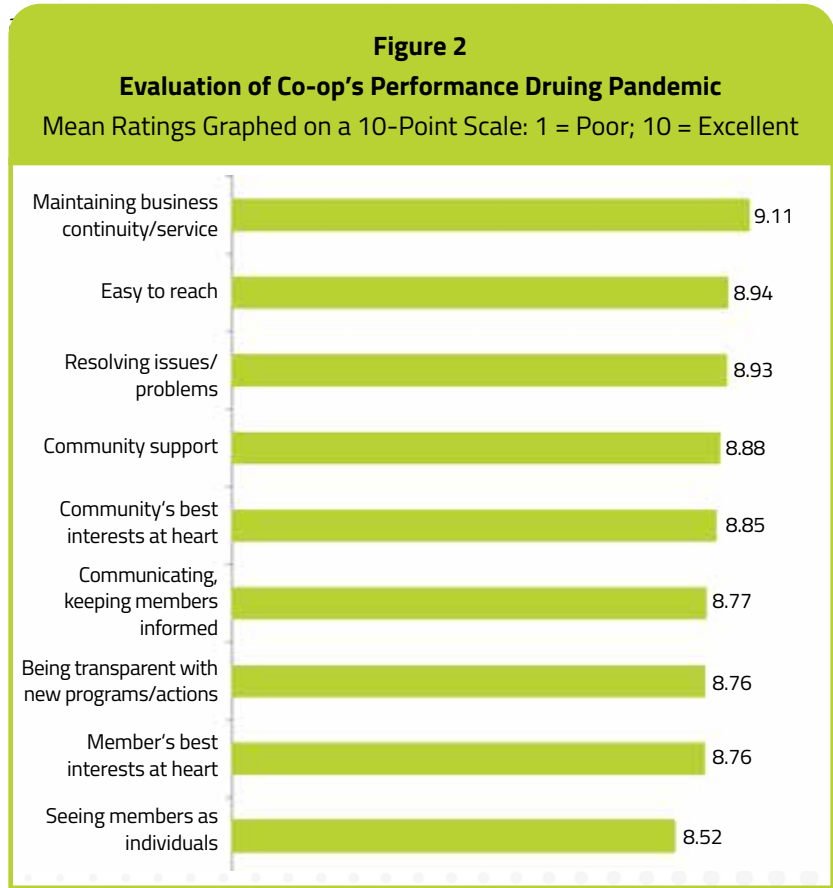


Cows from Strassburg Creek Dairy, in the service territory of Central Wisconsin Electric Cooperative, are readied for milking. Photo: Bert Lehman/Central Wisconsin Electric Cooperative

Cooperatives released the “National Co-op Member COVID-19 Response Study.”^{5,6} NRECA Market Research Services surveyed more than 7,000 consumer-members from 20 electric co-ops across 10 regions in June and July—after these areas began to lift lockdown restrictions.⁷ The study sought to measure how member-consumers viewed their co-op’s performance during the height of the pandemic and their awareness of actions taken by their cooperative.

Consumer-members were asked about their overall perceptions of their electric co-op. There was overall satisfaction and agreement among members that their co-op’s name is a name that members can always trust (see Figure 1).⁸ Members also responded favorably to the statement that their co-op “looks out for the welfare of the community.” Moreover, members indicated strong confidence that their co-op would meet their needs during the pandemic recovery and during the next community crisis. Members know that their electric co-op is ready to manage its operations through a crisis, whether a storm-related outage or a pandemic-driven shutdown of the community.

Members were also asked to evaluate nine performance quality attributes, keeping in mind the recent events related to the COVID-19 pandemic. All of the attributes received ratings well above 8 on



Consumer-members rate electric co-op’s performance during the height of the pandemic.

the excellent range. Co-op business continuity practices likely led to a member perception of “business as usual” during the pandemic, as electric co-ops

5 “National Co-op Member COVID-19 Response Study,” NRECA and Touchstone Energy, NRECA Market Research Services, August 2020.

6 Touchstone Energy® Cooperatives is a national network of electric cooperatives across 46 states that provides resources and leverages partnerships to help member cooperatives and their employees better engage and serve their members.

7 Email invitations were sent to a random sample of 31,745 members of 20 geographically representative electric co-ops. There were 7,128 surveys completed, resulting in an overall response rate of 23%.

8 Based on a 10-point scale, a mean score of 9 or above is considered “excellent” and a mean score between 8 and 8.9 is considered “good.” Scores below 8 may be cause for concern and those below 7.5 indicate a need for improvement.

did what their members expected of them. One attribute that consistently rated lowest is “seeing members as an individual rather than just a number.” While overall the rating is good, this area provides the greatest opportunity for improvement.

Electric co-ops took numerous actions to assist their members at the height of the pandemic. The survey identified 12 actions taken among the co-

ops, such as closing lobbies to the public, suspending service disconnections, and waiving late payment fees (see Table 1). Each of the 20 co-ops took at least four of the actions. On average, each co-op took seven actions.

While about six in 10 members said they knew of at least one of these actions, other efforts went largely unnoticed (see Table 1). Despite high overall approval ratings for their electric co-ops, responses indicate that members were not aware of all of the actions their co-op was taking to mitigate the strain of the pandemic.

Members received pandemic-related information from co-ops mostly via email, but other popular communications methods included print publications and bill messages and inserts. Going forward, constant communication through all possible channels is key to improving awareness of co-op actions.

Underscoring the inequity of the digital divide

The COVID-19 pandemic and resulting realignment of work, school and medical care to remote access has amplified the inequity of the digital divide in today’s society.⁹ Countless rural communities served by electric cooperatives remain on the unserved side of the digital divide. There are an estimated 6.3 million rural households served by electric co-ops without access to broadband. This is a hurdle that many cooperative communities are working

to overcome. More than 150 electric cooperatives provide fixed broadband service today, deploying fiber-based, fixed wireless, or hybrid fiber and fixed wireless networks.

Free Wi-Fi for students

As schools shut down to lessen the spread of COVID-19, many adopted virtual, long-distance learning as a substitute for in-classroom instruction. Students residing in areas without broadband access were disadvantaged and at risk of falling behind.

To counter this threat, many electric co-ops with retail broadband enterprises are keeping their members safely connected with free Wi-Fi hotspots in the parking lots of schools, churches and restaurants. Students can connect to do schoolwork from the safety of their own vehicles as parents surf the web to meet their own needs. For example, Barry Electric Cooperative in Missouri set up free Wi-Fi at three high school parking lots that comes with parental control software to provide added safety for kids. The co-op’s broadband subsidiary, goBEC Fiber Network, is also working with low-income referrals from a local community agency that received federal CARES Act funds for broadband.¹⁰ The co-op plans to provide internet service at a discounted rate to help make the funds go further.¹¹

Other electric co-ops are helping turn school buses idled by the pandemic into smart buses equipped with Wi-Fi hotspots. OzarksGo, a subsidiary of Ozarks Electric Cooperative in Fayetteville, Ark., worked closely with local school districts to create free Wi-Fi hotspots on school buses. Initially, buses were equipped with Wi-Fi technology by a school district for cellular internet connections and parked in areas convenient to families. However, this proved too expensive and slow for multiple users. The co-op stepped in to provide a superior solution through its fiber broadband network. The hotspots



Barry Electric Cooperative installed free Wi-Fi hotspots at three high school parking lots. The co-op’s broadband subsidiary is also working with a local community agency to provide discounted internet rates to low-income families. Photo: Barry Electric Cooperative

9 Comments of the National Rural Electric Cooperative Association, Inquiry Concerning Deployment of Advanced Telecommunications Capability to All Americans In a Reasonable and Timely Fashion, Federal Communications Commission, GN Docket No. 20-269, September 18, 2020.

10 The Coronavirus Aid, Relief, and Economic Security (CARES) Act.

11 Cathy Cash, “Back to (Virtual) School: Co-op Broadband Helps Keep Students Connected,” NRECA, September 21, 2020.

Table 1
Awareness of Actions Taken by Electric Co-ops During the Height of the Pandemic

Action	# of co-ops	% Aware
Closed or modified lobby availability to the public	20	35%
Cancelled Annual Meeting or other regularly scheduled meeting	7	34%
Early return of capital credits	5	34%
Suspended disconnects for non-payment	19	30%
Postponed/changed date/time format of annual meeting or other regularly scheduled meeting	11	27%
Waived late payment fees	17	26%
Offered new payment programs/flexibility	17	23%
Introduced new options for service, payment or communication	12	18%
Community support/philanthropy	13	17%
Provided support to local businesses, schools or first responders	10	16%
Provided grants/loans to assist small business or charitable organizations	5	10%
Installed free WiFi hotspots	1	8%

were connected to OzarksGo’s fiber optic network, with high-performance internet connections.¹²

Overcoming the digital divide

Many electric cooperatives across the country are examining broadband investment and partnerships in their communities. They are building broadband communication networks, a focus seemingly beyond their traditional service offerings. These networks enhance electric grid operations and member services, and bring much needed, high-performance broadband access to their communities.

Building broadband is highly capital intensive and costly because of the low household geographic density of areas served by electric co-ops—eight member consumers per mile of line on average. In many cases, financial assistance is needed to help buy down the investment cost of expanding broadband to rural communities. Grants and loans from the U.S. Department of Agriculture and from individual state programs are an important source of capital.

In 2018, for the first time, electric co-ops were

allowed to compete in a Federal Communications Commission (FCC) auction for funds to expand rural broadband to unserved areas. Thirty-two electric co-ops won \$255 million over 10 years to build broadband to 86,716 locations in 15 states.¹³

This October, the FCC will hold another auction to bring broadband service to more than 6 million unserved homes and businesses in rural areas. A total of \$16 billion will be awarded to support development over 10 years. To date, 190 electric cooperatives have signaled their intent to participate in the auction. With success, this could double the number of electric co-ops providing rural broadband to overcome the digital divide. 🌱

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12 Cathy Cash, “A Blessing: Co-ops Deliver Free Public Wi-Fi Hotspots During COVID-19,” NRECA, April 21, 2020.

13 Comments of the National Rural Electric Cooperative Association.



Driving Change



By Capital Impact Partners

“We are basically 100,000+ drivers around the city. How we can use that power, and how we can better our lot is important, because—to be honest—we have been taking a beating these last five years,” said Martin, an Uber driver for the past eight years, at a recent meeting of the Independent Drivers Guild (IDG). This union affiliate was launched by the Machinists Union (IAMAW District 15), a leading advocate for for-hire drivers in New York City for 20 years. Soon after the launch of Uber in New York City, the union began to recognize the negative impact that “gig-economy,” app-driven car services were having on wages and working conditions. >>

“If we can bargain to lower costs, it means more money stays in our pockets and more money for our families,” IDG member Martin said at a recent meeting. Photo: Capital Impact Partners

Immigrant entrepreneurs put the brakes on a predatory system

“When Uber came to New York City in 2011, it completely disrupted the industry,” IDG’s Education Director Erik Forman recalls. “Black car driving went from being a luxury, like transporting someone from the airport to an urban villa, to competing directly with the taxi sector.”

The number of black car drivers (e.g., limousines and town cars) in New York City exploded to 107,000. Companies like Uber marketed themselves as providing lucrative, fun and flexible part-time jobs that could pay \$5,000 a month. In the face of scarce alternatives, app-based, black car driving was an attractive option for workers—including immigrants, people of color and those without college degrees.

However, the app-based driving companies had a secret: although a driver may be able to gross \$5,000 per month, they were also responsible for covering their own expenses like insurance, fuel and vehicle repairs, which could total \$3,000. Further compounding this is the fact that app-based companies cut driver pay and left often-indebted drivers without a way to pay their bills.

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The Independent Drivers Guild now represents more than 85,000 for-hire vehicle drivers in New York City, 90 percent of whom are immigrant workers.

“The story that Uber told was a fairytale,” Forman said. “We had to address multiple pain points that these drivers were experiencing.”

In 2016, the union created the International Drivers Guild as a way to represent the rights of app-based drivers. The guild now represents more than 85,000 for-hire vehicle drivers in New York City, 90 percent of whom are immigrant workers.

“I’ve been an Uber driver for more than three years. I started out as a college student trying to make extra money on the side,” said Jackie, an IDG member.

“What we are fighting for is better benefits, pay and security on the job.”

IDG turned to its own members for ideas to help app-based, black car drivers. Since drivers are the focus of IDG’s efforts, Forman and his team have taken their ideas, found resources and made them a reality. IDG has implemented a range of strategies to help improve its drivers’ lives.

Leading the way to improved driver pay

The Independent Drivers Guild attacked this problem on two fronts. In 2016, IDG became the first union to negotiate a contract with an app-based company. IDG also launched a campaign to establish base pay for drivers in the city. After IDG mobilized supporters to petition City Hall and organized a caravan across the Brooklyn Bridge, New York City passed an ordinance guaranteeing a minimum wage for IDG’s members in February 2019.

“It was a tremendous victory, but we’re always looking forward,” Foreman said. “Now the app-based companies are trying to find ways around the regulations, so we’re trying to strengthen enforcement.”

Putting the brakes on a predatory system

The pay battle was only the first leg of a longer journey. There are a number of additional pain points to address: exorbitant rates charged by lenders and insurance companies, repair shops that gouge drivers and other expenses. The group is also working to be a leader in setting environmental standards for their vehicles.

IDG is working to build a brighter future for its members and transform the sector, improving working conditions while becoming more environmentally friendly. But addressing so many issues simultaneously has proven expensive. The need to cut costs yet boost driver pay inspired a new idea: working with IDG members to form a cooperative.

Cooperatives are a unique, democratic business model in which the employees—or members—share an economic stake in and control of the business and are often guided by a concern for the common welfare. Their ability to mobilize their combined resources can be a real force for positive change.



With their jobs threatened by the rise of app-based driver companies like Uber and Lyft, IDG members banded together to improve their lives and the lives of fellow drivers. Photo: Capital Impact Partners

With this vision in mind, IDG turned to Capital Impact Partners and applied for its annual Co-op Innovation Award.

Launched in 2015, the grant program was created as a way to invest in and support new or existing cooperatives that create economic opportunity for those who have long faced structural racism and disinvestment—especially communities of color and women. Grantees have leveraged their combined \$300,000 in awards to secure more than \$2.9 million in additional funding from foundations, investors and government programs.

“We had been exploring a way to use education to build the status of workers,” Forman said. “It fit really well with Capital Impact’s mission, and we

applied for and received a grant in 2019 to help fund that initiative.”

The Co-op Innovation Award provided \$25,000 to help the IDG members launch a purchasing cooperative as a means to make bulk purchases for key services as a way to get lower pricing from suppliers. For example, it is cheaper to buy 100 cars as a group than individually. By combining their needs, drivers can reduce expenses including dash cameras, car washes, fuel, oil changes and car repairs.

The purchasing cooperative will be the first step to build the organizational capacity and mass membership necessary to organize additional co-ops that require larger amounts of capital, including insurance, electric vehicles and an actual rideshare

app that could compete in the NYC market. This project will be transformative for drivers, can be replicated in other cities and holds potential to break new ground for co-op development and the labor movement in the gig economy.

IDG driver Martin explained the importance of this effort: “This is really a minimum wage job, and the aim is really that if we can bargain to lower costs it means more money that stays in our pocket and more money for our families.”

And the innovation didn't stop there. Another key concern for drivers is access to affordable, culturally appropriate “meals-on-the-go” to fit their busy lifestyle. To meet that demand, the IDG is also organizing a separate worker cooperative called the Drivers Cooperative Cafe. This new venture will further help to employ workers who are often only able to find low-wage jobs in the restaurant industry.

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“What we are fighting for is better benefits, pay and security on the job.”
– Jackie, Member, Independent Drivers Guild

The Workers Lab joined with Capital Impact in 2019 to help expand the reach of the award to focus on key issues such as workers' rights and asset creation for immigrant workers. In addition to IDG, the two other winners of the 2019 award included Centro de Trabajadores Unidos: United Workers' Center and CLEAN Carwash.

“Both Capital Impact and the Workers Lab see real promise in the 2019 grantees as grassroots organizations that have adapted the co-op model to solve structural problems in their communities,” said Alison Powers, Cooperative & Community Initiatives Manager at Capital Impact. “In the worker co-op sector, 70 percent of members are people of color and women. They are leading the charge and demonstrating how co-ops can create equi-



table opportunities for those who face barriers to success in today's economy.”

Navigating a new vision

Independent Drivers Guild used the Capital Impact Award to hire an expert from Yale to analyze the cost structure of the for-hire driving industry. IDG has also built teams that include an instructor, a research fellow and a driver cooperative advisory council comprised of 24 elected drivers. Each team is tasked with evaluating an element of the industry, such as driving apps, vehicle purchases, insurance and service stations.

The collected knowledge of these teams will be compiled in a report on the best strategy for



IDG Education Director Erik Forman (center) and driver Jackie (right, red shirt) at a recent session to brainstorm innovative solutions to the challenges drivers face. Photo: Capital Impact Partners

intervention. IDG has begun identifying discounts, establishing strategic partnerships and obtaining third-party financing as possible solutions.

“Our drivers are already economic experts in this industry,” Forman said. “It’s a great opportunity to put them to work and transform the political economy.”

This was a point reinforced by Martin.

“All of the assets of this industry are actually owned by us. Uber owns none of it. Our vision is

to take our fate into our own hands... and give the good customer service we are already giving.” 🚗

Through capital and commitment Capital Impact Partners helps people build communities of opportunity that break barriers to success. A nonprofit Community Development Financial Institution (CDFI), Capital Impact has a 35-year history delivering strategic financing, social innovation programs, and capacity building that creates social change and delivers financial impact nationwide.



NCBA
CLUSA