



California Worker Cooperatives



{ Project **Equity** }



A NOTE FROM THE AUTHORS

This paper has been a labor of love. We appreciate the opportunity to share our passion for cooperatives and the positive impact that they are making — and can make — throughout California. Our desire is that the information and perspectives shared here will inspire you to participate in and support cooperatives, both personally and professionally, and to advocate for coops as a way to address the social and economic challenges facing our state.

To our knowledge, the information about worker, housing and childcare cooperatives presented here has not been previously compiled in one publication. Our goal is to present the worker, housing and childcare sectors in the context of the cooperative movement, and to provide easy-to-use information about each cooperative sector. To this end, the report includes landscape and strategy analyses, brief historical backgrounds and recommendations, as well as data, stories, and coop profiles that together demonstrate the impact of cooperatives. Also included are relevant legal statutes; the location and names of California cooperatives in each sector; and references to additional information. To help those who want to take a deeper dive into cooperatives, we compiled annotated bibliographies for each sector, which are included in the appendices of the separated, sector-specific versions of the report.

Thank you to all who contributed to this paper and to everyone who works toward building and strengthening the legacy of our vibrant coop community in California.

Hilary Abell, Kim Coontz and Ricardo Nuñez

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for supporting and funding this publication from the initial concept
through to completion. Your partnership has been invaluable!

This report is the outcome of a team effort. The primary authors each took responsibility for specific sections, but collaborated on overview sections and provided edits and feedback to one another. Coordination assistance from Annie Palacios and Franzi Charen, and editorial discussions with Karen Kahn were invaluable.

The following pages are part of a larger report called *California Cooperatives: Today's Landscape of Worker, Housing and Childcare Cooperatives*. The entire report is the outcome of a team effort. The primary authors each took responsibility for specific sections, but collaborated on overview sections and provided edits and feedback to one another. Coordination assistance from Annie Palacios and Franzi Charen, and editorial discussions with Karen Kahn were invaluable.

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ABSTRACT:

Income and wealth inequality in the United States have reached extremes that are incompatible with a society founded on principles of equality and democracy. The recession brought on by COVID-19 has exacerbated trends that were already accelerating around the country, particularly following the Great Recession just over a decade ago. California has the unfortunate distinction of being one of the country's ten most unequal states in terms of income (Barrington, 2020). Black and Latino workers are faring worse than others in our state and nationwide (Bohn et al., 2021). And while small businesses are proven job creators, they are at great risk of closure due to the dual effects of pandemic-induced shutdowns and the “pre-existing condition” of an aging population of business owners on the cusp of retirement.

Worker cooperatives and other forms of broad-based employee ownership can play a significant role in reversing these trends. Their benefits in terms of job quality, wealth-building opportunities, and civic participation are proven, but awareness of them is extremely low.

Here we describe the current landscape of worker cooperatives in California and the ecosystem of actors and programs that support them. We also recommend strategies to increase the use of worker ownership as a succession strategy for owners of small- and medium-size businesses, to foster economic development, and to reduce income and wealth inequality.

INTRODUCTION:

A MOMENT OF CRISIS AND OPPORTUNITY FOR CALIFORNIA'S WORKERS AND SMALL BUSINESSES

Unprecedented Times: A Pandemic, a Small Business Crisis, and Crumbling Democratic Institutions

COVID-19 has starkly illuminated several issues plaguing California and its workers: income and wealth inequality, entrenched and systemic racial disparities, and downward economic mobility. These were grave concerns prior to the pandemic, but 2020 pushed many businesses, workers, and families to the brink of despair. Low-paid essential workers, the backbone of our economy, have been the hardest hit. Increasingly, experts warn of a K-shaped economic recovery, which could exacerbate pre-pandemic income and wealth inequalities and doom lower-paid workers—most often people of color—to a lifetime of economic insecurity.

Small businesses and workers already faced another crisis: a “Silver Tsunami” of business closures as baby boomers—who own half of job-creating small businesses in the United

States and are turning 75 at a rate of 10,000 per day—retire. Boomers own approximately 359,000 businesses in California, which employ 3.9 million people (based on data from 2017; Project Equity, 2021). With 85% of business owners lacking succession plans, many of these companies will close altogether or sell to non-local buyers who are likely to relocate or cut jobs. In fact, they already are. Business closure stories are increasingly common due to the twin crises of the Silver Tsunami and COVID-19.



Boomers own approximately 359,000 businesses in California, which employ 3.9 million people.”

More recently, a third crisis has come to the fore: the erosion of democratic traditions and institutions during the Trump presidency, culminating in the attacks on the capitol on January 6, 2021. Coupled with the pandemic, job loss, business closures, and other challenges, this civic crisis leaves many Californians feeling powerless and estranged from the decisions that shape their lives.

A Low-Wage Future Will Increase Instability

The state’s economic projections suggest that low-paid jobs will dominate in the decade ahead. According to recent data from California’s Economic Development Department, eight of the ten occupations with the most job openings pay a median income of less than \$30,000 a year (EDD, 2021).

Too many Californians are already stuck in low-wage jobs. More than one-third of the state’s labor force consists of essential workers whose low-paying jobs expose them to high-risk environments and leave one in three Californians living in or near poverty (Bohn et al., 2021; Mattingly et al., 2019). Countless workers are not equipped to weather the economic fallout of COVID-19. Their lives, families, and futures hang in the balance.

This convergence of economic, health, and civic crises is hurting families all across California. The situation demands swift and effective solutions, with a foundational focus on quality jobs that provide workers with stability and respect, voice and agency in their work, and opportunities to build long-term financial security. We must simultaneously save and improve existing jobs and create new jobs that enable workers to build real economic stability, ideally with a greater voice and even an ownership stake in the companies where they work.

Worker Cooperatives Offer a Time-Tested Solution

In this context, worker cooperatives and other forms of employee ownership offer proven benefits in terms of job quality, wealth-building opportunities, and civic participation. These benefits, as well as evidence that employee ownership improves business productivity and resiliency, are prompting grantmakers, local legislators, and investors across California to seriously consider this approach to economic security.

The following sections make that case. We describe the worker cooperative model, its history in the United States and in California, and the landscape of worker cooperatives in our state today, including the increasingly sophisticated and diverse ecosystem of actors that can support their growth. Expanding the presence and impact of worker cooperatives across the state will require critical investments in cooperative development and government engagement (see “Summary of Recommendations”).

SECTION 1:

WHAT ARE WORKER COOPERATIVES?

Definitions & History

Worker cooperatives are businesses that are owned and controlled by the people who work there. They are one model for broad-based employee ownership (see “Three Employee Ownership Structures,” p. 5) and a suitable option for small and large businesses alike. In a worker cooperative, the worker-owners (also known as “members”) share profits and democratically govern the business on the basis of one vote per member; by contrast, at traditional companies, financial shareholders (mostly not employees) have control based on one vote per share.

A cooperative’s worker-owners may collectively manage day-to-day operations, or the business may have a traditional management structure led by a CEO or General Manager. A worker-owner essentially wears two hats — their “worker” or “employee” hat and their “owner” hat — donning the worker hat for their “day job” and the owner hat when exercising ownership rights such as electing or serving on the board of directors.



“Just knowing that this is our company makes my personal investment a lot stronger.” Laura Parkes, worker-owner at Cal Solar

Summary of Recommendations to Accelerate Growth of Worker Cooperatives

1. **Raise awareness of worker coops and other forms of broad-based employee ownership among business owners, government agencies, and the business service provider community.** Prioritize outreach campaigns to retiring business owners and education for professional service providers and nonprofit and government-funded agencies that provide technical assistance to small businesses.
2. **Prioritize scalable and/or strategic coop development.** Build coop development capacity and Invest in high-impact models such as: transitions of successful businesses in low- and middle-wage industries; high- and medium-touch coop development approaches that have proven economic impact for low-wage workers and workers of color; strategies that leverage industry expertise for replication; and innovative scale-oriented approaches.
3. **Engage state and local governments through programs and policies to accelerate expansion of worker cooperatives.** Activate local governments, Small Business Development Centers and Workforce Development Boards to promote business retention through employee ownership; unlock capital by encouraging lenders to use proven underwriting techniques that do not require individual guarantees.

Three Employee Ownership Structures

Stock options are the most common way that people who work in a business participate as co-owners, but stock options are usually reserved only for management. In contrast, broad-based employee ownership gives all employees who meet basic criteria the opportunity to become owners. Commonly called “worker ownership” or “employee ownership,”* broad-based employee ownership takes three primary forms:

- **Worker cooperatives** are democratically governed and wholly controlled by the worker-owners, who elect and serve on the board of directors and share in the profits of the business.
- **Employee Stock Ownership Plans (ESOPs)** are federally regulated retirement plans that take the form of a trust that owns all or part of a company on behalf of its employees. ESOPs are the most common form of broad-based employee ownership in the United States, and their benefits in terms of business success and employee wealth-building are well documented.
- **Employee Ownership Trusts (EOTs)** are a more flexible form of broad-based employee ownership in which a trust holds shares in a company on behalf of its employees. Like ESOPs, EOTs can be adapted to incorporate democratic principles and profit sharing. This model is well established in the United Kingdom and newer to the United States.

What distinguishes worker cooperatives from ESOPs and EOTs is democratic governance. ESOPs and EOTs are not required to involve employee-owners in governance but have the flexibility to do so. In promoting broad-based employee ownership, advocates are increasingly including this full spectrum of models to ensure that any interested business can find a fit and to broaden the appeal for policymakers and stakeholders who can help the worker cooperative sector grow.

*California code [91502.1](#) defines “employee ownership” as inclusive of majority ESOPs and worker-owned cooperatives.

Worker Cooperative Legal Structures

Under California law, worker cooperatives may be organized as cooperative corporations, limited liability companies (LLCs) structured according to cooperative principles, or, less frequently, as S- or C-corporations.

In 2015, the California legislature passed Assembly Bill (AB) 816, explicitly defining worker cooperatives in state law for the first time. Prior to this, many worker cooperatives organized as cooperative corporations under the state’s consumer cooperative statute. AB 816 amended that statute to distinguish the unique attributes of worker cooperatives and create access to more patient forms of community capital.

AB 816 defines a worker cooperative as “a corporation ... that includes a class of worker-members who are natural persons whose patronage consists of labor contributed to or other work performed for the corporation.” Another requirement of the statute (California Corporations Code § 12253.5) is that “at least 51% of the workers shall be worker-members or candidates.” Now that state law explicitly defines a worker cooperative corporation, and coop advocates have created model bylaws based on this statute, forming a worker coop is relatively straightforward. Still, coops formed as LLCs remain common in California and elsewhere, but the state does not allow them to use the word “cooperative” in their legal name.

Worker Cooperatives in Action: Common Features and Practices

Like other cooperative enterprises, worker coops are guided by the seven international cooperative principles articulated by the ICA (for a full description of the principles, see Chapter 1, Introduction, page 14). Here are a few ways worker cooperatives put these principles into practice.

Voluntary and open membership

(Coop Principle #1): Like all cooperatives, worker coops are committed to non-discrimination in their membership and hiring practices. In fact, many are at the leading edge of inclusive work environments. For example, Anti-Opression Resource and Training Alliance (AORTA), a worker coop, created a [hiring guide](#) to ensure both the absence of discrimination and awareness of implicit bias and power dynamics in hiring processes, and to provide guidance on engaging workers in selecting their future peers.



Worker coops are committed to non-discrimination in their membership and hiring practices.”

Processes for bringing on new members: Workers typically enter a worker cooperative as an employee and a “candidate” for membership.¹ Each coop decides the length and requirements of candidacy and whether membership is mandatory or optional for workers who qualify. Most candidacy periods are between six months and two years. When members join a cooperative, they usually make a modest initial capital contribution, sometimes called a “buy-in” or worker-owner share, which can be paid over time (including through payroll deduction) and is returned when they leave. Membership requirements may be as simple as being a good worker and initiating the buy-in payments or as robust as passing rigorous performance reviews, being approved for membership by other worker-owners, and demonstrating knowledge of members’ roles and responsibilities.

Democratic governance (Coop Principle #2): Worker cooperatives are democratically controlled by their members (worker-owners), who elect and serve on the board of directors. Some worker coops use representative models, in which worker-owners elect a board at an

¹ Key terms related to worker cooperative membership in California are described in [ARTICLE 2. General Provisions and Definitions § 12238](#).

annual members' assembly, and others govern collectively with all members on the board. Though collectives tend to be smaller enterprises, examples of larger collectives in California include Arizmendi Bakeries and Rainbow Grocery.

In representative models, the board provides strategic guidance and oversight of management and finances but stays out of operational decision making. Foundational decisions such as bylaw amendments are voted on by all members. The board may include "outside" directors who bring needed expertise as long as worker-members constitute the majority. Alvarado Street Bakery is an example of a large California worker cooperative with representative democracy.

Because of anti-democratic trends and events we are experiencing as a nation, worker coop members and the general public have become increasingly aware that democracy must be constantly reinvigorated. This is an important contribution that worker cooperatives make to society: deeply embedding and practicing democracy in the very place where most people spend the most time—at work. As we discuss in more detail below, democratic governance fosters better working conditions and promotes civic engagement as worker-owners learn together and make decisions about what is best for them, their fellow workers, and their communities.

Participatory management: While democratic control is a defining feature of governance in a worker cooperative, a coop's management practices need not be democratic in the literal sense of the term (for example, decided by majority vote). Worker coops can, and often do, have hierarchical management structures, with senior leadership always accountable to the board. In addition, worker coop managers nearly always cultivate and rely on a high degree of employee and member engagement. Thus, worker coops incorporate innovative and participatory management approaches in both more conventional and flatter organizational structures.

How money flows through a worker cooperative² (Coop Principle 3): Each worker-owner buys a membership share (see "buy-in" below), which entitles them to share in the coop's net income or surplus. After each profitable year, a coop invests some of its surplus in retained earnings and allocates the rest to individual worker-owners on the basis of "patronage," which is typically measured by work performed or hours worked. Some of the patronage then stays in the members' internal capital accounts, which are itemized on the company's balance sheet, and the rest (at least 20% by law) is paid out in cash to the members. The wealth that the business generates is thereby directed to those who create it through their labor. In the minority of worker coops that have outside investors, their financial returns are limited to the IRS' cap of 8% or less (To learn more about patronage, see "Wealth Building in Worker Cooperatives," p. 8).

² [Cooperative Equity and Ownership: An Introduction](#) provides an in-depth primer on equity in cooperatives of all types, and, on page 30, discusses worker cooperatives specifically.

Education, training, and information sharing (Coop Principle 4): Many worker cooperatives put substantial resources (both time and money) toward onboarding and continuously training workers, incorporating transparency practices like open-book management and participatory planning, and building skills for healthy communication and conflict resolution.

HISTORY OF WORKER COOPERATIVES

Worker cooperatives are both innovative and time-tested. As a strategy for economic development in the United States, the model is new. But as a way of doing business, worker cooperatives have stood the test of time and have deep historical roots in California, the United States, and many other countries.

The Cooperative Movement is Inspired by International Examples

Societies throughout history and around the globe have practiced cooperative economics, but worker cooperatives, as we know them today, trace their origins to the early 19th century when workers struggled for self-determination in the face of rapid industrialization. The international cooperative principles that define modern cooperatives were famously articulated by the “Rochdale Pioneers” in England in 1844 and reiterated by an international alliance of cooperatives formed 50 years later.³

Around the globe, worker cooperatives have found their greatest inspiration in the Mondragon cooperatives (see “The Mondragon Cooperative Corporation,” p. 10), which began in 1956 in the Basque region of Spain as a response to economic devastation following the Spanish Civil War. Today, the Mondragon Cooperative Corporation encompasses 96 worker cooperatives under its umbrella, and employs tens of thousands of people.

The aftermath of World War II also saw robust growth of a diversified and dense worker cooperative sector in the Emilia Romagna region of Northern Italy. Today, Emilia Romagna is one of the wealthiest regions per capita—and one of the most equitable—in Europe.

³ The International Cooperative Alliance (ICA) was formed in 1895. The International Organisation of Cooperatives in Industry and Services (known by its acronym CICOPA) is the branch of the ICA that promotes worker and producer cooperatives, as well as the newer “social cooperatives.” CICOPA was founded in 1947 and connects individuals and organizations in the U.S. worker coop community to worker cooperatives internationally.

Wealth building in worker cooperatives

Successful worker coops support wealth building in many ways, the most unique of which is member profit sharing, known as patronage. Together, the following attributes create a strong foundation for member economic security:

- 1. Quality jobs.** While income is distinct from wealth, high-quality jobs provide a foundation for saving and planning for the future, the first steps of wealth building. Jobs in worker coops tend to offer better compensation, job security, and quality of life, because worker-owners have a say in workplace policies and governance, and the business exists to serve its members.
- 2. Patronage distributions.** In profitable years, members receive cash distributions of all or a portion of their patronage (allocation of profits based on members’ contributions to the business, such as hours worked). The coop’s bylaws or board will determine how much patronage is kept in the business for working capital or reserve fund purposes, and how much is paid out immediately or at a planned point down the road. By law, at least 20% must be paid out in the year that patronage is declared.

Italy inspires the U.S. worker cooperative movement because of its rich ecosystem of support for worker cooperatives: government policies and programs as well as cooperative federations that promote replication, growth, and scaling of cooperatives, even while many individual worker coops remain small.

Worker cooperatives have deep roots in the United States and California

The first cooperatives in the United States were farmer and consumer cooperatives, including a mutual fire insurance company founded by Benjamin Franklin in 1752 (Pitman, 2018). Worker cooperatives emerged in the 1860s as a response to the crisis of industrialization. The Knights of Labor formed some 200 industrial worker cooperatives in the latter part of the 19th century and, together with rural farmers, attempted to form a national cooperative (Ness, 2012).

Around this time, some of the earliest California worker cooperatives (at least 15 of them) were formed in San Francisco, most of them founded by workers at risk of losing their jobs when the Transcontinental Railroad was completed. Most were industrial cooperatives, at least two were women's cooperatives, and newly arriving Chinese workers also formed cooperative businesses during this time (Curl, 2018). One of today's leading 100% employee-owned companies, San Francisco-based Recology (an ESOP today), has its early roots among 19th-century Italian immigrants who formed recycling (or "scavenger") cooperatives, one of which eventually merged into what is now Recology.

Historian Ira Cross wrote in 1905: "In no place is the cooperative movement so strong or so successful as in California" (Curl, 2018). During the next major crisis, the Great Depression, another wave of cooperative organizing took hold, and grassroots cooperatives (essentially worker coops based on barter) emerged across California, with hotspots in Compton and Oakland. Inspired by these Depression-era self-help work organizations, Upton Sinclair integrated cooperative organizing into his 1934 campaign for the governorship as part of his End Poverty In California (EPIC) platform. As the Democratic Party's gubernatorial nominee, Sinclair won 38% of the vote.

Wealth building, continued

3. Retained patronage. Each coop member has an internal capital account (ICA) under their name, which is documented on the coop's balance sheet. Their initial buy-in seeds the account, and in profitable years, the share of that member's patronage that is not paid out in cash adds to the balance in their ICA. While it belongs to individual members, this retained patronage is a key way that members help capitalize the operations and financial foundation of their business. It is also an important tool for members' individual financial planning and asset building. Retained patronage is itself an asset, and it can become a liquid asset when paid out at a later date (many coops use a three year "revolving fund" approach) or when the member leaves the cooperative.

4. Financial services. Many worker coops provide no-interest loans to support members in emergency situations and help them avoid predatory lending. Linking members to financial services via credit union partnerships, financial coaching, first time homebuyer programs or other services is also increasingly common among worker coops.

Now is a Moment of Opportunity

In the modern era, three waves of cooperative development occurred during the 1970s, the 1990s, and the 2010s. Each wave addressed specific community needs. For example, many of the '70s-era coops led the movement to get healthy and natural food into consumers' hands, and the 1990s saw coops grow among immigrant workers seeking better jobs and working conditions.

Today's momentum has many sources: the search for solutions to the growing wealth and income gaps that are undermining civic cohesion, interest among retiring business owners seeking an exit strategy that will preserve their legacy, and millennials' search for agency and meaning at work. Numerous worker coop advocates and practitioners have expanded their organizations and programs in recent years, helping significantly to build this momentum. As a result, worker cooperatives are capturing the imagination of a wide array of stakeholders, including foundations, local governments, state legislators, social justice movements, entrepreneurs, small business service providers, among others.



The broader zeitgeist is also creating a moment of opportunity for worker cooperatives. From the Great Recession of 2008–09 and COVID-19–related economic trauma, which created mass disillusionment with “business as usual,” to the Black Lives Matter movement, which features cooperative economics in its racial justice vision, interest in more equitable economic models is on the rise and, hopefully, here to stay.

The Mondragon Cooperative Corporation

The Mondragon Cooperative Corporation employs more than 81,000 workers, is the leading business group in Spain's Basque region where it is headquartered, and has operations around the globe. This cooperative conglomerate includes nearly 100 individual cooperatives and four business lines: finance, manufacturing, retail, and knowledge (research & development, with a total of 14 R&D centers). The first Mondragon cooperatives were founded by graduates of a technical school started by Father Jose Maria Arizmendiarieta in the 1940s in the aftermath of the Spanish Civil War. Today, Mondragon is the tenth largest industrial group in Spain and exports to 150 countries.

Mondragon is widely known as the world's largest network of worker cooperatives. Cooperators from across the globe visit Mondragon every year to learn about coops, innovation, and social entrepreneurship. Thanks to Mondragon, the Basque region in Spain ranks with Northern Italy, France, and Quebec as having the world's densest concentrations of worker cooperatives.

One particularly telling descriptor of Mondragon's success is that it is widely considered “recession proof.” During the Great Recession, Mondragon workers across the board took average pay cuts of 5%, with management getting the deepest cuts, in order to avoid layoffs. The few workers who were laid off were hired at other Mondragon companies or granted early retirement or generous severance packages, resulting in virtually no unemployment among Mondragon workers (Tremlett, 2013; Goodman, 2020). Recently, the *New York Times* reported that Mondragon has excelled in avoiding layoffs during the COVID-19 pandemic as well.

SECTION 2:

WHAT IS THE LANDSCAPE OF WORKER COOPS IN CALIFORNIA? A Snapshot

California is a leader in the national worker cooperative movement, with an estimated 100 active worker cooperatives today. While 100 coops represent a small percentage of the businesses in our vast state, they constitute around 20% of the nation's total known worker cooperatives. These coops coexist alongside an estimated 800 California-based companies with Employee Stock Ownership Plans (ESOPs), another form of broad-based employee ownership, and hundreds of consumer, housing, agricultural, childcare, financial (i.e., credit unions), and multi-stakeholder cooperatives.

The following landscape analysis is freshly informed by a survey of California worker coops that Project Equity conducted in fall 2020. Respondents represented about one third of the state's worker coops across a variety of industries. They provided valuable insights about the benefits and challenges facing worker coops today.

Mondragon, continued

Inspired by Mondragon and by their own cultures of solidarity, many U.S. worker cooperatives have a similar practice of prioritizing employee retention during hard times. This is markedly different from conventionally owned firms.

As the *New York Times* explained, many large businesses have spent years distributing earnings in the form of shareholder dividends and buy-backs of their own shares to lift stock prices. When the COVID-19 pandemic hit, many companies had insufficient reserves, "prompting managers to furlough and fire workers to cut costs. Cooperatives have been expressly created to prevent such outcomes. They typically require managers to plow the bulk of their profits back into the company to prevent layoffs in times of duress" (Goodman, 2020).

More than 1,500 Californians are Employed by Worker Cooperatives

An estimated 1,530 workers gain their livelihoods today from California worker cooperatives. While the average size of a worker coop in the United States is 10-11 employees, we estimate the average number of employees in California worker coops to be 15.8 and, when looking only at cooperatives in operation for five or more years, it rose to 21.6.⁴ The vast majority of these jobs are full-time.

The uptick in mature businesses transitioning to worker cooperatives is likely driving an increase in the number of mid-sized worker coops and the average number of employees. In our sample, the average number of employees in transitioned businesses was 18, compared to eight for businesses that started as cooperatives.

The majority of workers in worker cooperatives across the United States are women and people of color. The U.S. Federation of Worker Cooperatives' 2019 Worker Cooperative Economic Census found the following demographic breakdowns among worker coop employees:

- **Gender:** 62% female, 36% male, 2% nonbinary
- **Race and ethnicity:** 41% white, 38% Latinx, 13% Black, 6% other

⁴ Rainbow Grocery, with 225 employees, is an outlier, so we did the calculation without Rainbow, and estimated the average number of employees in California worker cooperatives to be 13.7. When excluding both Rainbow and coops that launched within the last five years, the average was 16.3. These numbers will rise with the growth of the state's staffing cooperatives, which employ larger numbers of workers, often in part-time or transitional jobs.

While no such analysis has been done for California alone, leaders in the worker coop community similarly report a racially diverse workforce. This is an important area for future research and for strategic emphasis, given that many worker coop proponents and their allies bring an equity lens and racial justice imperative to the work.

California Worker Coops are Concentrated in the Bay Area

A large majority of California's worker cooperatives (78 of 100 in our count) are in the San Francisco Bay area (see "A Quarter Century of Cooperative Growth in the San Francisco Bay Area," p. 33), but a growing number exist across the state, as far north as Arcata and as far south as La Jolla.

- **Ten worker coops are in Southern California**, and the iconic Los Angeles company Proof Bakery completed its transition to a worker cooperative in 2021. With the City of Long Beach and the City and County of Los Angeles all backing employee ownership education and outreach efforts, the number of worker coops in Southern California will likely double in the next few years.

- **In the Sierra foothills**, Grass Valley-based California Solar Electric (Cal Solar) became a worker cooperative after 19 years in business (see Profile, p. 51). Cal Solar is one of eight worker coops headquartered or employing people in rural areas throughout California.



We expect further growth of cooperatives outside of the Bay Area through initiatives like that of Humboldt County's North Coast Small Business Development Center (SBDC). One of the pioneering SBDCs demonstrating how to implement the Main Street Employee Ownership Act of 2018⁵ on a local level, North Coast SBDC has been promoting employee ownership and coop transitions for the past two years.

⁵ The Main Street Employee Ownership Act, signed into law in August 2018, requires the U.S. Small Business Administration and Small Business Development Centers to increase lending to employee-owned companies and promote succession planning, including employee ownership. See [this article](#) for more information.

Worker Cooperatives Are More Than Workplaces

In our Fall 2020 survey of California's worker cooperatives, we heard about the special character of cooperatives, and why so many worker-owners are deeply committed to their success.

- The General Manager of Restif Cleaning, a coop with 25 worker-owners and more than 30 employees in a rural area, aptly describes the culture of worker cooperatives: "The camaraderie and sense of accomplishment that come from [working together in this way] cannot be gained from most corporate institutions."
- A member of Root Volume, a landscaping cooperative associated with the Arizmendi Association, illustrates how worker coops adapt to crises: "Our ability to be flexible, to accommodate the needs of every individual worker-owner, was a huge asset" when the business had to close for two months during the pandemic (a PPP loan helped them get back to work). She added, "We have endured some insane challenges also with regard to fire season and the air quality. But we are a community first and then a business. And that mindset makes work a safe space that can be trusted and relied on."
- A co-owner of Pangea Legal Services, with 15 full-time worker-owners in San Francisco, describes the long-term viability of worker cooperatives more broadly in his industry-specific comment: "I'm a believer in the cooperative model for legal service providers ... because it creates a more positive, healthy, sustainable work environment. This allows us to focus on our clients and their problems, rather than on our office politics and internal power struggles. This increases our ... productivity in the long term, because it allows us to continue doing the work"

Worker Cooperatives Can Thrive in Almost Any Industry

California's worker cooperatives span many industries. The following non-exhaustive list of these industries includes examples of worker coops operating in each of them (a full list of California worker coops begins on p. 62):

- **Cleaning services** (TeamWorks, Yolo Eco-Clean, Restif Cleaning, Emma's Eco-Clean)
- **Construction** (Davis Home Pros, Arizmendi Construction)
- **Education services** (Uptima Business Bootcamp, Maybeck High School)
- **Farming and food distribution** (Flying V Farm, FEED Sonoma)
- **Grocery stores** (Mandela Grocery Cooperative, Rainbow Grocery)
- **Health care services** (NursesCan Cooperative, Sarana Community Acupuncture)
- **Landscaping services** (Root Volume, Rhizome Urban Gardens)
- **Manufacturing** (Adams & Chittenden Scientific Glass, Alvarado Street Bakery)
- **Pet care services** (SCRUF Pet Care Collective, Dog Social Club)
- **Professional services** (Pangea Legal Services, Rockman et al)
- **Restaurants, limited-service** (Arizmendi bakeries, A Slice of New York, Niles Pie Company)
- **Solar energy** (California Solar Electric, Namasté Solar)
- **Staffing** (AlliedUP, Turning Basin Labs)

AlliedUP: A New Union-Coop Aiming to Change the Labor Market in Allied Health

AlliedUP Cooperative Inc. is a specialized allied healthcare* coop owned by its member workers. AlliedUP launched in January 2021 under the leadership of CEO Carey Carpineta, a recognized leader and innovator. As a unionized, worker-owned staffing company, the coop aims to create a transformational new work model and support the community, rich in diversity, by:

- **Fostering workplace equity** through AlliedUP's core values of mutual respect, mentorship, union-scale wages, portable benefits, retirement plans, and delivering a share of the profits to worker-owners.
- **Empowering workers**, as owners of the company, to actively play a role in building a better business model that delivers improved healthcare outcomes, while prioritizing the needs and voices of worker-owners.
- **Removing economic and social barriers** and creating educational pathways for low-wage workers, who are primarily people of color.

AlliedUP grew from the desire of a large California union, SEIU-UHW, to radically re-envision healthcare staffing to create better outcomes for workers, patients, and communities, building on the union's education and training programs for both members and non-members. Even before the dangerous working conditions and injustices of the COVID-19 pandemic, SEIU-UHW's 100,000 members faced many challenges: growing workforce shortages, stunted career pathways, and the industry's over-reliance on contingent workers who lack benefits and contracting out what would otherwise be union jobs. AlliedUP, whose workers are members of SEIU-UHW, addresses these challenges head-on and demonstrates a better model for the staffing industry.

*Within California's \$367.5 billion healthcare industry, allied health includes technicians, therapists and assistants who often provide services through staffing agencies or on a contract basis.

Support organizations

California is home to many local, statewide, and national organizations advocating for and supporting worker cooperatives. Section 5 provides an in-depth look at multiple facets of the ecosystem and how they are, or could be, instrumental in fostering worker coops around the state. Among the organizations that play leadership roles in the statewide ecosystem are:

- **California Center for Cooperative Development (CCCD):** With headquarters in Davis, CCCD advances cooperative development through education, training, and technical assistance in multiple sectors, spanning worker, farmer, consumer, and housing cooperatives. CCCD is a certified technical assistance provider for ROC USA and an active member of CooperationWorks!
- **Democracy at Work Institute (DAWI):** Headquartered in Oakland, DAWI is a national organization dedicated to building the field of worker cooperative development through research, education, resources, and relationships. DAWI is associated with the **U.S. Federation of Worker Cooperatives**, which actively supports its members and advocacy efforts in California.
- **Project Equity:** With its primary office in Oakland and staff around the country (including a small team in Los Angeles), Project Equity focuses on raising awareness of employee ownership and driving transitions

of successful companies to employee ownership in order to sustain and foster high quality jobs, workers' voice and agency, professional development, and community wealth building.



Evan Edwards of Project Equity (pictured left) at an employee ownership event in Long Beach

- **Sustainable Economies Law Center (SELC):** Oakland-based SELC provides legal education and support to cooperatives, grassroots groups, and social enterprises, and has helped develop innovative cooperative enterprises such as farmland trusts, multi-stakeholder real estate cooperatives, and solar cooperatives. SELC helps shape policy and supports movements to advance more equitable and democratic economies.

SECTION 3:

WHAT ARE THE BENEFITS OF WORKER COOPERATIVES?

Their Impacts on Workers, Businesses & Communities

A growing body of data and dozens of case studies demonstrate that worker cooperatives provide quality jobs, stable employment, and other benefits for workers, while also creating strong businesses and communities. Much of this evidence is summarized in *The Case for Employee Ownership: Why philanthropy and government should invest in this powerful business model* (Abell, 2020).⁶ We describe these benefits and provide supporting data below, along with real-world examples from California worker cooperatives.

Worker Coops Provide a Wide Range of Benefits for Workers

Worker cooperatives provide high-quality stable jobs, greater control over working conditions, and wealth-building opportunities for workers and their families. The shared risks and rewards of cooperatives reduce barriers to business ownership, making membership in a worker cooperative appealing to workers who might not have the resources to start a business on their own. With home ownership increasingly out of reach for working- and middle-class Californians (see Chapter 3, “Housing Cooperatives”), business ownership has become an important means of developing assets.

Following are seven distinct ways that worker cooperatives provide quality jobs and enhance the economic security of their workers (for specific examples, see “California Worker Cooperatives Provide Quality Jobs”, p.18).

1. Above market pay and benefits

A 2017 study by the University of Wisconsin and the Democracy at Work Institute found that workers report earning an average of \$2 more per hour in their worker cooperatives than at their previous jobs. In addition, three quarters of respondents reported that benefits at their current job met their family’s needs as well (25%) or better (50%) than the benefits at their previous job (Schlachter, 2017).

In Project Equity’s fall 2020 survey of California worker coops, 65% of the established businesses (those operating for more than five years) indicated that the incomes of the workers in their cooperatives had increased, either through profit sharing or better wages (40% strongly agreed and 25% agreed). All but one of the remaining respondents neither agreed nor disagreed. Additionally, 40% reported having a better benefits package than other companies in their industries.

⁶ Readers can find primary sources from dozens of studies on broad-based employee ownership, including both worker cooperatives and ESOPs, in Project Equity’s recent white paper, *The Case for Employee Ownership* (Abell, 2020). Many of the original studies cited there can be found in the Curriculum Library for Employee Ownership at Rutgers University. ESOPs are more widely studied than worker coops in the United States, but there is a growing body of data and case studies that documents the benefits of worker coops (see our annotated list of case studies). Notably, a 2017 national study by the University of Wisconsin’s Laura Hanson Schlachter and the Democracy at Work Institute provided an unprecedented level of data on worker cooperatives in the United States. More than 1,100 employees and worker-owners participated, representing 82 firms spanning 14 industries.

2. Greater control over schedules and working conditions

Worker cooperatives create humane, family-friendly workplaces and prioritize employees' preferences in scheduling. This helps workers maximize earning by scheduling work hours to reduce childcare costs, for example. Coops also give workers more advance notice of their work schedules, countering the trends of last-minute "on-demand" scheduling among corporate employers (McCarty Carino, 2019). These benefits are highly prized among worker coop members.

3. Wealth building through patronage

While worker-owners' membership shares do not appreciate (but rather retain their original value), they entitle each co-owner to patronage (a share of net profits) as well as voting rights. The amount of patronage varies considerably but can be significant.

In its "2019 State of the Sector" report, the Democracy at Work Institute and U.S. Federation of Worker Cooperatives found that "worker co-ops that distribute surplus as patronage to members distribute ... an average distribution of \$8,241 to each worker owner" (Palmer, 2020). Another survey with more than 1,000 individual respondents found that the majority of worker-owners felt confident that they could find \$2,000 within 30 days if needed in an emergency (Schlachter, 2017)—a dramatic contrast to the fact that, during the same time period, more than 40% of U.S. adults surveyed did not have the cash (or its equivalent) to cover a \$400 emergency expense (Federal Reserve, 2020).



*Worker-owners at
The Local Butcher Shop in Berkeley*

Patronage is the main way that worker coops build wealth for their members, but providing quality jobs and financial services to members is also part of wealth building (see "Wealth Building in Worker Cooperatives," p. 8).

4. Skill building and professional development

In Project Equity's 2020 survey, 84% of respondents agreed that "workers have opportunities to increase their skills, take on new leadership roles, or be promoted within our worker cooperative." As TeamWorks founder David Smathers Moore explains, "Coops provide for human development and better relationships within companies. This happens within traditional companies, but it can be a more central value in coops: career advancement, personal and professional development, genuinely positive relationships, and a culture that supports that" (Abell, 2014).

The diverse skill sets developed through worker ownership encompass business, communication, finance, decision-making, and other professional and life skills, and are transferable to other work settings, personal situations, and community leadership roles.



Saul Rockman, founder of Rockman et al, with new worker-owners

5. Well-being and psychological safety

Worker ownership creates a more supportive environment for workers, eases stress, and directly or indirectly supports workers' and families' well-being. A comment voiced by a worker-owner during discussions at the 2018 Worker Cooperative National Conference expresses this sentiment: "I finally feel I can be myself at work, and that is worth a lot."

6. A voice in key decisions

Another worker-owner shared that "I have a voice at work and can influence the direction of

the company." Worker coops can be structured in many different ways, with more or fewer decisions made by the full membership, by the board or by management, and with varying degrees of worker participation. What is universal is that decision-making roles are clearly defined, and members have control over the highest decision-making body and the most foundational decisions.

7. Dignity

In addition to enhancing income, assets, skills, and participation through their democratic structures and cultures, worker cooperatives uphold the basic dignity of every worker, a benefit that cannot be overstated. As Molly Hemstreet, co-founder of Opportunity Threads cooperative and The Industrial Commons in North Carolina puts it: "Coops are not a panacea; they're not necessarily for everybody. But for the people involved, [the experience] lights a fire under them. There's no going back. There's something intangible, and also deeply moving. I'd call it 'human dignity'" (Abell, 2014).



Walter Vicente, worker-owner at Opportunity Threads Cooperative in North Carolina

California Worker Cooperatives Provide Quality Jobs

Real examples from cooperative businesses throughout California show how workers are thriving even in low-wage industries—restaurants and cafes, food manufacturing, and commercial and home cleaning. These worker coops make a difference for Californians every day by providing quality jobs with dignity and real wealth-building opportunities.

Above market pay and benefits

- **Restif Cleaning**, based outside Eureka, provides a wide range of janitorial, house cleaning, window and carpet cleaning, and related services. It has been a cooperative since the original owner sold it to the employees in 1990, seven years after launching the company. Restif reports that its janitors' total compensation is greater than unionized janitors working for the county where the company is based, and about twice the going rate for contract employees doing similar work in its area (Renfer, 2019).
- **For more than 40 years, Alvarado Street Bakery** has been creating sustainable livelihoods for its workers and selling organic breads and other baked goods. The Petaluma-based company, which now distributes its goods nationally, has a robust compensation package, including full health coverage, quarterly bonuses, and a 401(k) plan to which the business contributes \$5,000 per person per year without requiring an employee match.



Clementina Parramo, founding member of Emma's Eco-Clean, a worker coop founded in 1998 in Redwood City

- **In worker-owned green housecleaning businesses formed by the nonprofit Women's Action to Gain Economic Security (WAGES)** in the late 1990s and 2000s, worker-owners increased their household incomes by 40–80%, had health insurance for the first time, and accumulated thousands of dollars in savings in the “internal capital accounts” that they held in their businesses (Abell, 2014). The oldest of these cooperatives, Emma's Eco-Clean, based in Redwood City, has been going strong for more than 20 years and has 27 co-owners today.

Greater control over schedules and working conditions

- **Natural Home Cleaning and Home Green Home**, two Bay Area cleaning coops founded in the 2000s, required a minimum commitment of available hours, but let workers choose their daily start and end times within those parameters. Yolo Eco-Clean Cooperative in Davis (see profile, p. 52) has a similar practice.



Worker-owners at Mandela Grocery Cooperative in Oakland

- During the COVID-19 pandemic, Yolo Eco-Clean workers had the option not to work if they felt at risk, and they all participated in developing protocols for maintaining the safety of workers and clients. In another example of worker agency, this coop “fired” a client whose guns and drugs made workers uncomfortable in the home.



*Team of worker-owners at
A Slice of New York*

- A Slice of New York, a pair of South Bay pizza shops that transitioned to a single worker coop in 2017, prides itself on supporting its employees’ family and artistic priorities and adjusts work schedules accordingly.

Wealth building through patronage

- Two Bay Area companies that transitioned to worker cooperatives in 2017 are demonstrating the asset-building effects of worker ownership in a low-wage industry: food service. In 2019, the now worker-owned Niles Pie Company distributed the equivalent of an

additional \$4.50 per hour worked in cash patronage to worker-owners. Within the first year following their conversion to a worker coop, A Slice of New York raised wages and distributed more than \$300,000 of 2018 profits to its 35 employees. Profit sharing (patronage) was almost as much the following year and has continued (albeit at a lower level) even during the pandemic.

Skill building and professional development

- In the Arizmendi Association of Cooperatives, member candidates rotate through each committee as part of their training and orientation to the cooperative. This includes training in reading financial statements, setting policies, business and employment law, and more.
- TeamWorks Cleaning Cooperative took extraordinary steps during the COVID-19 pandemic to find a silver lining through skills development and community building when the business was closed for nearly three months. Coop members educated themselves and their clients about COVID-19 and participated in an intensive paid online learning program that continued even after they returned to work under strict safety protocols. Building on the coop’s longstanding commitment to member capacity building, an outside trainer initially taught computer literacy and online meeting skills, then trained coop members to lead workshops on topics ranging from stress management to personal finances.

Well-being and psychological safety

- A worker-owner at Niles Pie Company expresses coop psychological and cultural advantages this way: “I really like the people we serve and the team I work with. No one hates each other! ... We don’t bring negative energy to our workplace, which is really great. And we keep looking forward. Everyone is on the same page. I think that’s hard to find these days in many jobs.”
- One iconic worker coop in Berkeley, The Cheese Board Collective, owns land with a cabin that members can use for free getaways, demonstrating the coop’s commitment to worker well-being.

A voice in key decisions

- **The Arizmendi Association of Cooperatives** illustrates how worker-owners drive big strategic decisions. The association's board, made up of worker-owners from each member cooperative, must approve the development of new cooperatives, ensuring that new coops don't compete directly for the same customers as existing coops.



Worker-owners of the Arizmendi Association of Cooperatives

- **Hasta Muerte coffee shop in Oakland's Fruitvale neighborhood** provides an example of how coops prioritized workers and community during the COVID-19 pandemic. When shelter-in-place orders hit, the members decided to pause business operations to allow workers to focus on caring for their families and communities. The coop successfully applied for first round PPP funding and, later, a small grant from the city. Unlike some companies that received such funding and still laid off workers, Hasta Muerte re-opened in July 2020 with all the worker-owners who wanted to return. Two decided to continue to focus on their families but have the option of returning at a later date.

- **A Slice of New York** provides another example of essential workers deciding together how to navigate the pandemic. Workers proposed significant shifts in operations, such as suspending their signature "pizza-by-the-slice" and selling frozen whole pies for the first time, changes that were key to the company's survival. Later, in August 2020 and again in August 2021, the board (made up of worker-owners) decided to close their two pizza shops for a week and provide the entire staff with additional paid vacation. While this was expensive, it supported the resiliency of both the workers and the company they co-own.

Benefits for Businesses

Giving workers an ownership stake and an authentic voice in the workplace also promotes business success. Since the 1980s, dozens of studies of ESOP companies have demonstrated a link between employee ownership and business productivity, growth and longevity.⁸ In the past decade, studies of worker cooperatives have begun to emerge with similar data (e.g., Schlachter, 2017), along with ample anecdotal evidence of better business performance.

⁸ Many such studies are cited within a succinct summary in *The Case for Employee Ownership* (Abell, 2020), and source documents and in-depth discussions can be found in the Curriculum Library for Employee Ownership (cleo.rutgers.edu) and the National Center for Employee Ownership's website (nceo.org).

Enhanced Growth and Productivity

In Project Equity's 2020 California worker coop survey, more than 60% of respondents (and 70% of established businesses) said that they either agree or strongly agree that "being a cooperative increases the productivity of their business." This subjective assessment is confirmed by two earlier findings about worker cooperative productivity:

- **The Democracy at Work Institute**, in its 2013 annual survey of worker cooperatives, found that worker cooperatives across all industries had an average profit margin that was almost 8.5% higher than the average for private firms (6.4% vs. 5.9%) (DAWI, 2015).
- **Plywood cooperatives in the Pacific Northwest** (more than 20 of them thrived from the 1930s to 1970s) were found, in the only sizable academic study of participation and productivity of U.S. worker cooperatives, to be 6 to 14% more efficient in their output compared to conventional mills (Craig & Pencavel, 1995).

Reduced Employee Turnover

Anecdotal evidence from many worker coops shows that coops have substantially lower employee turnover than their industry peers. One well-documented example is Cooperative Home Care Associates (CHCA), the largest worker cooperative in the United States. A 2018 report showed that, among its 2,000-plus employees, 65% of new hires at CHCA remained in their jobs after one year, as compared to 37% in comparable organizations (CHCA, 2018). Worker coops throughout California cite long employee tenure in high-turnover industries, including retail, cleaning services, and bakeries.



Worker coops throughout California cite long employee tenure in high-turnover industries."

Firm Survival

In addition to productivity and employee retention, business longevity is a hallmark of employee-owned and cooperative enterprises.

- **In 2019, a longevity analysis of U.S. worker coops** found that more than 25% are 6-10 years old, compared to 19% of all U.S. small businesses, and nearly 15% are more than 26 years old as compared to 12% of U.S. small businesses (Palmer, 2020).
- **A study of worker cooperatives in Uruguay** used a very large data sample and found that "worker cooperatives had a 29% lower rate of dissolution than conventional firms and that the higher survival rate is associated with greater employment stability" (Burdín, 2014).

Benefits for Society

Worker cooperatives also create a number of benefits for society as a whole, including better business practices, social innovation, community development, civic engagement, and greater equality across gender and race.

Better Business Practices and Innovation.

Coops can provide a corporate ideal to emulate, demonstrating to competitors and policymakers that “high-road” employment practices are both possible and profitable. CHCA, for example, has been a laboratory for its nonprofit partner, Paraprofessional Healthcare Institute (PHI), to develop and disseminate workplace policies and practices that create better jobs, leading to higher quality home care. PHI influences policy in the home healthcare industry across the country.

Several California cooperatives provide examples of innovative practices that benefit their industry, the larger community, and the planet. Alvarado Street Bakery, for example, has consistently, over decades, invested in new technology to simplify and improve production processes and enhance worker safety without displacing workers. Alvarado Street and Rainbow Grocery are both leaders in using renewable energy and providing access to organic food. And WAGES’ cleaning cooperatives worked with nontoxic products to protect their own health well before “green cleaning” was popular (nearly all cleaning coops today do the same). Finally, the Arizmendi Association’s “upside-down franchise” model is a compelling innovation that drives a growing family of businesses that offer quality employment for Bay Area communities (see Profile on p. 47).

Community Development

Many studies have documented an explicit connection between cooperatives and community development (Bendick & Egan, 1995; Gordon Nembhard, 2014; Zeuli & Radel, 2005; Erdal, 2012 *cited in* Novkovic & Gordon Nembhard, 2017⁹). In a 1995 paper, economists Marc Bendick and Mary Lou Egan looked at the contributions of 20 worker cooperatives and found that “worker ownership and participation enhanced cooperatives’ ability to generate quality employment for people in the community but outside the economic mainstream” (Tak, 2017, describing work of Bendick & Egan).¹⁰

Coop scholar Jessica Gordon Nembhard has written extensively on the social benefits of cooperatives, specifically for low-income communities and people of color. She highlights the ability of coops to help bridge the racial wealth gap and shows that cooperative businesses, coop housing, and credit unions can diversify assets and enhance family stability for low-income people and people of color.

⁹A study of three towns in the Emilia-Romagna region of Northern Italy generated compelling data showing a high correlation between employee ownership and other indicators of well-being. The town with the highest percentage of people employed in worker cooperatives scored higher in seventeen of nineteen indices measured, in five broad categories: health, education, crime, social participation, and perception of their social environment (Erdal, 2012, *cited in* Novkovic & Gordon Nembhard, 2017).

¹⁰The worker coops that Bendick and Egan studied also provided social services, either directly or through referrals, as many coops do. This is another way that coops contribute to worker well-being and community development.

California worker cooperatives and coop developers are active in community development. For example, the California Center for Cooperative Development (CCCD) helped launch cleaning, food service, and home care worker cooperatives to empower marginalized communities. CCCD has also supported the development of worker coop farms to maintain California's rich agricultural industry in the face of challenges such as land value inflation and an aging generation of farmers.



Will Scott, Jr. of African American Farmers of California speaks with Mandela Grocery's Andrea Talley

Mandela Grocery Cooperative (MGC) supports health and development in its Oakland community in numerous ways. Well beyond its day-to-day role of sourcing and selling healthy food in what was previously a food desert, MGC teaches nutrition classes in West Oakland, buys from Black farmers and other local businesses, and is supporting the launch of a new grocery cooperative in East Oakland (Dubb, 2019).

Civic Engagement

Because most people spend the majority of their time working, the practice of democracy in the workplace provides valuable training that workers

then bring to their communities. Blake Jones, co-founder and CEO of Namasté Solar, a large coop that operates in Colorado, California, and New York, stated "Cooperatives have the potential to be fantastic training grounds for great citizens" (Abell, 2014).

Though this issue has not been well studied, evidence suggests that workers in employee-owned companies are more civically engaged. In a large 2017 survey of worker cooperatives, respondents had higher rates of volunteerism than the general population, with 46% of worker-owners volunteering compared to 25–30% of the general population (Schlachter, 2017 and Schlachter, 2019).

Citing the plywood coops mentioned above and several others still thriving today, Gordon Nembhard argues that cooperatives enhance civic engagement through member leadership development and simply by setting, and living up to, the expectation of institutional transparency. When they experience open-book management and democratic governance in their cooperatives, members come to expect the same accountability in the public arena. Childspace, CHCA, and the Federation of Southern Cooperatives are examples of cooperatives whose members (primarily people of color) have been leaders not only in the coop movement but also in community programs and advocacy efforts (Gordon Nembhard, 2004).

Race and Gender Equity

Anecdotal and research-based evidence suggests that employee ownership can counter inequality across gender and racial lines. Cooperatives in the hospitality, house cleaning and home care industries, for example, have increased the power and financial stability of women, particularly women of color, in economic sectors where workers' rights are barely protected.

Being part of cooperatives has helped them gain autonomy and leadership in their workplaces, families, and communities.

Rainbow Grocery, with a diverse workforce throughout its 40 years, and Mandela Grocery Coop, whose worker-owners are almost all Black, are well-known examples of coops empowering women leaders and workers of under-represented races, ethnicities, and identities in another low-wage industry. Employee ownership transitions can also empower workers of color by transferring ownership from a white founder to a racially diverse workforce, as was the case with Niles Pie Company.

SECTION 4:

HOW DO WORKER COOPERATIVES GET CREATED?

Models and Pathways

Worker coops originate either as startups (new businesses) or through the conversion of existing businesses to worker cooperatives. Within these paradigms, the process may be driven by a group of workers, a business owner, or a cooperative developer. We discuss each of these pathways below.

Startups: Growing Worker Cooperatives from the Ground Up

Generally, new businesses launched as worker cooperatives follow one of two paths: a group of people decides to start a business together to meet a community need or develop a shared business vision; or a cooperative developer starts a business to meet a community need, such as quality jobs, usually in communities of color, rural areas, or other low-income communities. The latter is a community economic development strategy that is showing promise in terms of job creation and increased financial security for workers and families.

Worker-Initiated Startups

Many worker cooperatives are initiated by workers who have a shared desire to make the world a better place, whether through a business structure that promotes equality and self-determination, through the products or services they sell, or both. Often these cooperatives are small, focused on the needs of the workers and/or a shared social or environmental mission. California examples include Biofuel Oasis, Pedal Express, Tech Collective, Your SCRUF Pet Care Collective, Flying V Farm, and many others.

Spinoffs

A promising but rarely used worker-initiated strategy is to spin a new business off from a successful worker cooperative or another business. Oakland's Design Action Collective, for example, spun out of the design department of Inkworks, a successful worker coop that was struggling with massive changes in the printing sector. As one of Design Action's co-founders tells it:

The founding members' combined experience at Inkworks (over a decade) proved to be a key asset. We were able to draw on the wisdom of our mentors as we charted new paths.... In our spinoff, we were able to circumvent many unbillable hours that go into learning a trade, researching a business plan, developing policies and procedures that anticipate a broad range of scenarios, testing one's business instincts, and building a client base.

Though these coops often start small, some have grown into larger enterprises. California's two largest worker cooperatives were also worker-initiated: Rainbow Grocery grew out of the People's Food System of the 1970s, and now employs 225 people; Alvarado Street Bakery, with 83 employees today, initially grew by selling organic bread to food cooperatives.

A **worker-initiated cooperative** may engage a coop developer to provide training and technical assistance or its founders may participate in a "coop academy" or similar training program for startups. The developer acts as an outside consultant, taking direction from the worker leadership, or provides training and connections. This is a different—and less central—role than when a cooperative development organization leads the launch and early growth of a new business, as discussed below.

Startups Initiated by Coop Developers

This model has been the driver of many highly successful worker coops benefitting low-income workers. In this approach, the coop developer makes the investment and garners the expertise to start and grow the business, bringing in worker-owners and expanding leadership of the enterprise over time. The developer essentially plays the role of the entrepreneur: leading the startup, fulfilling key management roles over several years, training workers, and, sometimes, retaining substantial control and responsibility for outcomes until key sustainability milestones have been achieved. When cooperative developers lead an initiative, the goal is to achieve community economic development outcomes: to create quality jobs for low-wage workers, to build family and community assets, and to reduce poverty. Power dynamics between a coop developer and worker-owners can be complex and must be handled with great integrity and care.

The examples of many successful worker coops initiated by coop developers (see sidebar, p.26) illustrate the crucial skills, experience, and strategies needed to build cooperative businesses that create sustainable high-quality jobs and strengthen the economic well-being of workers, their families, and communities. These include:

- **Business expertise** (whether experience, natural instincts, or both)
- **Entrepreneurial leadership**, including the grit to get new businesses through the danger zone (50% of startups fail within 5 years) and the drive to grow them into profitable job-creating enterprises

This co-founder concludes that "based on our experience, existing cooperatives should consider the spinoff model as a means to grow the cooperative movement" (Nagara, 2009).

The founders of Oakland's Your SCRUF Pet Care Collective had worked together at a company where they felt undervalued. As their website states, "all three founding members of SCRUF were coworkers at a dog daycare in Oakland, and through that experience we recognized a need ... for sustainable jobs for pet care providers." While not a literal spinoff, SCRUF's example, like Design Action's, shows the benefits of industry experience and strong working relationships when workers start cooperatives on their own.



Two of SCRUF's founders with the author, Hilary Abell (pictured left)

- **A talent for training and coaching**, including helping workers build capacity to govern the business over time
- **A nuanced understanding of democratic governance** and participatory management and how to practice them in an operating business and in a coop
- **Access to patient growth capital**, whether grants, debt, or equity (often grant funding to sustain the developer's role is the most critical)
- **An industry- or sector-specific growth strategy**, or another way to reduce the learning curve and mitigate the challenges that new businesses face
- **Deep respect for workers** and ability to build and maintain trust amidst complex relationship, power, and business dynamics

Many aspiring coop developers, and those who support them, underestimate the effort, diverse skills, and resources needed to start and grow a profitable cooperative business. Some assume that a low-touch model—focused primarily on training in cooperative principles and methods and sometimes including business fundamentals—will be enough to get a business off the ground and prepared to grow into a coop that generates financial gains for its members. As with other community economic development efforts, greater investment in cooperative development would create deeper and longer-lasting impact for workers and community members.

In our fall 2020 survey of California worker cooperatives, 59% of respondents cited support from cooperative developers as crucial to their success.

Conversions: Giving Workers Ownership Over Already-Proven Businesses

Business startups are challenging for worker coops in the same way as they are for conventional businesses. Some never fully get off the ground, and many close within a few years. Among those that endure, many generate supplemental income for their owners, but those that create jobs, especially family-sustaining jobs,

Startups Initiated by Coop Developers: Examples from Around the U.S. and California

Developer-initiated worker cooperatives can generate strong economic development outcomes, as illustrated by the origin stories of many successful worker coops in low-wage industries. New York City's Community Service Society launched Cooperative Home Care Associates, today the largest worker coop in the United States with approximately 2,300 employees, most of them Latina and Black women. In Brooklyn, the Center for Family Life has started 15 successful coops with immigrant workers since 2006. And, in Western North Carolina, the Center for Participatory Change initiated Opportunity Threads, an exemplary worker coop of primarily immigrant workers that has led the formation of a textile industry revitalization effort known as the Carolina Textile District.

In California, the nonprofit coop developer WAGES started six worker coops with Mexican and Central American immigrant women between 1996 and 2010, generating critical lessons that have informed cooperative initiatives around the country. Three of these coops are still thriving today: Emma's Eco-Clean in Redwood City, now 21 years old with 27 worker-owners, Home Green Home Natural Cleaning in San Francisco, and Green and Clean Professional Housecleaning in Concord, both now 12 years old. WAGES' unpublished impact studies documented the profound effects of its high-touch development model in terms of job quality, pay and benefits, and asset building.

Mandela Grocery Cooperative, "born out of the desire to improve access to healthy food and business ownership for residents

are less common than many people think. These facts, coupled with demographic trends that create immense opportunity, have led coop advocates to a different strategy to grow the cooperative economy—converting mature businesses into worker cooperatives.

Worker cooperative conversions are most often initiated by business owners who are ready to sell their company, either to facilitate their own exit or to take the business to its next level of impact. These processes are usually facilitated by coop developers or other professional service providers who make owners aware of this possibility and provide technical assistance to transfer ownership to the company's employees. Additionally, conversions are sometimes initiated by workers who attempt to save a business that is bankrupt or shutting down due to owner negligence or widespread economic crisis. Finally, cooperatives or other entities may acquire conventional businesses through traditional M&A transactions or innovative acquisition strategies and then convert them to worker ownership.



Members of Adams & Chittenden Scientific Glass Cooperative meet with Shared Capital and Project Equity

Owner-Initiated Transitions

Many of today's most successful worker coops were originally owned in a conventional format by one or two people. Eventually, the owner(s) decided it was time to sell—but wanted to maintain their legacy. Finding a buyer is always challenging, but finding one willing to keep a business in the same location, with the same workforce, is rare. Selling a company to the employees who have the knowledge and experience to continue it into the future saves jobs and keeps businesses rooted in their communities.¹³

¹² In a 2020 interview, Mandela Grocery Coop's Andrea Talley spoke to how the coop has supported its community during the pandemic. See <https://project-equity.org/interviews/mandela-grocery-coop/>.

¹³ An employee buyout may also take the form of an ESOP. In fact, the majority of ESOPs are initiated in ownership succession situations. By selling to employees through an ESOP, business owners not only protect their legacies but often have the option to defer payment of capital gains taxes through the IRS' 1042 Rollover provision. In theory, worker coops can also take advantage of this provision, but they rarely do. The restrictions, complexity, and resulting high cost of the 1042 Rollover can sometimes outweigh its benefits for smaller businesses.

developer-initiated startups, continued

in West Oakland," as its website says, has deep community roots. A nonprofit now known as Mandela Partners played a leading role in its launch and early years. The coop is now a thriving independent enterprise with 11 employees, including nine worker-owners. It continues to inspire Black cooperators and people working to address food deserts across the country and has been a critical support to its West Oakland neighborhood throughout the COVID-19 crisis.¹²

The Arizmendi Association of Cooperatives is another Bay Area cooperative developer. While most famous for its cooperative bakeries, this one-of-a-kind network has bootstrapped the creation of some 200 jobs in eight worker cooperatives now spanning four industries. Arizmendi is unique among these examples as the only developer that is not a cooperative and not a charitable nonprofit.

See Worker Coop Profiles to learn more about the impact of developer-supported worker coops including Arizmendi 9th Ave. (started by the Arizmendi Association), Yolo Eco-Clean (a startup supported by the California Center for Cooperative Development), and California Solar Electric (a conversion supported by Project Equity).

An estimated 30–50% of worker coops, both across the country and in California, formed when a business owner sold the company to its employees. Examples of California worker cooperatives that resulted from the conversion of a conventionally owned business include:

- **A Slice of New York** (Santa Clara and Sunnyvale; business launched in 2006 and became a coop in 2017)
- **Adams & Chittenden Scientific Glass** (Berkeley; business launched in 1993 and became a coop in 2019)
- **California Solar Electric** (Grass Valley; business launched in 2000 and became a coop in 2019)
- **The Cheese Board Collective** (Berkeley; business launched in 1967 and became a coop in 1995)
- **Restif Cleaning** (Samoa, CA; business launched in 1983 and became a coop in 1990)
- **Sun Light & Power** (Berkeley; business launched in 1976 and became a coop/ESOP hybrid in 2018)

Today, 359,000 California business owners employing nearly 3.9 million workers are approaching retirement, many with no succession plan. Most will not be able to pass the business on to a family member or find a local buyer. And most are also unaware of the option of selling to employees. As Project Equity's research has shown, expanding resources for business outreach and high-quality transition assistance could stave off a massive wave of business closures—and spur the development of a more equitable shared-ownership economy.

Project Equity's Business Transitions Program

Project Equity is a national leader in business transitions to employee ownership. It educates economic development leaders, business owners, and their trusted advisors on employee ownership succession and supports the transition process from feasibility to two years post-conversion. The nonprofit has conducted feasibility assessments for dozens of California small businesses to help them assess whether converting to a worker cooperative is a good fit for the owner's and employees' goals, and it has helped many companies carry out the transition.

In its Business Transitions Program, Project Equity supports a transition team comprising the selling owner and a small group of employees to design the cooperative structure, negotiate a sale agreement, secure financing, and ensure a successful management transition. The process generally takes 6–12 months from the time feasibility has been confirmed and the owner decides to proceed with the transition. Through its two capital programs, Accelerate Employee Ownership (a partnership with Shared Capital Cooperative seeded by the Quality Jobs Fund) and the Employee Ownership Catalyst Fund, Project Equity and its partners can also finance the sale. Post-transition, Project Equity's Thrive Program focuses on coaching worker-owners serving on the boards of directors and building strong member engagement processes, financial literacy, and an ownership culture.

Worker-Initiated Conversions

In crisis circumstances, workers sometimes create coops to turn lemons to lemonade. One of this century's iconic examples is the recovered factories movement in Argentina, in which workers took over hundreds of businesses after owners abandoned them following Argentina's 2001 economic crisis (Vieta, 2021). Many of these coops continue to thrive, creating jobs and community wealth while also providing a range of needed social supports such as education, day care, healthcare, and so on.

This model is uncommon in the United States but not unheard of. New Era Windows Cooperative of Chicago, IL, for example, was formed by workers who twice occupied their factory after the owners shut it down. With the support of their union and The Working World, a non-extractive financing organization that supported Argentina's recovered factories, the workers organized and purchased a part of the business, opening their own window factory in 2013.

Acquisitions

Mature cooperatives or other entities can also convert conventional businesses to employee ownership through an acquisition strategy. Three examples illustrate one of the latest trends in cooperative development.

- **The Evergreen Cooperative Corporation** has expanded its mission to preserve quality jobs in northeastern Ohio by launching the Fund for Employee Ownership. This investment fund acquires businesses from retiring owners and converts acquired firms to cooperatives. Evergreen then joins the board of the newly acquired firm and provides expertise to help it develop a healthy ownership culture and a viable long-term business strategy. In the last two years, Evergreen has acquired four businesses employing 90 workers who are now owners of their enterprises.
- **Obran Cooperative** is pioneering a model based on the traditional conglomerate; it has multiple subsidiaries and is growing by acquiring other companies. Workers at the subsidiaries become members of the parent cooperative and will benefit from profit sharing and an array of services as Obran grows.
- **The Main Street Phoenix Project** launched in response to the pandemic's decimation of the restaurant industry, will acquire businesses, then transition them to worker ownership.

In its Fall 2020 survey, Project Equity asked California worker cooperative leaders what factors had contributed to their success in becoming a cooperative. Respondents answered as follows:

- Support from other cooperatives: 65%
- Support from coop developers: 59%
- Support from other technical assistance providers or business advisors: 51%
- Outside financing (e.g., an external loan or non-member equity): 31%

Respondents also cited the hard work of founding members and community support as key to their success.

SECTION 5:

HOW DO WE EXPAND THE WORKER COOP LANDSCAPE?

Current Ecosystem and Opportunities

Crucial to the growth of any business model or sector is a robust ecosystem—a community of professional service providers, financial institutions that provide capital, supportive public policies, and more. Because worker cooperatives are unfamiliar to many and viewed as marginal by some, they are not given the tools and support that can help them proliferate and grow.

California’s worker cooperative ecosystem has a strong foundation but is not yet a mature ecosystem. Throughout the state’s long history with worker cooperatives, coop developers and coops themselves have tended to create their own networks and communities, remaining largely outside of the mainstream business ecosystem. To realize the potential of worker cooperatives to benefit California’s workers and its economy, an ecosystem approach is needed.

To describe the strengths and opportunities in California’s coop ecosystem, we draw on a model first described in [*The Cooperative Growth Ecosystem: Inclusive Economic Development in Action*](#), a publication of the Democracy at Work Institute and Project Equity (Hoover & Abell, 2016). Our discussion looks at the three major functions of a robust cooperative ecosystem—Building Blocks, Accelerators, and Environmental Factors—along with the organizations and institutions that are playing these roles (or could) in California.

Building Blocks Provide the Foundation

Four essential building blocks are the foundation of the entrepreneurial ecosystem that supports the development and growth of worker cooperatives: members’ skills and capacity, technical assistance, growth-oriented cooperative developers, and financing.

As discussed below, the value of inspiration and advice from worker cooperatives themselves cannot be overstated (we hear this often from people seeking to launch a worker cooperative and from business owners considering transitioning their companies). But most people will also need technical assistance and financing, and many will spare themselves much frustration and enhance their chances of success by working with experienced cooperative developers. This is especially true if a proposed worker coop aims to create quality jobs and robust business opportunities for workers who face barriers to employment, have limited formal education, or lack experience in business, management, or governance.

Members’ Skills and Capacity

The many successful worker coops in California help spur the continued growth of cooperatives (see “A Quarter Century of Cooperative Growth in the San Francisco Bay Area,” p. 33). They demonstrate the viability of the cooperative model for small businesses, and a community of skilled worker-owners freely offers advice, moral support, mentorship and often sample documents to those seeking to start, grow, or transition to a worker cooperative. The skill

set that has been developed over decades of cooperative development, particularly in the Bay Area, is one of the greatest strengths of California's ecosystem. Among the many worker coops that widely share their experience are Rainbow Grocery, Mandela Grocery Coop, A Slice of New York, Niles Pie Company, and the Arizmendi Association of Cooperatives.

The peer learning that has long characterized California's worker cooperative community is supported institutionally by CCCD, the U.S. Federation of Worker Cooperatives and the Network of Bay Area Worker Cooperatives, which was formed by Bay Area worker coops specifically to promote sharing of best practices. These organizations facilitate peer exchanges through professional conferences, workshops, and other forums. In addition, SELC, Project Equity, and DAWI regularly connect their clients and stakeholders to coop leaders. Local organizations throughout California (see p. 40) also do community education, including peer-to-peer learning.

Technical Assistance

This term covers a wide range of services and professional service providers, including lawyers, CPAs and other financial advisors, nonprofits that provide a variety of services to small businesses, and others. SELC has helped to strengthen this element of the cooperative ecosystem through the legal services of its staff attorneys, its fellows program, its catalog of CPAs and financial advisors, and its education and advocacy work. Several California law firms also support cooperatives, and one, Tuttle Law Group, is dedicated to the coop sector.

Growth-Oriented Coop Developers

Cooperative developers take a variety of approaches and can create coops through startups or conversions. Those that have succeeded in building profitable cooperative businesses that create full-time, family-sustaining jobs have learned that creating that kind of economic benefit requires intensive training, technical assistance, and support over multiple years—what we call a high-touch or medium-touch coop development model. Growth-oriented coop development usually also includes a strategic orientation toward replicating successful models, developing expertise in specific sectors in order to provide strategic business advice, and the ability to facilitate financing and market connections. Business coaching and support for building an ownership culture are also crucial elements of success.

California is home to a number of organizations that carry out growth-oriented cooperative development. Among those that have succeeded in creating sustainable, job-creating worker coops are: the Arizmendi Association of Cooperatives, the California Center for Cooperative Development (CCCD), Project Equity, and the Sustainable Economies Law Center. In addition, a number of other nonprofits do community education around cooperatives and provide lighter touch coop development services (see “Coop Education in California Communities,” p. 40).



Aaron & Monica Rocchino of The Local Butcher Shop in Berkeley transitioned their company to a worker coop with help from Project Equity

Financing

Patient capital, whether in the form of loans, equity, or grants, is essential to the formation and growth of worker cooperatives and to their ability to address income and wealth inequality and promote racial equity. Debt financing is often inaccessible to cooperatives, in part because, as collectively owned businesses, cooperatives cannot satisfy lenders' requirements for a "personal guarantee." Loans can effectively be underwritten, however, without these unnecessary requirements.

California is fortunate to have a number of lending institutions and grantmakers that have provided loans to new and mature cooperatives and businesses transitioning to worker coops, or given grants to support coop development and technical assistance (see below, "Funding Worker Cooperatives and Coop Development in California").

While making capital more accessible is critical to creating a robust ecosystem, capital "access" will not translate to real impact if understanding of and demand for worker cooperatives does not also increase. As capital providers would say, "We need deal flow." Philanthropic and public funding is needed to raise awareness and attract business owners, aspiring entrepreneurs, and their trusted advisors to employee ownership. Grants are also critical funding sources for nonprofit coop developers, whose work is key to achieving economic development goals.

Funding Worker Cooperatives and Coop Development in California

California is fortunate to have a number of financial institutions and grantmakers that have experience with worker cooperatives. While some traditional financial institutions (even some CDFIs) and philanthropic organizations are reluctant to support cooperatives, the following California-based organizations have done so:

- **CDFI lenders**, including Community Vision, Beneficial State Bank, and Pacific Community Ventures, offer loans to cooperatives.
- **Accelerate Employee Ownership**, a joint initiative of Project Equity and Shared Capital Cooperative seeded by the Quality Jobs Fund, and the Employee Ownership Catalyst Fund, a partnership between Project Equity and Mission Driven Finance, both finance employee buyouts throughout California. Both funds explicitly aim to co-lend with capital providers new to worker ownership to help them gain experience and "grow the pie" of available capital.
- **Local loan funds**, such as those established by the cities of Berkeley and Richmond, support local small businesses, including worker coops; SEED Commons, a national network of locally rooted non-extractive loan funds, currently supports four local funds in California.
- **Grantmakers**, including San Francisco Foundation, Citi Community Development, Y&H Soda Foundation, Catholic Campaign for Human Development, California Wellness Foundation, James Irvine Foundation, and Restorative Economies Fund (Kataly Foundation), have supported projects to advance worker cooperatives in California.

Some of these pioneering funders and financial institutions have made programmatic commitments to cooperatives and others have made initial investments only. They can all help to demystify worker coops for their peers and catalyze greater investment across the state.

A Quarter Century of Cooperative Growth in the San Francisco Bay Area

The recent history of worker cooperatives in the Bay Area illustrates how the cooperative landscape changes over time. From 1995 to the present, the Bay Area has become home to more worker cooperative businesses than any region outside of New York City. This has been both catalyst for—and catalyzed by—a robust infrastructure of support, or ecosystem.

1995: Worker cooperatives—most of them formed in the 1970s and early 1980s—are thriving. The cooperatives, concentrated natural foods and media/cultural production, are distinctly countercultural: alternative, left-leaning, utopian. In this tight-knit community, worker coops informally lend to each other, workers move between cooperatives for jobs, and a worker coop business network, the Network of Bay Area Worker Cooperatives (NoBAWC), emerges. Growth is modest, organic, and largely self-financed. A study group is formed to understand and replicate the Mondragon cooperative model in the Bay Area. A nonprofit organization has just formed to empower low-income women using the cooperative model.

2015: What a difference 20 years make! The 1995 study group formed the Arizmendi Association of Cooperatives, a self-financed cooperative development and support organization structured as a secondary cooperative. Its six member cooperatives now employ more than 120 people, have combined revenues of around \$18 million annually, and are well-known local fixtures. They borrow from a local CDFI and have even received tax breaks from cities eager to anchor new development. The new nonprofit became WAGES (Women's Action to Gain Economic Security), the groundbreaking developer of cooperatives whose members are Latina immigrants (see below). These two industry-based initiatives demonstrate the power of concentrating effort and resources in particular sectors.

Existing worker cooperatives have grown, too. Two of the country's largest worker cooperatives—Rainbow Grocery and Alvarado Street Bakery, both started in the 1970s—have combined total revenues of over \$100 million and more than 350 worker-owners. Other long-standing



*Toto Chittharath,
worker-owner at Niles Pie*

cooperatives have spun off new businesses, providing technical assistance, capital, and market access. New worker coops have started in the technology sector, green construction, and food retail.

In 2015, five green housecleaning cooperatives developed by WAGES generate nearly \$4 million in combined annual revenue and provide good livelihoods for almost 100 worker-owners. The women's pay and benefits have grown substantially, and studies of their family incomes show 40–80% increases. Other community economic development efforts include worker-owned Mandela Foods Cooperative in West Oakland, a nascent coop incubator and loan fund in Richmond, and Project Equity's Business Transitions program, which helps businesses convert to broad-based employee ownership.

The infrastructure of support has also grown. The Sustainable Economies Law Center (SELC) and the Green Collar Communities Clinic of the East Bay Community Law Center, with attorneys mentored by existing coop lawyers, play an active role advising startup cooperatives. Cutting Edge Capital pioneers the Direct Public Offering, and cooperatives begin to use it to raise community capital. The Democracy at Work Institute begins field-building efforts. And a nascent coalition successfully passes a California law, AB 816, establishing a specific legal form for worker cooperatives for the first time.

2020: The Bay Area worker coop movement has hit its stride. The Arizmendi Association has diversified into new industries and, during the COVID-19 pandemic, sustains nearly 175 jobs. Since 2015, at least a dozen Bay Area businesses have transitioned to worker cooperatives when their long-time owners sold to their employees. Three Bay Area cities (Berkeley, San Francisco, and Santa Clara) have established programs to support worker coops, and the momentum is growing in Los Angeles, Long Beach, Santa Cruz, Stockton, Sacramento, and Humboldt County. To further build ecosystem capacity, SELC is training attorneys across the state to provide legal support and education to worker cooperatives (with pro bono services provided through philanthropic support). And a number of Bay Area-based organizations formally join forces in the wake of the first COVID-19 shelter-in-place order to create a new statewide advocacy coalition: Worker-Owned Recovery California (WORC).

Accelerators are Key to Taking Worker Cooperatives to Scale

In an entrepreneurial ecosystem, several factors can accelerate business growth. Chief among these are supportive policy and regulatory environments, government engagement, and strategic connections to markets.

Policy and Regulatory Environment

Like most U.S. states, California has not had a particularly advantageous policy environment for worker cooperatives, but this is beginning to change. By defining worker cooperatives, AB 816 (see p. 5) has made it easier to form and operate these businesses. But legal and regulatory barriers continue to exist (see sidebar, “Legal and Regulatory Barriers to Worker Cooperative Growth”). In 2019, several organizations, including some that worked on AB 816, began meeting to discuss opportunities to engage the state in support of worker cooperatives and employee ownership more broadly. Since April 2020, the [Worker-Owned Recovery California](#) coalition has been educating state agencies and advocating for funding, technical assistance, and other support for business transitions to worker ownership as a way to preserve small businesses statewide.

Some common practices of financial and philanthropic institutions impede worker cooperative growth.

Personal guarantees, for example, are a standard requirement for banks and many CDFIs but are largely unnecessary, as evidenced by the high success rate of loans to cooperatives and nonprofits (also done without personal guarantees), and by the growing interest in other forms of underwriting. In May 2021, Senator John Hickenlooper (D-CO) introduced the Capital for Cooperatives Act to level the playing field for coops to equitably access financing from the Small Business Administration.

Government Engagement

By integrating employee ownership into economic development agendas and dedicating funding to employee ownership initiatives, state and local governments can raise the profile of this important economic resiliency strategy, make technical assistance and financing available, and help build demand for employee ownership within the private sector. One exciting trend is the growing interest among California

Legal and Regulatory Barriers to Worker Cooperative Growth

Most policymakers, legislative counsels, and government leaders are unfamiliar with cooperative businesses and do not account for their structure when drafting legislation and regulations. As a result, laws and regulations about labor, employment, and securities are generally silent on, and therefore ambiguous in their treatment of, worker cooperatives. This creates uncertainty for coops and often increased costs for legal fees and technical assistance that other businesses do not incur.

For example, in 2017, the California Assembly passed AB 2883, which was framed as an effort to clean up ambiguities in the code around workers compensation. It failed, however, to take cooperative corporations into account, resulting in increased burdens for worker cooperatives. Many were hit with enormous bills that cost worker-owners as much as 20% of their income. One coop’s workers compensation rates soared to 40% of wages.

The new statute unfairly disadvantages worker cooperatives and other employee-owned companies, which perform better than conventional businesses on worker health and safety and are known to file fewer workers compensation claims. As the Sustainable Economies Law Center explains, “Prior to AB 2883, worker-owners had a choice in how this money was spent, sometimes using it for higher wages ... or to provide comprehensive medical insurance. AB 2883 effectively takes this decision-making power away from worker-owners” in an attempt to fix a problem that was not there (Tsui, 2017).

cities and counties in integrating worker cooperatives into their economic development and COVID-19 recovery strategies.

Ten local governments in California have embraced the role that worker cooperative transitions can play in retaining small businesses. Some have made proclamations or passed city council resolutions to raise awareness and indicate support, others have launched multi-year initiatives, and some have done both. Several initiatives are funded from the local government's own coffers, and others have outside grant support (see sidebar, "California Cities and Counties Promoting Worker Ownership").

In addition to retaining businesses and promoting quality jobs, these public investments in employee ownership help to legitimize worker cooperatives and other forms of broad-based employee ownership, pointing the way to more substantial public sector investment that will be important for scale in the long run.

The state also has an important role to play in supporting the development of the cooperative ecosystem. Awareness of worker coops in California state government is limited, but the WORC coalition and its members are actively changing that. As one example, WORC has held dozens of meetings with state agency staff, legislators' offices, and committee consultants since the summer of 2020. In May 2021, the California Senate Budget Subcommittee 4 heard testimony about the coalition's proposal to dedicate \$36.5 million of state funds toward loan guarantees and grant incentives to support small businesses in transitioning to cooperatives and other forms of broad-based employee ownership.

In recent years, worker cooperatives have also garnered the attention of the Office of the Small Business Advocate, which oversees Small Business Development Centers (SBDCs) throughout the state (see "SBDCs and Employee Ownership", p. 37); the Governor's Future of Work Commission; the Assembly Committee on Labor and Employment; and the Labor and Workforce Development Agency (LWDA), whose Social Entrepreneurs for Economic Development (SEED) Initiative funded a \$1 million worker cooperative

California Cities and Counties Promoting Worker Ownership

Resolutions. The cities of Oakland (2015), Berkeley (2016), Santa Ana (2017), Santa Cruz (2019), and Santa Clara (2020) have all passed resolutions in support of worker cooperatives. Such resolutions are an easy step any government can take to show its support for worker-owned businesses.

Initiatives. Berkeley's initiative, the oldest in the state, is a partnership with Project Equity and the Sustainable Economies Law Center. The effort has helped seven companies access technical assistance for worker coop transitions. One, Adams & Chittenden Scientific Glass, completed its transition in 2019, and four Berkeley companies are participating in Project Equity's Business Transition Program (as of May 2021) and will become worker coops in the year ahead.



Project Equity and SELC with Berkeley's mayor and city council members, 2019

The City of Berkeley also added "Co-op Corp" as an "ownership type" on its business license form. This groundbreaking move enables the city to track the number of cooperatives doing business in Berkeley and gives cooperatives more visibility.

demonstration project. LWDA oversees the state's Workforce Development Boards (WDBs), which can use federal funding for Layoff Aversion, including employee ownership feasibility studies. Statewide systems like the SBDC and WDB systems could play a major role in spreading cooperative and employee-owned business models around the state.

SBDCs and Employee Ownership

Small Business Development Centers (SBDCs) provide an additional vehicle for the state to promote employee ownership. SBDCs exist in every county across the state and are jointly funded by the federal Small Business Administration (SBA) and the state's Office of the Small Business Advocate (CalOSBA, a division of the Governor's Office of Business and Economic Development, aka GO-Biz).

SBDCs are mandated under the federal Main Street Employee Ownership Act of 2018 to offer their services to cooperative businesses, but they have lacked the dedicated funding necessary to incorporate this new service area. Under Isabella Casillas-Guzman (now Administrator of the SBA in Washington, DC), CalOSBA was proactive in overcoming this barrier, encouraging SBDCs around the state to apply for funding to support businesses in exploring employee ownership. A few pioneers have done so and are now laying the groundwork for other SBDCs, which will be able to build on the examples and learnings from these early adopters.

CA cities and counties, continued

San Francisco launched its initiative through a 2019 RFP for business succession planning that encouraged employee ownership feasibility studies. It has deepened its engagement with worker cooperatives and employee ownership programs in several ways since, and included worker coops in its 2021 Office of Economic and Workforce Development grant program.

In Southern California, Long Beach, Los Angeles County, and LA City Council District 9 have made commitments in the past two years to advance employee ownership transitions with a range of strategies. The Long Beach effort represents a compelling collaboration between philanthropy (Citi Community Development), government (the city of Long Beach Economic Development Department) and California nonprofits (Project Equity and the Local Initiatives Support Corporation, LISC-LA).

The City of Sacramento issued an economic recovery RFQ in 2020 and has begun connecting interested companies with Project Equity as an approved employee ownership service provider.

Government engagement is beginning to shift the playing field for California's worker cooperatives, boosting visibility, funding, and education. Because lack of awareness remains one of the biggest barriers to growth, local and state governments should prioritize educating staff as well as the business community about the strengths of worker cooperatives and the important role that all forms of broad-based employee ownership can play in business retention and in building a more equitable economy.

Connections to Market

Like all businesses, worker coops succeed based on their ability to create quality products or services and get them to satisfied customers at a price point that works for both parties. Beyond these fundamentals, however, many companies accelerate their growth through supported access to markets. This can happen through supply chain relationships, strategic early customers or reference clients, major mission-aligned clients, anchor institution and government procurement, or community benefits agreements.

Multiple connection-to-market initiatives across the country have helped worker cooperatives grow into profitable businesses. For example, Up & Go is a consumer-facing shared marketing platform that has been critical to the growth of the Brightly® cleaning cooperatives in New York City. The Evergreen Cooperative initiative in Cleveland pioneered anchor institution procurement, a business-to-business approach to securing clients for their start-up cooperatives. Finally, BronXchange is a project of the Bronx Cooperative Development Initiative that serves as an intermediary thoughtfully connecting small businesses to anchor institution procurement contracts by bundling companies together and/or disaggregating large contracts into smaller ones.

Most worker cooperatives, and startups more generally, are too small to fulfill anchor institutions' large contracts. Strategies that address this challenge head on, such as BronXchange and a new conversions-focused initiative by Kaiser Permanente are key to making anchor institution procurement an accelerator for worker cooperative growth.

Connection-to-market strategies are new for California, but a pilot project that launched in January 2021 shows their potential. Kaiser Permanente (KP) is partnering with Project Equity and Obran Cooperative to educate KP's supplier companies about employee ownership and encourage them to consider it as a succession strategy. If these successful businesses were to become employee-owned, the success of their transitions, and their ability to inspire others to consider employee ownership, would be bolstered by their involvement in a major anchor institution's supply chain. The partners hope that this pilot, if successful, will expand to a full-fledged initiative within Kaiser Permanente and inspire other health care anchor institutions to follow suit.

As cooperative development and advocacy continue to grow in California, there will be opportunities for more innovation in helping cooperatives connect to key market opportunities. AlliedUP is demonstrating how to use cooperative ownership to create better opportunities for contract workers and for the healthcare providers who rely on them. Innovations such as BronXchange provide models to leverage the buying capacity of anchor institutions and local and state governments. Pilots like Kaiser Permanente's outreach to suppliers offer new avenues for business conversions that could result in a larger cooperative economy.

Environmental Factors Can Bring Worker Cooperatives to the Mainstream

The environmental elements of the ecosystem help to shift mindsets and narratives. By normalizing cooperatives and increasing their visibility, they set the stage for growth over the long term. Environmental elements of the ecosystem include:

Values-Driven Businesses

When ESOPs, certified B-Corps, benefit corporations, social enterprises, and other businesses dedicated to social equity or environmental sustainability are prevalent in communities, worker cooperatives can be a natural fit.

California has long been a leader in values-driven business, and today is home to nearly 300 certified B-Corporations (more than 20% of the national total) and approximately 750 private companies with ESOPs (more than 10% of the national total). This aspect of the cooperative ecosystem is strengthened by the many California-based organizations that have played leadership roles in the socially responsible business movement, including Social Venture Circle, BSR, and the National Center for Employee Ownership.

Cultural Acceptance

As the public becomes more familiar with worker cooperatives, common biases and misconceptions dissipate. Despite California's culture of innovation, the presence of cooperatives in the public conversation about housing, economic development, jobs, and business has, until recently, been minimal. Increasing the visibility of the cooperative model and public awareness of its benefits for businesses and community economic development is critically important.



As the public becomes more familiar with worker cooperatives, common biases and misconceptions dissipate.”

Education

At this time, education and awareness raising largely fall to the California nonprofits that promote worker coops. But the cooperative business model can be normalized, and its uptake increased over time, by integrating it into educational curricula. While cooperative education is limited in California, as elsewhere in the United States, opportunities abound. For example, public high school requirements of three years of social science courses (including one semester of economics) provide ample opportunity for introducing and exploring the cooperative business model.

At the higher education level, a few California colleges and universities do incorporate some cooperative education. University of California (UC) Berkeley has had a student-taught course on cooperatives for many years, Antioch University Los Angeles incorporates worker ownership into an urban sustainability Master's program, and Mission College in Santa Clara is actively developing not-for-credit courses to support worker cooperative transitions. UC Davis and California State University, Chico have cooperative courses in their agricultural economics divisions. The UC Extension program at UC Davis included a Center for Cooperatives from

1999 to 2004¹⁴ and recently added an academic specialist for cooperatives. UC San Diego's Rady School of Business houses the Beyster Institute, which provides education on employee ownership focused on ESOPs. The Beyster Institute's well-established courses and consulting services provide a compelling example of how educational institutions can support employee ownership.

Coop Education in California Communities

To help fill the education gap, grassroots education about cooperatives is growing around the state. A number of community-based initiatives promote worker coops through local advocacy, training and leadership development for community members, and education for startup coops, each with a unique local approach. These include Cooperación Santa Ana, Cooperation Humboldt, Cooperation Richmond, Human Agenda, Los Angeles Union Coop Initiative, L.A. Coop Lab, Prospera, WORCS, and Repaired Nations. These groups are creatively meeting the growing interest in cooperatives among diverse communities, ranging from childcare and community outreach workers in Orange County, to immigrant women across the Bay Area, and to Black and Brown youth in Oakland and Richmond.

The shift toward a more cooperative-friendly environment is already underway in California. With investment in public awareness and cooperative education, our communities would likely embrace cooperative businesses for their job-creation potential, resiliency, and community orientation.

Opportunities to Strengthen the Ecosystem

The opportunity to increase the number of worker cooperatives and their impact on workers and communities has never been greater. Following are observations on where investments in California's support ecosystem for worker cooperatives can have the most impact.

Building Blocks

The foundational building blocks of the cooperative support ecosystem in California are sound but must be strengthened to meet the scale of the need, opportunity, and interest we are seeing today. We have: a vibrant and connected community of existing worker cooperatives; a few growth-oriented coop developers that are using sectoral approaches, replication strategies, and market innovations to create thriving cooperatives that grow good-quality jobs; and a small group of grantmakers and lenders supporting worker coops.

- **A key focus of increased funding** should be to build the capacity and resources of coop developers to engage in proven approaches to developing new cooperative businesses and to transition successful businesses to worker cooperatives.

¹⁴ The closure of the center at UC Davis led to the development of the California Center for Cooperative Development as an independent nonprofit.

- **A more robust ecosystem of seed, growth, and transition capital** is also needed to catalyze worker cooperative growth statewide. Traditional financial institutions and investors need to be better informed about how their capital can be deployed to support worker cooperatives.¹⁵ Existing programs such as the California Infrastructure and Economic Development Bank’s loan guarantee program can also be leveraged to unlock additional capital.

Accelerators

Increased efforts to define, advocate for, and implement pro-coop policies and government programs at the local and state levels will significantly accelerate the growth of worker coops.

State-level advocacy to create a more “cooperative friendly” policy environment is growing with the leadership of the WORC coalition. On a local level, Project Equity, the Sustainable Economies Law Center, and the Democracy at Work Institute have all engaged with California localities to design and implement programs to raise awareness of and provide technical assistance for worker coops. As of early 2021, the cities of Berkeley, San Francisco, Long Beach, Santa Clara, and Los Angeles (Council District 9), as well as LA County have active programs supporting worker coops.

Other promising “accelerator” strategies that are underway at the state level include:

- **Building interest and capacity among the statewide network** of SBDCs to support worker cooperatives,
- **Engaging the workforce development system** at the state and local levels, and
- **Early stage connection-to-market strategies**, including AlliedUp, a statewide staffing cooperative with union and anchor institution support, and Kaiser Permanente’s pilot project to encourage its supplier companies to transition to employee ownership.

Environmental Factors

To strengthen environmental elements of the ecosystem, awareness raising is the most critical immediate need, with a focus on dispelling common misconceptions about worker cooperatives and normalizing all models of broad-based employee ownership. Emerging strong alliances among diverse types of values-driven businesses and among proponents of various kinds of employee ownership will help amplify pro-cooperative messages. Many organizations within the worker cooperative and ESOP communities now embrace an inclusive approach to education and awareness raising about broad-based employee ownership—a shift from decades past when enthusiasts and practitioners of these distinct approaches to employee ownership operated in parallel universes, rarely interacting. With this “big tent” approach, expanding awareness campaigns and both grassroots and formal education about employee ownership can greatly increase potential for worker cooperatives around California.

¹⁵ Employee Ownership leaders have written several reports to demystify employee ownership for lenders and investors. See *The Lending Opportunity of a Generation* (Gregory et al., 2016), *The Original Community Investment* (Lingane & McShiras, 2017), *Addressing the Risk Capital Gap* (Lingane & McShiras, 2017), and *Guidelines for Equitable Employee Ownership Transitions* (Rose, 2020).

SECTION 6:

RECOMMENDATIONS: HOW CAN WORKER COOPERATIVES CREATE ECONOMIC SECURITY FOR CALIFORNIANS?

As California emerges from the tragedy and loss of 2020 and 2021, there is widespread support for “building back better”—not just a return to “normal” but an effort to create a far more just and equitable economy that centers quality jobs, family-sustaining wages, and opportunities to build assets for the future. Worker cooperatives are well positioned to deliver on these aspirations. The recommendations below offer a roadmap for California to become a leader in building and sustaining worker cooperatives in communities all across the state.

Raise awareness about worker cooperatives among business owners, government agencies, and the business services provider community.

1. Conduct awareness campaigns about worker cooperatives and other forms of broad-based employee ownership, with priority focus on retiring business owners.
2. Dispel myths about worker cooperatives among professional service providers who tend to discourage cooperative ownership because of misconceptions.
3. Educate nonprofit technical assistance providers, SBDCs, WDBs, and other organizations and advisors who provide services to businesses.

Prioritize scalable and/or strategic coop development.

1. Leverage worker cooperative transitions to prevent business closures and wealth consolidation due to the twin crises of the Silver Tsunami and the COVID-19 pandemic, prioritizing outreach to companies with owners age 55 or older and 20–200 employees.
2. Support and learn from innovations that have the potential to scale, such as staffing cooperatives, mergers & acquisitions with cooperative ownership, and others.
3. Ensure high-quality technical assistance for worker coop startups and transitions and build capacity for strategic coop development by helping experienced California-based cooperative developers expand their programs and by training new coop developers in proven practices to create stable cooperative businesses and quality jobs.



Selling your business isn't easy.
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Employee ownership helps business owners create a flexible exit strategy and receive a fair sales price with tax advantages, while also taking care of the employees who helped build the business. You can sustain quality jobs, improve employee engagement, and strengthen your businesses. It's a win-win.

Project Equity is a nonprofit that helps business owners sell their businesses to their employees. Let us guide you through the sale, help you find the capital and make sure your employees successfully carry the torch forward. We can help. Contact us for a free business consultation.

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4. Prioritize strategies that have shown measurable economic impact in communities of color and among low- and moderate-income workers, such as high- and medium-touch development models and creating multiple cooperatives in the same industry.

Engage state and local governments to support employee ownership through relevant state programs and public policies that accelerate growth.

1. Implement business retention strategies that encourage broad-based employee ownership, building on efforts in Berkeley, Long Beach, San Francisco, LA (city and county), and Santa Clara.
2. Support statewide engagement of SBDCs with cooperative developers to implement the Main Street Employee Ownership Act of 2018.
3. Embed broad-based employee ownership (including worker coops) into state agency programs for small businesses and workforce development.
4. Improve regulatory frameworks for worker coops in relation to securities, employment law, workers compensation, and lending; encourage lenders to use proven methods of underwriting that do not require personal guarantees.

WHAT IF ... \$63 Million for Worker Coops?

We asked ourselves a provocative question: how could California utilize a significant investment in cooperatives, \$100 million for example, to address the crises in quality jobs, housing, and childcare? Our “WHAT IF” scenario allocates \$63 million to worker cooperatives, \$25 million to housing coops, and \$12 million to childcare coops.

For worker coops, we would recommend the following investments:

1. **\$50 million** to create and grow worker coops around the state through transitions, startup, and growth
 - **\$20 million** for transitions, including business outreach, feasibility studies, technical assistance, and post-transition support
 - **\$10 million** for coop startups and growth, including pre-development, development, and capacity building for coop developers
 - **\$20 million** in capital, including financing transitions, working capital & startup loans, and, potentially, forgivable loans to create “onramps” and matched equity to enhance worker wealth building
2. **\$6 million** to support statewide engagement of SBDCs and WDBs with cooperative developers
3. **\$7 million** to engage local governments, state agencies, and policymakers

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Arizmendi 9th Avenue:

20 years and thriving with the Arizmendi Association

San Francisco, California



Worker-owners in front of their store at the Arizmendi Bakery at 9th Avenue, San Francisco

It's 6 a.m. in San Francisco. Morning light is just starting to stream in through the eastward-facing windows of the bakery on 9th Avenue. The bakers—who own their bakery and, through it, a larger cooperative association—are rolling dough and prepping pastries. Their spirits are high, in keeping with the sense of camaraderie and unity that has taken root in their democratic workplace. In an hour or so, the first loyal customers will line up to order.

Thriving for 20 years: Arizmendi 9th Avenue

The **Arizmendi Bakery** on San Francisco's 9th Avenue is a worker-owned cooperative serving the neighborhood's favorite pastries, breads, and pizzas. "Arizmendi 9th Ave," as it is affectionately known, marked its 20-year anniversary in October 2020, and it has a lot to celebrate. The 22 worker-owners have work they love, earn above-market wages, and share in the challenges and benefits of co-ownership. In an industry known for constant turnover, half of the worker-owners have been with the bakery for more than a decade.

The bakery is part of the Arizmendi Association of Cooperatives, founded in 1996 to spark the development of more worker cooperatives in the Bay Area. Supported by Berkeley's famous Cheese Board Collective, which shared its recipes and business model for replication, the association opened its first Arizmendi Bakery in Oakland in 1997 and has since launched four additional bakeries. The association is a cooperative corporation made up of its member cooperatives as well as the Development and Support Collective, which supports existing coops and develops new ones. Each member coop is an independent business owned and managed by its workers.



Sue Lopez, who helped found the bakery on 9th Avenue in 2000, is still a proud worker-owner today. On Mondays when the bakery is closed, Sue devotes eight hours to preparing food in the kitchen. During the rest of the week, she can be found handling customer service at the register, janitorial duties, or administrative work. Sue believes the diversity of tasks helps her and her fellow coop members avoid the physical wear and tear of repetitive manual labor. Rotating jobs also fosters opportunities for worker-owners to interact, collaborate, and become friends.



Though each Arizmendi bakery has unique features, all use a similar operating model in which baking duties are spread equally among workers, and various committees support other core business functions. They also share a common mentorship system and membership process. New hires have an assigned trainer on each shift, then choose someone, usually one of these trainers, to be their “buddy.” Consistent interaction with a buddy eases integration into the business and the community of worker-owners. After six months, coop members vote on whether to invite new workers to become owners. Those who are not invited as owners leave the coop,

while those that stay must make a financial investment in the business. This “buy-in” can be made over time through payroll deductions, and the amount varies by coop. At Arizmendi 9th Ave., founders paid a buy-in of \$5000, with just 10% of that up front, but when the business developed a strong cash position, the buy-in for new members was reduced to \$1000.

Hourly pay at 9th Ave. (\$28 per hour) is well above market for bakery workers, and benefits are robust. Workers accrue paid time off and are encouraged to take six weeks of vacation throughout the year. The worker-owners also collectively decided to extend healthcare coverage to workers’ children. One of this bakery’s most remarkable achievements is enhancing its members’ housing security in one of the most expensive cities in the country. Six worker-owners have been able to buy a home in San Francisco or nearby.

Replicating Resiliency: Arizmendi Association of Cooperatives

The Arizmendi Association serves as an incubator, a network, and a technical assistance provider for the member cooperatives that own, govern, and finance its operations. This approach to networked, professional cooperative development and back office services has proven to be a successful model for growing and sustaining cooperative businesses.

During its first 20 years, the Arizmendi Association focused on replicating cooperative bakeries. By using an upside-down franchise model, the association could launch new coops with the same basic business plan relatively quickly and ensure their success. The association uses what some call a build-and-recruit model: it finds the location for the new business, incorporates the cooperative, secures the capital, and recruits new members, who are trained by peers at the other bakeries.

After the new businesses launch, the association continues to provide an array of legal, financial, educational, and technical assistance services, which are funded through member dues paid by each cooperative. Dues, rather than a fee-for-service model, ensure that new or struggling coops, which are less likely to have extra funds for services, get the help they need. More mature businesses, with less intense needs, continue to benefit from the network's legal, bookkeeping and other services.

The association makes decisions through a Policy Council, on which each member cooperative and the DSC are represented. The Policy Council determines fees and services and makes decisions regarding new businesses. For example, through the Policy Council, the member bakeries helped determine new bakery locations to ensure that a new coop would not impinge on the market of an older one.

In 2016, with six bakeries in operation, the association decided to expand into new industries. It has since launched Root Volume, a landscape design and build cooperative, and Arizmendi Construction, a building and renovation firm in the East Bay.

Individual cooperatives make their own operating decisions. Each coop pays its worker-owners differently depending on its circumstances and its members' philosophy. For example, at Root Volume, the hourly wage is \$23-\$35/hour based on an individual's experience. By contrast, at the 9th Avenue bakery, everyone earns the same wage, reflecting their inherent sense of equality. In addition to competitive wages, workers also receive benefits and patronage (a proportional share of profits).



Fresh pizzas made daily at Arizmendi Bakery, Valencia Street

A supportive community and a financial backbone to weather the storm

Although the Arizmendi cooperatives were impacted by the COVID-19 pandemic, their worker-centered business model ensured their resilience. During the first statewide shutdown, the Valencia St. location was the only Arizmendi bakery that stayed open. Arizmendi 9th Ave. was closed for 10 weeks but then reopened with a new pick-up window and reduced customer contact. Past financial success and stewarding of resources helped the business avoid layoffs.

In an interview, Timothy Huet, an attorney and Arizmendi Association co-founder, stated that "Arizmendi's networked ecosystem structure [is a] self-reliant scaling model" (Baskin, 2020). While there have been changes and adaptations over 25 years, the model has worked well through good and bad times. Arizmendi 9th Ave. and the Arizmendi Association are inspiring examples of how cooperatives can work together to create quality jobs, promote workers' self-determination, and leverage industry and cooperative development expertise to create and sustain successful worker-owned businesses.

Worker Cooperative Development in a Network: Some Key Takeaways

The Arizmendi Association is one of the most impactful cooperative development organizations in the United States. Aspects of its approach are shared by other successful worker coop development efforts. Here are some key takeaways:

- **Industry expertise reduces risk.** By developing multiple cooperatives in the bakery industry, the Arizmendi Association created more high quality jobs, more quickly for bakery workers. Its initial single-industry focus also built a strong association that could then branch out successfully to new industries.
- **Coop developers play a key role.** Arizmendi's Development and Support Collective (DSC) led the process of creating each new cooperative. This specialized team brings expertise in starting new businesses and in coop development.
- **Shared services support long-term success.** The DSC provides training and other support (e.g., bookkeeping) to worker-owners who are running their businesses, all with a capacity-building mindset. As each coop increases its capacity, the DSC devotes more time to new projects.
- **Member leadership matters.** The DSC is often staffed by worker-owners like Sue Lopez, who for several years worked part-time at the 9th Ave. bakery and part-time supporting new cooperatives. Members' skills and leadership help drive the association's growth and the success of each Arizmendi cooperative.

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California Solar Electric Company:

A transition from sole owner to worker cooperative

Grass Valley, California



Worker-owners at California Solar Electric Company in Grass Valley

California Solar Electric Company (Cal Solar) has been designing and installing solar systems for two decades. General manager Lars Ortegren started working there in 2006 and bought the business two years later from the original owner. He wanted to keep the company's environmental mission alive and to build a culture of trust among people living and working in Grass Valley. Ultimately, Lars decided to share ownership, and Cal Solar became a worker cooperative in 2019.

Lars' experience—first as an employee, then as the company's owner—taught him that the business's value lives in the people who work there. As he notes:

The idea of cooperative ownership always seemed really enticing to me, especially when you're talking about renewable energy systems. We're installing systems that typically have 25-year warranties on the panels, inverters, and working components, and they involve putting a lot of holes in people's roofs. So the idea of everyone equally owning that responsibility made a lot of sense.

The solar industry in the late 2000s was like a giant startup, and being in solar was a bet on the future. This created conditions that fit well with worker cooperatives, where personal and group incentives are aligned to encourage long-term thinking. The idea of distributing benefits across the workforce had come up before at Cal Solar, so it was no surprise that Lars started exploring worker ownership when he took the helm.



Lars Ortegren, former sole owner, now in his new role as worker-owner at Cal Solar

2010: EXPLORING A NATURAL IDEA

In 2010, Lars and a few coworkers contacted what is now called The Co-op Clinic, a program that provides peer-to-peer consulting to worker cooperatives. The peer advisors looked at Cal Solar's financials and outlined the steps in transitioning to a cooperative. Lars and the team tried to implement some of these steps, but found the process challenging, especially with the company undergoing a growth spurt. So they put the idea on hold. But the peer advisor engagement sparked an important conversation internally about what worker ownership could mean for the firm.

2015–2017: LEARNING THAT TIMING IS EVERYTHING

Several years later, Lars and some key employees decided it was time to get more serious about a transition and engaged Project Equity to assist in late 2015. Project Equity created a structured process and worked with this small group to begin designing their future cooperative.



Lars Ortegren & co-worker-owners at Cal Solar

Cal Solar also engaged most of its 15-member staff at the time in after-work committees to collaborate on strategic planning, formalizing operational procedures, and aspects of the coop design. However, the company was navigating major changes in the solar industry as well as its own rapid growth and decided it had bitten off more than it could chew all at once. They made a sound decision to postpone the coop transition until the company and its operating environment were more stable.

2019: BECOMING A COOPERATIVE—FINALLY!

Over the next couple of years, Cal Solar hit its stride. It saw several years of 15–20% revenue growth, which spiked to 40% in 2019. Lars believes the entrepreneurial mentality and long-term commitment that came from discussing worker ownership contributed to this growth.

Cal Solar had also established a strong financial and managerial foundation by 2019, which made a sale to employees viable. With Project Equity re-engaged, Cal Solar brought newer staff up to speed on the cooperative transition plan, then launched a new five-person transition team to finalize bylaws, create a governance matrix, and document improved approaches to operations and management that would support the coop's success.

Within six months, working with Project Equity and legal counsel, Cal Solar set up a California worker cooperative corporation, activated its new board of directors, and finalized the sale agreement. With a loan from Accelerate Employee Ownership, the company completed its transition in August 2019. At the end of that year, Cal Solar had 33 employees!

2020: THRIVING IN A PANDEMIC

Like so many businesses, Cal Solar was hit hard by COVID-19. The company put all workers on furlough with the first statewide shutdown. A traditional company would expect to see no productivity or engagement from furloughed employees, but Cal Solar's team continued to innovate; after all, the company's future was their own future.

As one example, the sales team came up with a strategy that generated a year's worth of sales in less than a month: they began installing battery storage systems and became an administrator of a special storage rebate, enabling them to offer free batteries to existing customers. As a result, Cal Solar was able to rehire its whole team, and the company's 2020 revenue ended up just 2% below initial projections.

One of the new worker-owners, Chuck Holding, summed it up:

Whereas the world was experiencing an economic downturn, we had a hiccup. We got together and really went after it, and we delivered unprecedented growth We made sure we had a place to work—this place that we own. In a world where businesses are literally closing, we worked hard to stay afloat.

2021: STRONGER TOGETHER

Laura Parkes, a worker-owner and elected Board member, shared:

Working for Cal Solar during the pandemic has been such an incredible blessing for me. It's made us all a lot stronger as a team and we've all been taking care of each other. Just knowing that this is our company makes my personal investment in Cal Solar a lot stronger.

The strength of worker ownership was clear when times were tough. As Lars said, "Having our workers more bought into the company's wider vision and participating with an ownership mentality has made us a more adaptable company."



Laura Parkes, worker-owner and elected Board member

Employee ownership will serve Cal Solar in good times as well. And from a business and employee satisfaction standpoint, times are good at Cal Solar right now. Operations Manager and worker-owner Angelica Niblock reports that, as of April 2021, the company has 40 employees. **Since it became a worker cooperative less than two years ago, wages across the**

company have increased more than 20% on average, and benefits have grown substantially as well. For example, Cal Solar now pays 80% for employee health insurance (up from 50%).



*Anastasia Torres,
worker-owner at Cal Solar*

Cal Solar worker-owner Anastasia Torres described what it's like to have a quality job with ownership:

Owning a company with a bunch of people I like is great. This is one of the best things that's happened to me and one of the best opportunities I've had to grow in a company.

Worker Cooperative Transitions: Some Key Takeaways

Many companies around the country are undertaking worker cooperative transitions with help from Project Equity and similar organizations. Today, Project Equity can guide a company from feasibility assessment through transition in a year or less if the timing and conditions are right. Cal Solar's story illustrates some of this growing field's key learnings and best practices:

- **Explore options early.** Most succession planners advise business owners to start five years before an ownership transition, but two years can often be enough.
- **Understand readiness factors.** Worker coop transitions can be challenging for young or high growth companies; having stable financial and general management is a key readiness factor.
- **Engage worker ownership transition experts.** Selling a business to its employees and structuring a cooperative to meet a company's specific needs is a complex undertaking; working with skilled guides can make all the difference.
- **The journey is worth it!** Not every business is a fit for employee ownership, but many are. Whether the journey is short or long, the payoff is big!

Yolo Eco-Clean Cooperative:

Four-year-old worker coop flies solo

Davis, California



YECC Training, 2019

Yolo Eco-Clean Cooperative (YECC—pronounced “YES”) celebrated a milestone in June 2019 when it became a completely independent worker cooperative. When YECC opened in January 2017, the coop had four part-time members, and by early 2020 (pre-COVID), membership grew to 18 members, most of whom worked full time.

The past year has been a challenge. The coop weathered supply shortages and reduced sales, and three members left under the strain of the pandemic. Nonetheless, with help from a PPP loan, YECC minimized the economic losses to members.

BUILD AND RECRUIT MODEL

YECC is part of an economic development initiative of the California Center for Cooperative Development (CCCD), which used a “build and recruit” approach to create a new worker coop. With this model, a nonprofit, in this case CCCD, forms the business and then recruits the cooperative members. Well before YECC opened for business, CCCD completed a feasibility study and business plan; drafted bylaws, policies, and procedures; and developed training materials. Community volunteers comprised the initial board of directors, with workers joining after they completed their candidacy requirements.

In addition to leading the development phase, CCCD dedicated a full-time staff member to support YECC during its first two years of operation, and part-time staffing for another six months. YECC paid for business operating costs, while the CCCD employee, the *Cooperative Facilitator*, managed day-to-day operations. Using a mentorship approach to model servant leadership, the facilitator worked with members to put the business on a path for success. This included implementing the business plan, providing management support, and training worker members in the cooperative model.

From the beginning, members were actively involved in making decisions about their pay, work organization, policies, and peer evaluation practices. CCCD's role included both engaging workers and leading the business launch and development of the cooperative structure. This combination is at the heart of the "build and recruit" approach, which builds a cooperative work culture and governance experiences that prepare members to take over full operations as the responsibilities of the facilitator are gradually reduced.

YECC'S INDEPENDENCE

In early 2019, YECC members recruited longtime worker-member Eva Carrillo as coop manager. Eva worked alongside Cooperative Facilitator Maria Olmedo for three months before Maria ended her facilitation role in June 2019. Eva says, "Being manager has been a great opportunity to grow as a person. The job comes with more responsibility working with clients and members but, because I worked cleaning, it has made the job in the office easier."

Various non-cleaning roles were developed and divided among members. For example, several members were trained in Quickbooks and now have accounting roles. Two members are responsible for client estimates and scheduling member work hours. After reviewing ways the coop could reduce expenses, members decided to discontinue their outsourced laundry services and rotate doing laundry among members.

YECC members decided to pay everyone at the coop the same hourly wage: \$17/hour for weekdays and \$18/hour for nights and weekends. When combined with patronage (profit-sharing), total earnings average about \$23/hour. They also give themselves paid time off, which is rare in the housecleaning industry.

YECC board member Zulma Giron sees many member advantages. Zulma shares: "I really like working with the coop, it is very flexible, you choose your own hours and, when there is an emergency, someone is always there to pick up your shift. Since we are a team we resolve conflicts with each other's help."¹

Martha Tapia also feels happy she found the cooperative. She says, "I have been working here for almost two years; it is very flexible and gives me time to be with my family, which is very important for me. One thing that motivated me to work here is the use of the eco-friendly products ... and the opportunity to become an owner."²

YECC's newest member, Bertha Campos, also likes the coop's family-friendly approach and the opportunity to share in ownership. She adds, "I was nervous coming into the cooperative but everyone is really friendly and helped me with my training."

¹Translated from Spanish

²Translated from Spanish

ECONOMIC DEVELOPMENT MISSION

As an economic development initiative, creating the Yolo Eco-Clean Cooperative met several of CCCD's goals:

- Develop sustainable, living wage jobs;
- Create cooperative ownership opportunities for underserved community members; and
- Build an environmentally sustainable business that contributes to the local economy.

With the help of many funders, including support from the USDA's Rural Cooperative Development Grant (RCDG), the Catholic Campaign for Human Development, and other foundations, these goals have been realized. But the story doesn't end here. Worker cooperatives continue to promote economic development as they grow and expand. Rather than hire employees and pay them less than the owners, Yolo Eco-Clean, like all worker cooperatives, welcomes new members as co-owners who share profits and build economic security.

Developing Startup Worker Cooperatives: Some Key Takeaways

YECC was the third cooperative that CCCD developed in the cleaning industry, and it is one of dozens of cleaning coops nationwide. CCCD's choice of green cleaning products and its "build and recruit" model were inspired in part by the experience of WAGES (now Prospera), which developed multiple green cleaning coops in the Bay Area in the 1990s and 2000s.

In 2009, five WAGES coops formed a formal network and had more than 100 worker-owners and annual sales of \$3.2 million. Two of these cooperatives closed, one after a strong 12-year run and the other after 17 years. Three remain in operation today.

WAGES did rigorous impact studies and found that members' individual incomes doubled and tripled thanks to full-time work and higher hourly pay; also, their family incomes increased 40-80%—a powerful indicator of lasting financial benefits for families and communities.

In WAGES' "high-touch" approach, a coop development team worked with each new business over a three- to five-year period and provided in-depth support on various levels. This high degree of engagement created larger businesses with more worker-owners and was key to the coops' success. Most important, the approach created quality jobs in a low-wage industry and drove strong financial impacts for coop members: not only higher pay and full-time work, as noted above, but also health insurance, profit sharing, and, of course, skill building and self-governance. But the resources required for this high-touch model are extensive.

The coop development model that CCCD used for YECC differed in some key respects from WAGES', but both included the four components below.

Each new cooperative received the following from the coop developer:

- **Management services:** a general manager or cooperative facilitator hired and paid by the nonprofit during the startup and initial growth phases
- **Technical assistance:** expertise in financial management, marketing, governance, regulatory issues, and the coop's core product or service (in this case, green cleaning)
- **Training:** training in governance, financial oversight, conflict resolution, member engagement, and other topics, not just before launch but ongoing
- **Governance support:** the developer had a direct role on the board of directors (either through staff or community volunteers) during the early years

For YECC, CCCD used a somewhat scaled back "medium-touch" approach that succeeded in building a cooperative business that is showing strength and resiliency. Many organizations use a "low-touch" method of worker coop development that focuses primarily on training, one of the four components listed above. This model is less labor intensive and therefore less expensive. But it is also less likely to generate full-time jobs or coops that grow as quickly as with the medium- and high-touch approaches. This illustrates the need not only for more funding for cooperative development, but also for research on how these different types of coop development affect business longevity, growth, job quality, and financial impact, as well as non-financial outcomes.

California Statutes & IRS Codes Regulating Worker Cooperatives

Worker Cooperative provisions exist within California's [Cooperative Corporation Code Sections 12200 to 12656.5](#) with special provisions that directly relate to the legal rights and obligations of worker cooperative corporations. Many worker cooperatives, for a variety of reasons, choose not to incorporate as a Cooperative Corporation and, instead, operate as Partnerships ([Cal. Corp. Code §§ 15800 - 16962](#)), Limited Liability Companies ([Cal. Corp. Code §§ 17701.01 - 17713.13](#)), General Stock Corporations ([Cal. Corp. Code §§ 100 - 2319](#)), or even Nonprofit Public Benefit Corporations ([Cal. Corp. Code §§ 5110 - 6910](#)). Below, only worker cooperative corporations statutes are discussed. For more information on worker cooperatives forming as LLCs, General Stock Corporations, or Nonprofit Public Benefit Corporations, please visit theselc.org/bite-sized-law and Co-opLaw.org.

Defining worker cooperative:

[Cal. Corp. Code § 12253.5](#) defines a worker cooperative and requires that “at least 51% of the workers shall be worker-members or candidates.”

- “Worker cooperative” or “employment cooperative” means a corporation formed under this part that includes a class of worker-members who are natural persons whose patronage consists of labor contributed to or other work performed for the corporation. Election to be organized as a worker cooperative or an employment cooperative does not create a presumption that workers are employees of the corporation for any purposes. At least 51% of the workers shall be worker-members or candidates.

Reduced meeting notice requirements for “collective board” worker cooperatives:

[Cal. Corp. Code § 12461](#) (“A worker cooperative shall provide notice of the meeting not less than 48 hours before the meeting if the meeting is a meeting of only worker-members, provided that the notice is delivered personally to every worker-member.”) and [Cal. Corp. Code § 12460.5](#) (collective board worker cooperatives are not required to hold an annual meeting).

Community investor exemption:

Ability to raise capital from “investor-members,” aka the general public, for up to \$1000. A worker cooperative corporation includes a special category of investor, the “community investor,” who is not a worker-member, but rather a person who invests money in the cooperative with the expectation of a limited return and limited voting rights.

- [Cal. Corp. Code § 12253 \(c\)](#) Community investor voting power in a worker cooperative shall be provided in the articles or bylaws, and is limited to approval rights only over a merger, sale of major assets, reorganization, or dissolution. Approval rights shall not include the right to propose any action.

Worker Cooperatives & the Internal Revenue Service (IRS)

Worker cooperatives have a special and beneficial tax category:

[The Puget Sound Plywood, Inc. v. Commissioner \(44 T.C. 305, 308 \[1965\]\)](#) case became the leading case which the IRS relied on for the definition of “operating on a cooperative basis.” The court listed three “guiding principles”:

1. “Subordination of capital, both as regards control over the cooperative undertaking, and as regards the ownership of the pecuniary benefits arising therefrom”;
2. “Democratic control by the worker-members themselves”; and
3. “The vesting in and the allocation among the worker-members of all fruits and increases arising from their cooperative endeavor (i.e., the excess of the operating revenues over the costs incurred in generating those revenues), in proportion to the worker-members’ active participation in the cooperative endeavor.”

Subsequent revenue rulings emphasized that these principles were necessary to a determination that a business was operating on a cooperative basis. This case established for the first time that a worker cooperative is entitled to exclude retained patronage dividends from gross income to the same extent as purchasing and marketing cooperatives.

That tax category is [Subchapter T](#), which is pretty great for cooperatives! It provides a tax deduction to the business (the cooperative) for patronage refunds paid to members, which can reduce the overall cost of doing business. Effectively, it avoids double taxation for member generated income. With Subchapter T, you can have some income taxed at 1) the entity level, 2) member level, 3) both, or 4) neither.

The illusory tax incentives of 26 U.S. Code § 1042 – Sales of stock to employee stock ownership plans or certain cooperatives: Section 1042 of the tax code enables business owners to reduce the amount of taxable proceeds resulting from the sale of equity to employees. Under Section 1042, some business owners that sell their company to employees can defer capital gains taxation; and potentially avoid it altogether. In order to qualify for Section 1042 deferral, the seller must:

1. Have owned the stock for more than three years prior to transfer;
2. Have transferred at least 30% of the company’s overall equity, and at least 30% of each class of outstanding stock, to his or her employees;
3. Issue a written statement to the IRS consenting to certain tax rates and requirements;
4. Be a C Corporation, or convert to a C Corporation prior to sale; and
5. Reinvest the proceeds in “Qualified Replacement Properties” within a 15-month period.

Qualified replacement properties include stocks, bonds, notes, and securities of operating corporations, incorporated in the United States. Preferred shares in the cooperative may also qualify as replacement property, but only if convertible into common stock at a reasonable price.

Two or more shareholders can combine their sales in order to meet the 30% requirement, so long as the sales are part of a “single, integrated transaction.” Moreover, the 30% requirement may be met over a series of multiple transactions, but only the transaction that facilitates employee ownership of 30% or more of the company will qualify for Section 1042 treatment. After the initial 30% threshold is reached, all subsequent transfers to the ESOP or eligible worker cooperative will qualify for Section 1042 treatment.

Unfortunately, due to its complexity and requirements, the 1042 rollover has rarely been used for worker cooperative conversions and, when used, has been very costly. Legal professionals and cooperative developers have been developing ways to make the 1042 more accessible to worker cooperative conversions.

LIST OF CALIFORNIA WORKER COOPERATIVES

COOPERATIVE NAME	DESCRIPTION OF SECTOR	LOCATION	YEAR FOUNDED/ YEAR CONVERTED
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CALIFORNIA WORKER COOPERATIVES WITH 50 OR MORE WORKERS

AlliedUP Cooperative Inc.	Employment services/staffing (NAICS 56)	Statewide	2021
Alvarado Street Bakery	Bread manufacturing (NAICS 31-33)	Petaluma	1983
Cheese Board Collective	Food bakery and café (NAICS 72)	Berkeley	1967/1971
Rainbow Grocery	Food and beverage; grocery (NAICS 44-45)	San Francisco	1993
Sun Light & Power	Design/build; solar power systems (NAICS 23)	Berkeley	1976/2018
Turning Basin Labs	Employment services/staffing (NAICS 56)	Oakland	2019

CALIFORNIA WORKER COOPERATIVES WITH 20-49 WORKERS

Anon. warehousing/shipping co.	Warehousing (NAICS 48-49)	Oakland	1928/2021
Ariza Cheese	Food manufacturing (NAICS 31-33)	Los Angeles	1972 / 2017
Arizmendi Bakery, 9th Avenue	Food bakery (NAICS 72)	San Francisco	2000
Arizmendi Bakery, Lakeshore	Food bakery (NAICS 72)	Oakland	1997
A Slice of New York	Food pizzeria (NAICS 72)	Santa Clara	2006 / 2017
California Solar Electric	Design/build; solar power systems (NAICS 23)	Grass Valley	2000 / 2019
Community Printers, Inc.	Print solutions and bindery (NAICS 31-33)	Santa Cruz	1977
Corners of the Mouth	Green cleaning services (NAICS 56)	Mendocino	1975
Emma's Eco-Clean, LLC	Food and beverage; grocery (NAICS 44-45)	Redwood City	1998
Maybeck High School	Teacher-run school (NAICS 61)	Berkeley	1972
Proof Bakery	Food bakery (NAICS 72)	Los Angeles	2010 / 2021
Research Action Design	Consulting (NAICS 54)	Joshua Tree	2010 / 2021
Restif Cleaning	Cleaning services (NAICS 56)	Arcata	1983 / 1990
Three Stone Hearth	Specialty food store (NAICS 44-45)	Berkeley	2006
Uptima Business Bootcamp	Business accelerator, education (NAICS 61)	Oakland	2016

CALIFORNIA WORKER COOPERATIVES WITH 10-19 WORKERS

Aorta, Inc.	Consulting; social justice (NAICS 54)	Multi-site/national	2010
Arizmendi Bakery, San Pablo	Food bakery (NAICS 72)	Emeryville	2003
Arizmendi Bakery, San Rafael	Food bakery (NAICS 72)	San Rafael	2010
Arizmendi Bakery, Valencia	Food bakery (NAICS 72)	San Francisco	2010
Davis Home Pros	Construction (NAICS 23)	Walnut Creek	2019
Design Action Collective	Design services; graphic design (NAICS 54)	Oakland	2002
FEED Sonoma	Organic produce distribution (NAICS 42)	Petaluma	2011/2020
Heartwood Cooperative	Design/build; woodworking (NAICS 23)	Berkeley	1974
Home Green Home LLC	Green cleaning services (NAICS 56)	San Francisco	2009

LIST OF CALIFORNIA WORKER COOPERATIVES, *continued*

COOPERATIVE NAME	DESCRIPTION OF SECTOR	LOCATION	YEAR FOUNDED/ YEAR CONVERTED
Mandela Grocery	Food and beverage; grocery (NAICS 44-45)	Oakland	2009
Mariposa Gardening and Design	Landscaping services (NAICS 56)	Berkeley	2005/2016
Missing Link Bicycle Cooperative	Bike shop/repair (NAICS 44-45)	Berkeley	1973
Other Avenues Food Cooperative	Food and beverage; grocery (NAICS 44-45)	San Francisco	1998
Pangea Legal Services	Legal services (NAICS 54)	SF, San Jose	2013
Promotoras Activas SF, LLC	Community outreach services (NAICS 62)	San Francisco	2021
Radiate Consulting Bay Area	Consulting services (NAICS 54)	Oakland, Orange Cty.	2020
Rockman et al	Research and evaluation (NAICS 54)	San Francisco	1999/2019
Solidarity Research Center	Data and research firm (NAICS 54)	Los Angeles	2015
Suigetsukan Martial Arts School	Martial arts dojo (NAICS 71)	Oakland	1991
Sustainable Economies Law Ctr.	Legal services (NAICS 54)	Oakland	2009
Teamworks Cleaning	Cleaning services (NAICS 56)	Sunnyvale	2006
The Local Butcher Shop	Local, sustainable meat (NAICS 44)	Berkeley	2011/2021
The Stud	Drinking place; bar (NAICS 72)	San Francisco	1966/2017
Yolo Eco-Clean Cooperative	Green cleaning services (NAICS 56)	Davis	2016

CALIFORNIA WORKER COOPERATIVES WITH FEWER THAN 10 WORKERS

Adams and Chittenden	Glass manufacturing (NAICS 31-33)	Berkeley	1993/2019
Alchemy Collective Cafe	Food and beverage cafe (NAICS 72)	Berkeley	2010
Arizmendi Association, Development and Support Collective	Consulting services (NAICS 54)	Oakland	1996
Arizmendi Construction	Design and build (NAICS 23)	Oakland	2016
Bay Area Girls Rock Camp	Music youth camp (NAICS 71)	Oakland	2008
Biofuel Oasis	Biodiesel fuel station (NAICS 44-45)	Berkeley	2003
Box Dog Bikes	Bike shop / repair (NAICS 44-45)	San Francisco	2004
Cohere, LLC	Software technical coaching (NAICS 54)	Oakland	2018
Colmenar Cooperative Consulting	Consulting services (NAICS 54)	Oakland	2020
Co-Risk Labs	Evaluation and research (NAICS 54)	Oakland	2016
Dig Cooperative	Green design/build, water systems (NAICS 23)	Oakland	2005
Drought Smart Cooperative	Green design/build, water systems (NAICS 23)	Berkeley	2015
East Bay Permanent Real Estate Cooperative	Real estate (NAICS 53)	Oakland	2017
Echo Adventure Cooperative, Inc.	Wellness classes and adventure tours (NAICS 71)	Groveland	2016
Electric Embers Cooperative	Internet hosting services (NAICS 51)	San Francisco	2006
Embodiment Arts Collective	Health; alternative therapies (NAICS 62)	San Francisco	2015
Flying V Farm	Food and beverage; farm stand (NAICS 44-45)	Placerville	2018

LIST OF CALIFORNIA WORKER COOPERATIVES, *continued*

COOPERATIVE NAME	DESCRIPTION OF SECTOR	LOCATION	YEAR FOUNDED/ YEAR CONVERTED
Groundswell Community and Retreat Center	Recreational community retreats (NAICS 71)	Yorkville	2017
Lift Economy	Consulting services (NAICS 54)	Oakland	2010
Marketplace Cooperative, Inc.	Administrative plus marketing services (NAICS 54)	Anza	2016
Niles Pie	Food bakery (NAICS 72)	Union City	2010 / 2017
Pedal Express Courier Service	Transportation; bicycle courier (NAICS 48-49)	Oakland	1994
Pilates In Common	Fitness (NAICS 71)	San Francisco	2018
Plausible Labs	Computer software (NAICS 51)	San Francisco	2008
Red Hen Collective	Wine distributor (NAICS 42)	Oakland	2016
Reflex Design Collective	Consulting (NAICS 54)	Oakland	2018
Rhizome Urban Gardens	Sustainable landscaping services (NAICS 56)	San Francisco	2013
Rich City Rides	Bike shop/repair, recreation (NAICS 44-45, 71)	Richmond	2012
Root Volume	Landscaping (NAICS 56)	Oakland	2016
San Francisco Community Land Trust	Housing cooperative (NAICS 53)	San Francisco	2003
San Francisco Mime Troupe	Theater group (NAICS 71)	San Francisco	1970
San Francisco Tech Collective	Computer and IT services (NAICS 54)	San Francisco (and Cambridge, MA)	2006
Sarana Community Acupuncture	Healthcare; acupuncture therapies (NAICS 62)	Albany	2008 / 2015
SF Green Cab LLC	Transportation; green taxi (NAICS 48-49)	San Francisco	2007
Strength In Numbers	Bookkeeping (NAICS 54)	Oakland	2017
The Lei Company	Retail; handcrafted leis (NAICS 44-45)	Oakland	2017
Uxo Architects	Architecture services (NAICS 54)	Oakland, Los Angeles	2018
Wild Swans Publishing Cooperative	Publishing (NAICS 51)	Berkeley	2019
Your SCRUF Pet Care Collective	Pet care services (NAICS 81)	Oakland	2016

CALIFORNIA WORKER COOPERATIVES WITH UNKNOWN NUMBERS OF WORKERS

AK Press	Publishing (NAICS 51)	Chico	1990
Community Market	Food and beverage; grocery (NAICS 44-45)	Sebastopol, Santa Rosa	1975
Community Network Solutions	Design, screen printing, murals (NAICS 54)	Oakland	2016
Cooperative Digital	Business phone systems & services (NAICS 51)	Berkeley	1998
Courage LLC	Health homecare (NAICS 62)	Los Angeles	2013
Cycle of Change/The Bikery	Bike shop/repair, recreation (NAICS 44-45, 71)	Oakland	2009
FruitCraft Fermentery and Distillery	Manufacturing; winery, distillery (NAICS 31-33)	Carlsbad	2009
Green and Clean Professional Housecleaning	Green cleaning services (NAICS 56)	Concord	2009

LIST OF CALIFORNIA WORKER COOPERATIVES, *continued*

COOPERATIVE NAME	DESCRIPTION OF SECTOR	LOCATION	YEAR FOUNDED/ YEAR CONVERTED
Hasta Muerte	Coffee and bakery (NAICS 72)	Oakland	2017
NursesCan Cooperative	Health homecare (NAICS 62)	Los Angeles	2017
PedX Courier & Cargo	Transportation; courier (NAICS 48-49)	Santa Cruz	1994
Professional-Eco Cleaning, LLC	Green cleaning services (NAICS 56)	Hayward	2017
Taste of Denmark	Food bakery (NAICS 72)	Oakland	2010
Ubuntu Coffee Cooperative Inc.	Manufacturing; coffee roasters (NAICS 31-33)	Emeryville	2012
Zinc Technology Inc.	Software solutions (NAICS 54)	Oakland	2015

NAICS INDUSTRY CODE	DESCRIPTION
NAICS 72	Accommodations and Food Services
NAICS 56	Administrative and Support and Waste Management and Remediation Services
NAICS 71	Arts, Entertainment, and Recreation
NAICS 23	Construction
NAICS 61	Educational Services
NAICS 62	Health Care and Social Assistance
NAICS 51	Information
NAICS 31-33	Manufacturing
NAICS 81	Other Services except Public Administration
NAICS 54	Professional, Scientific, and Technical Services
NAICS 53	Real Estate and Rental and Leasing
NAICS 44-45	Retail Trade
NAICS 48-49	Transportation and Warehousing
NAICS 42	Wholesale Trade

Annotated List: Profiles & Stories of California Worker Cooperatives

This annotated list includes stories and profiles written about California worker cooperatives in diverse industries, including manufacturing, restaurants and cafes, grocery, home cleaning, landscaping, professional services, construction, and solar design and installation. Three additional profiles are included in this report, and new stories of employee-owners and employee-owned companies are frequently added at www.project-equity.org as well.

Adams & Chittenden Scientific Glass, Berkeley

Project Equity. (n.d.). *For the Love of Glass*. <https://project-equity.org/companies/for-the-love-of-glass/>

When considering employee ownership, the owners were concerned that passing on knowledge of their specialty craft in a niche industry would be a challenge for the staff. Through the transition process, however, they noticed the higher levels of interest and responsibility the employee-owners were taking for their individual work and for the overall business. After decades in business, Adams & Chittenden transitioned to a worker cooperative in 2019.

Alvarado St. Bakery, Petaluma

Lund, M. Baked In: How one worker co-op innovates for growth. *The Cooperative Business Journal*. <http://online.fliphtml5.com/caqv/zrve/#p=6>

Lund highlights how innovative technology has enabled increased speed and production capacity at Alvarado Street Bakery. This has allowed the cooperative to share more profits with its worker-owners and prevent workplace injuries. In addition to good pay and profit sharing, workers at this cooperative bakery have a 401(k) plan, full healthcare coverage, and, for the many who have been there ten years or more, six weeks of paid vacation.

Arizmendi Association of Cooperatives, San Francisco Bay Area

Project Equity (n.d.). *The Cheeseboard Collective: Martha's Story*, <https://project-equity.org/learn-from-others/stories/the-cheese-board-collective-marthas-story/>

According to Martha, a founding member of the first Arizmendi Bakery and the subject of this case study, the cooperative culture at Arizmendi Lakeshore was ironed out in a nearly two-year process -- one that was improved upon for the Arizmendi bakeries that followed. During the process, employees worked together with a development team to develop the particular nuances of the business structure, including but not limited to governance, bylaws, policies, and equipment purchasing. In its formation, Arizmendi also reaped the benefits of support from another enterprise, The Cheese Board, where Martha later worked after helping establish two more Arizmendi bakeries. The Cheese Board provided a collection of passed down, in-house recipes and financial assistance to support the now legendary Arizmendi Association of Cooperatives

Spicer-Sitzes, M.D. (2016, December 30). These Workers Are Celebrating 20 Years of Shared Bread and Shared Ownership. *Truthout*. <https://truthout.org/articles/these-workers-are-celebrating-20-years-of-shared-bread-and-shared-ownership/>

The author makes the case that Arizmendi has been a successful, stable bakery in a sector that is highly volatile, even in economic booms. Worker-owners at Arizmendi have gained financial stability as well as an interest to stay with the company that surpasses the time that most food businesses are in operation, according to an Arizmendi Association founder, Tim Huet.

A Slice of New York, San Jose/Santa Clara and Sunnyvale

Project Equity. (n.d.). *A Slice of New York*. <https://project-equity.org/owner-stays/a-slice-of-new-york/>

The owners of A Slice of New York believed in rewarding their loyal employees with stable employment and the opportunity to be part of a worker cooperative to generate wealth for themselves and their families. Kirk Varan has since become a proud advocate for worker cooperatives, spreading the word about the benefits of the cooperative model and advocating for employee ownership to government leaders throughout his Santa Clara community. [NOTE: Kirk's advocacy has since extended further to the state of California and beyond.]

California Solar Electric, Grass Valley

Project Equity. (n.d.). *California Solar: Lars's Story*.

<https://project-equity.org/case-studies/california-solar-larss-story/>

Lars Ortegren, owner of California Solar Electric Company in Grass Valley, describes the cooperative philosophy as good for job retention since workers are more inclined to continue working for a company in which they have ownership. This is particularly advantageous in the solar industry, where there is traditionally a higher rate of turnover. In addition to increased job retention, the collective input and shared responsibilities for running a business ultimately make the business more resilient.

Project Equity. (n.d.). *Thriving through the COVID crisis: California Solar Electric Company*.

<https://project-equity.org/owner-stays/cal-solar-thrives-through-covid-crisis/>

California Solar Electric Company, a cooperative based in Grass Valley, attributes their resilience and ability to weather the COVID-19 pandemic to employee ownership. In spite of being on furlough, the sales team managed to secure a lucrative partnership that resulted in “a year’s worth of sales in about three weeks,” and motivated the team to keep innovating since they considered the success of the business as intertwined with their own futures.

Community Printers, Santa Cruz

TESA Collective. (2019, July 30), How to manufacture your game domestically, sustainably, and ethically.

<https://www.tesacollective.com/how-to-manufacture-your-game-domestically-sustainably-and-ethically/>

Community Printers is an established manufacturing business and worker cooperative based in Santa Cruz, with a reputation for its sustainable approach to running its business. Through its partnership with TESA Collective, Community Printers applies its environmentally-friendly practices to board game production, including the use of recycled materials and vegetable-based ink and limiting the use of plastics. In addition to promoting sustainability, the team at Community Printers are also respected for their highly collaborative work style, quick turn-around time, and great customer service.

Davis Home Pros, Walnut Creek

Becoming Employee Owned. (n.d.). Davis Home Pros – Walnut Creek CA.

<http://becomingemployeeowned.org/companies/davis-home-pros/>

When considering their exit options, the selling owners of Davis Home Pros realized that their strong executive leadership team could play an important role in supporting a transition to employee ownership. The leadership team’s effective communication with employees, legal and financial resolutions, and the expansion of financial acumen across the company helped shape a successful conversion process.

Mandela Grocery Cooperative, Oakland

Dubb, S. (2019, June 11). Worker-Run Food Co-op in Bay Area Eyes Expansion as It Turns 10. *Nonprofit Quarterly*.

<https://nonprofitquarterly.org/worker-run-food-co-op-in-bay-area-eyes-expansion-as-it-turns-10/>

Mandela Grocery has been a well-respected worker cooperative business in the Oakland community for ten years and counting, and has promising expansion opportunities in the context of its rapidly changing West Oakland neighborhood. The coop has also been assisting a fellow Oakland cooperative to provide training to their new worker-owners. This demonstrates the role coops can play in supporting other businesses with similar structures and goals.

Mariposa Gardening & Design, Berkeley/Oakland

Hurd, A. (2017, Spring). Growing a Giving Business. *Pacific Horticulture*.

<https://www.pacifichorticulture.org/articles/growing-giving-business/>

The owner of Mariposa turned to a worker cooperative model for the structure of her company because it enabled workers to have a voice in decision-making processes and facilitated more equitable profit distribution. In spite of personality clashes and challenges encountered during the company’s transition to a worker coop, Hurd considers the decision to become a coop a fitting choice. Workers share in the workload and responsibility of growing their business, and, as a result of these efforts, the benefits of Mariposa’s coop structure extend beyond just the worker-owners. The coop model helps contribute to an improved, sustainable economy for all, including workers, clients and the planet.

Niles Pie Company, Union City

Project Equity (n.d.). Niles Pie. <https://project-equity.org/owner-stays/niles-pie/>

While a worker cooperative can be a useful strategy to exit from a business immediately, Niles Pie owner, Carolyn Berke, transitioned her business to a cooperative years before she planned to retire. This transition period enabled her to remain with the business while engaging her co-workers to support its growth plan until she is ready to stop working and embark on her retirement.

Other Avenues, San Francisco

Sacharoff, S.N. (2016). Chapter 5: Other Avenues Food Store Cooperative. In *Other Avenues Are Possible: Legacy of the People's Food System of the San Francisco Bay Area*. PM Press.

https://www.google.com/books/edition/Other_Avenues_Are_Possible/ONTjDQAAQBAJ

In the 1970s, Other Avenues was mostly run by volunteers and loosely operating according to cooperative principles, but there was little distinction between the role of consumer volunteers and paid staff. After legally incorporating as a worker cooperative in 1999, Other Avenues instilled newfound empowerment among its workers through formal shared responsibility for the business. Workers receive extensive training during the onboarding period, additional worker benefits like medical coverage and grocery discounts, and a say in management through seats on the Board.

Rainbow Grocery, San Francisco

Sacharoff, S.N. (2016). Chapter 4: Rainbow Grocery Cooperative. In *Other Avenues Are Possible: Legacy of the People's Food System of the San Francisco Bay Area*. PM Press.

https://www.google.com/books/edition/Other_Avenues_Are_Possible/ONTjDQAAQBAJ

Rainbow Grocery, a worker cooperative in San Francisco, faces direct competition from the nearby Trader Joe's and Whole Foods, but has remained successful. At the root of the cooperative's continuance and profitability are the quality products set at reasonable price points, exceptional customer service, and the democratic workplace structure built into their business model. Sacharoff explains Rainbow's history in detail and spells out its unique model for workplace democracy with a large, highly-engaged workforce operating in self-managed teams.

Rockman et. al., San Francisco

Project Equity (n.d.). *Rockman did the research, employee ownership won*.

<https://project-equity.org/owner-retires/rockman-et-al/>

As one of the first professional research firms to become a worker cooperative, Rockman et. al. and its original owner, Saul Rockman, recognized that eachcoop can serve as a model for others considering a similar transition. For Saul Rockman, the cooperative conversion allowed for financial stability in his retirement, while also giving his employees a way to keep growing the company as worker-owners.

Sun Light & Power, Berkeley

Staubus, M. (2017, August 17). The ESOP-erative. *Fifty by Fifty*.

<https://www.fiftybyfifty.org/2017/08/the-esop-erative/>

Employee ownership expert Martin Staubus details the value that Employee Stock Ownership Plans (ESOPs) and worker cooperative structures can offer, discussing tax advantages, as well as other benefits from democratic governance. The article focuses on Sun Light & Power, a company that transitioned to a hybrid model of an ESOP and cooperative, or "ESOP-erative." Using this model, Sun Light & Power has become an economically viable business with a high level of employee voice and participation.

TeamWorks, San Jose

Smathers Moore, D. (2008, May). *A Layperson's Guide to the TeamWorks Cooperative Network's*

Financial and Legal Structures. TeamWorks Cooperative Network. <https://institute.coop/resources/layperson%E2%80%99s-guide-teamworks-cooperative-network%E2%80%99s-financial-and-legal-structures>

Smathers Moore highlights the challenges that worker cooperatives have had in scaling to become part of the traditional economic approach to businesses in the U.S., focusing on how the TeamWorks Cooperative Network has navigated these challenges. The author, who founded and led TeamWorks for many years,

points out the tendency for coops to not partake in long-term capital and equity formation to sustain the business, focusing instead on rewarding members through patronage in the early stages of the coop. He argues that building assets and generating equity is necessary to facilitate business growth and efficiency as well as job creation.

TeamWorks (n.d.). *Built for Resilience*. <https://www.teamworks.coop/covid-strong.html>

During the COVID-19 shelter-in-place protocols, TeamWorks was able to identify a “silver lining” and take its “transformative member education” to the next level. During the shutdown, TeamWorks worked to ensure that each member had dependable at-home internet service and the skills to participate in online team meetings and trainings. Although an outside trainer was brought in to guide trainings, she pivoted to having members lead events on their own, including meetings related to stress management and individual finances. TeamWorks’ “Quarantine Education Program” not only provided members with formalized education that many had not experienced since childhood, but also dramatically increased levels of participation amongst worker-owners.

Yolo Eco-Clean, Davis

Hampton, C. (2017, March 28). Yolo Eco-Clean Co-op, sees growth, empowers community members. *Enterprise*. <https://www.davisenterprise.com/business/yolo-eco-clean-co-op-sees-growth-empowers-community-members/>

In this case study of Yolo Eco-Clean worker cooperative, Hampton emphasizes their collective decision-making processes. Workplace practices like dress code policies, prices for services, and staff schedules are put forward for discussion and decided with the interest of the worker-owners and the business in mind.

Annotated Bibliography: Worker Cooperatives

Abell, H. (2020, May). *The Case for Employee Ownership: Why Philanthropy and Government Should Invest in This Powerful Business Model*. Project Equity. https://www.project-equity.org/wp-content/uploads/2020/05/The-Case-for-Employee-Ownership_Project-Equity_May-2020.pdf

This paper highlights the transformative impacts of broad-based employee ownership on employees' lives as well as the positive business outcomes and societal benefits it creates, exploring both worker cooperatives and companies with Employee Stock Ownership Plans (ESOPs). Abell aggregates the findings of dozens of studies and provides ample anecdotal evidence and real life examples. As such, this report is a useful "go-to" resource for individuals wishing to understand the evidence base for the benefits of broad-based employee ownership without reviewing multiple studies, and to understand worker coops and ESOPs as part of a spectrum of broad-based employee ownership. The paper also provides examples of how state and local governments and philanthropic organizations are advancing employee ownership, and advocates for increased investment by government and philanthropy alike to help scale employee ownership.

Abell, H. (2014, June 14). *Worker Cooperatives: Pathways to Scale*. The Democracy Collaborative. <https://www.project-equity.org/wp-content/uploads/2017/02/Worker-Cooperatives-Pathways-to-Scale.pdf>

This paper provides a summary of the worker cooperative landscape and discusses barriers and success factors to cooperative development. The paper includes a section on the "case for cooperatives," detailing the benefits for workers, businesses, and society at-large. Abell also identifies six factors that contribute to successful worker cooperative development: continual fostering of the cooperative culture; designing for business success; available long-term support; access to patient capital; solid aptitude of management; and good governance (p. 2).

Adeler, M. J. (2013). *Enabling Policy Environments for Co-operative Development: A Comparative Experience*. Centre for the Study of Co-operatives, University of Saskatchewan and Institute of Urban Studies, University of Winnipeg. https://institute.coop/sites/default/files/resources/225%202009_Juarez%20Adeler_Enabling%20policy%20environments%20for%20cooperative%20development.pdf

This research report probes the historical background, industry infrastructure, and existing policies that influenced cooperative development in the regions of Spain, Italy, Quebec, and Manitoba. The paper examines how cooperative networks such as associations are able to support cooperative development, exploring the "resources and capacity" that allow them to ensure favorable cooperative development (p. 2). The paper includes an examination of the various policy environments favorable for cooperative buildout, as well as a series of policy recommendations tailored to Manitoba.

Birchall, J., and Ketilson, L.H. (2009). *Resilience of the Cooperative Business Model in Times of Crisis*. Sustainable Enterprise Programme, International Labour Organization. https://institute.coop/sites/default/files/resources/130%202009_Birchall%20etal_Resilience%20of%20the%20cooperative%20business%20model%20in%20times%20of%20crisis.pdf

In this report, the authors make the case that, unlike other enterprise models, worker cooperatives, and cooperative enterprises in general, have strong economic resilience to weather economic crises and financial downturns. The report showcases both historical and modern empirical evidence that demonstrates how cooperatives offer a sustainable solution to deal with economic crises while preserving their local communities.

Boguslaw, J., and Schur, L. (2019, March). *Building the Assets of Low and Moderate Income Workers and Their Families: The Role of Employee Ownership*. Rutgers School of Management and Labor Relations. https://smlr.rutgers.edu/sites/default/files/rutgerskelloggreport_april2019.pdf

This study focuses on understanding the asset building impacts of Employee Stock Ownership Plans (ESOPs) for moderate- and low-income workers, exploring financial security, economic mobility, and family impact. Drawing on qualitative interview analysis and quantitative data across different industries and geographies, the study finds that employee ownership contributes to a greater sense of security, stability, and inclusion in the workplace as well as other wealth building opportunities. These findings, which include positive impacts for people of color and women, can help direct the investments of philanthropy, policymakers, and private sector actors seeking to reverse the ever increasing wealth gap.

Conover, N., et al. (1993, March). *Creating Jobs through Cooperative Development*. The National Economic Development and Law Center and Center for Cooperatives, University of California. https://institute.coop/sites/default/files/resources/310%201993_NEDLC_Creating%20Jobs%20Through%20Cooperative%20Development.pdf

This study analyzes survey findings from fifteen service sector cooperatives operating in California in the early 1990s. It found that these ventures improved work opportunities, especially for immigrant women with limited English proficiency. The main contributors that led to meeting “business and cooperative goals” included having a dedicated business manager or organizer, along with set guidelines adhered to and followed by all cooperative members (p. i). Additional helpful factors such as organizational development support are also explored, along with distinct approaches to coop development and some of their trade-offs. While this study pre-dates successful and sustainable models used by California coop developers in the 1990s and 2000s, it provides in-depth analysis from these earlier efforts, including many lessons learned that are still relevant today.

Corcoran, H., and Wilson, D. (2010, May). *The Worker Co-operative Movements in Italy, Mondragón, and France: Context, Success Factors, and Lessons*. Canadian Worker Co-operative Federation. https://canadianworker.coop/wp-content/uploads/2012/06/CWCF_Research_Paper_International_16-6-2010_fnl1.pdf

This paper seeks to identify common success factors and lessons learned from worker cooperative ecosystems in Italy, Mondragon (Spain), and France. Authors Corcoran and Wilson identify seven common elements across these examples. These elements include: “1) sufficient capital accessible to worker co-ops; 2) technical assistance provided to worker co-ops in the start-up phase; 3) a mandatory indivisible reserve, at least for those..worker co-ops which were able to receive government support; 4) significant federation and consortia structures which support, guide, direct, and help educate the worker co-operatives; 5) significant concentrations by industry; 6) a strong sense of solidarity and inter-cooperation and 7) scale: having achieved a size and strength to enable the worker co-op movements to be taken seriously by governments, the broader co-operative sector, etc.” (p. 1).

Dastur, N. K. (2012, November). *Understanding Worker-Owned Cooperatives: A Strategic Guide for Community Organizers*. Center for Community Change. <https://institute.coop/sites/default/files/resources/report-dastur.pdf>

This resource from Center for Community Change provides organizers with a primer on the benefits and challenges of worker cooperatives. Dastur utilizes case studies to demonstrate that workers in a cooperative experience better job quality. Cooperatives stabilize the volatility in employment in industries with

unpredictable work hours, improve access to career advancement and flexible work schedules, and achieve better service delivery as a result of well-skilled, engaged staff (p. 8). The report includes multi-page case studies of several worker coop initiatives across sectors, including: Cooperative Home Care Associates, Childspace Day Care Centers, WAGES, and Casa Nueva Restaurant.

Dawson, S., and Kreiner, S. (1993, January). *Cooperative Home Care Associates: History and Lessons*. Home Care Associates Training Institute. <http://becomingemployeeowned.org/companies/cooperative-home-care-associates/>

This resource provides an account of the lessons learned from the development of the worker cooperative healthcare company Cooperative Home Care Associates (CHCA). The authors assert that more significant than organizational structure is organizational culture, writing that “CHCA also recognized that employees would not embrace and internalize a participative, democratic culture unless they first experienced a positive work environment. At CHCA this positive work experience included such diverse yet essential elements as managers demonstrating respect for employees, managers demanding high standards of work quality, and the company demonstrating reasonably positive prospects for business success” (p. 30).

Democracy at Work Institute at the US Federation of Worker Cooperatives. (2014, December). *Creating Better Jobs and a Fairer Economy with Worker Cooperatives*. <https://institute.coop/sites/default/files/resources/BetterJobs.pdf>

This report showcases how worker cooperatives can address the continuing rise in inequality. As stated in the report, “[by] placing workers’ needs before investors’ profits, successful worker cooperatives democratize wealth rather than concentrating it” (p. 6). Small business preservation along with job retention can be direct outcomes of shared ownership. The report includes “vital stats” on some leading worker coops around the country, as well as short interviews with two worker-owners.

Erdal, D. (2012). Employee Ownership is Good for Your Health. *Journal of Cooperative Thought and Practice* 11(1). [Note: this article was no longer available in its previous location online at the time of publication.]

This study of three towns in Northern Italy showed that the town with the highest percentage of people employed in worker cooperatives had higher indices of social wellbeing in areas including health, education, crime, and social participation.

Freeman, R. B., et al. (2011, March). *Inclusive Capitalism for the American Workforce: Reaping the Rewards of Economic Growth through Broad-based Employee Ownership and Profit Sharing*. Center for American Progress. <https://www.americanprogress.org/issues/economy/reports/2011/03/02/9356/inclusive-capitalism-for-the-american-workforce/>

This paper from the Center for American Progress puts forward a proposal for economic reform to rectify our increasingly unequal economy. The authors highlight the severe economic inequity occurring in the United States as a result of the continuous disassociation between economic growth and income growth that has occurred over the last forty years. The paper recommends a policy agenda to encourage “inclusive capitalism” where firms adopt “broad-based incentive systems that will spread and deepen incentive pay systems to their workers,” leading to greater balance between worker earnings and economic growth (p. 4).

Gregory, D., et al. (2016). *The Lending Opportunity of a Generation: FAQs and Case Studies for Investing in Businesses Converting to Employee Ownership*. Cooperative Fund of New England, Project Equity, and Democracy at Work Institute. https://www.project-equity.org/wp-content/uploads/2019/11/LendingOpportunityOfAGeneration_updated-Nov-2019.pdf

This report describes the opportunity to finance worker cooperative transitions and offers in-depth case studies that provide examples of how the financing of these transactions is typically structured. Worker cooperatives are mostly debt-financed but can also include some combination of equity. CDFIs and community banks typically comprise most of the financing for coop transitions, but selling owners, vendors, coop members, and community members can also be utilized, in addition to equity buy-ins and contributions from other investors. The case studies highlighted include: A Yard and a Half Landscaping, New Era Windows, Island Employee Cooperative, Real Pickles, and the New School of Montpelier (p. 16).

Hoover, M., & Abell, H. (2016, January). *The Cooperative Growth Ecosystem: Inclusive Economic Development in Action*. Democracy at Work Institute and Project Equity. <https://project-equity.org/about-us/publications/the-cooperative-growth-ecosystem/>

This paper focuses on the need for a collaborative ecosystem of stakeholders to propel worker ownership to the forefront as part of an inclusive economic development strategy. The framework outlines “essential elements” of a thriving ecosystem, such as member skills, financing, and growth-oriented coop developers, that must exist to build and grow cooperatives, as well as “important elements” such as government and policy supports, and “environmental elements,” such as cooperative education, that can help create and sustain an ecosystem of support for worker cooperatives.

Hoyt, A. (1996, January / February). And Then There Were Seven: Cooperative Principles Updated. *Cooperative Grocer*, 062. [Note: this article was no longer available in its previous location online at the time of publication but can likely be via web search.]

Much information about the seven international Cooperative Principles, put forward by the International Cooperative Alliance, can be found online, but this article provides a particularly insightful description of their evolution and meaning. The principles are: 1) voluntary and open membership; 2) democratic member control; 3) member economic participation; 4) autonomy and independence; 5) education, training, and information; 6) cooperation among cooperatives; and 7) concern for community. This article provides an excellent description of the key values adopted and practiced by the international cooperative movement along with the five commonly cited cooperative values of self-help, democracy, equality, equity, and solidarity.

International Co-operative Alliance (2015). Guidance Notes to Co-operative Principles. <https://www.ica.coop/sites/default/files/publication-files/ica-guidance-notes-en-310629900.pdf>

This in-depth discussion of each of the seven Cooperative Principles is the authoritative treatment of this topic, written by an international committee under the auspices of the global organization, bringing together all types of cooperatives from around the world — the International Co-operative Alliance.

Ji, M., and Robinson, T. (2012). *Immigrant Worker Owned Cooperatives: A User's Manual*. El Centro Humanitario. https://institute.coop/sites/default/files/resources/362%202012_Minsun%20Ji_Worker%20Co-op%20Manual.pdf

This report addresses how worker-owned cooperatives can be an effective model to expand both economic and social empowerment for immigrant workers, an often marginalized labor force. In traditional enterprisestructures, workers who are immigrants can often find themselves susceptible to exploitative

conditions. In worker cooperatives, they are better able to control their working conditions and practices (p. 3). The report includes background information on different cooperative models, as well as information on cooperative incubators.

Kerr, C. (2015). *Investing in Worker Ownership: How Finance Institutions Can Create Deep Impact at Scale with Worker Cooperatives*. Democracy at Work Institute. <https://institute.coop/sites/default/files/resources/DAWI%20-%20Investing%20in%20Worker%20Ownership.pdf>

The paper reinforces the benefits that worker cooperatives offer for workers and local communities and explores how various types of capital can support worker coops. Worker cooperatives often encounter barriers when attempting to access capital, and this paper recommends actions that lenders, financial institutions (such as CDFIs), local governments, and philanthropic organizations can take to make financing more readily available. The paper includes a table that summarizes the loan amounts and underwriting policies of seven lenders actively funding cooperatives at the time of publication.

Kreiner, S. (2002). Sectoral Strategies in CED: Critical Factors in the Success of CHCA and Childspace. *Making Waves*, 14(3), 4-10. <http://communityrenewal.ca/sites/all/files/resource/MW140304.pdf>

Kreiner describes key success factors and the resulting impact in two leading worker cooperatives: Childspace in Philadelphia and Cooperative Home Care Associates in New York City. Both of these highly successful and longstanding cooperatives have thrived in significant part due to the following success factors: a market-driven business model, social entrepreneurial leadership, a sectoral strategy that builds on industry expertise, long-term philanthropic funding partners, and worker ownership and participation. Impacts include better compensation and benefits, worker empowerment, and industry leadership. Several Childspace and CHCA workers have also extended their leadership outside of their work environments, becoming “powerful advocates for improved working conditions in their fields,” or as other types of community leaders (p. 9).

Lingane, A., and McShiras, A. (2017). *The Original Community Investment: A Guide to Worker Coop Conversion Investments*. Project Equity and Self-Help Federal Credit Union. https://www.project-equity.org/wp-content/uploads/2017/04/The-Original-Community-Investment_A-Guide-to-Worker-Coop-Conversion-Investments_Project-Equity.pdf

This paper is a resource for investors seeking to understand the mechanics of worker cooperative conversions. Authors Lingane and McShiras discuss frequently asked questions and outline the patient risk capital investment options. They note that “[a] range of capital sources is needed, with a concerted effort needed to grow patient, risk capital, regardless of whether it is equity or debt” (p. 1). The authors describe capital investment options for worker cooperatives other than member shares. These types of equity include preferred stock options, crowdfunding opportunities like Direct Public Offerings (DPOs), and indirect investments via cooperative loan funds. The paper argues that worker cooperatives are effective business structures that offer direct or indirect investment opportunities to prospective investors looking for opportunities to make a solid return.

Lund, M. (2013, April). *Cooperative Equity and Ownership: An Introduction*. University of Wisconsin Center for Cooperatives. <https://resources.uwcc.wisc.edu/Finance/Cooperative%20Equity%20and%20Ownership.pdf>

This in-depth paper by a leader in cooperative finance is a helpful read for anyone interested in understanding the unique approach that cooperative’s take to owners’ equity or managing a cooperative’s finances. It addresses various approaches to start-up capitalization as well as ways to manage equity over time in a cooperative business, including allocations to members and equity redemption plans.

Mitchell, S. (2014). Working Paper: A Local Business Policy Roadmap. Institute for Local Self-Reliance. <https://ilsr.org/wp-content/uploads/2014/09/Working-Paper-A-Local-Business-Policy-Roadmap.pdf>

In this working paper from the Institute for Local Self-Reliance, Mitchell outlines how supporting locally owned small businesses can be a progressive strategy for promoting a more just economy. Mitchell highlights data from the Federal Reserve Bank of Atlanta showing that counties where locally owned businesses comprise a larger portion of the economy experienced “higher income and employment growth, and reduced poverty rates, in the last decade compared with counties in which large, non-resident owned businesses dominated” (p. 3). The author proposes a long-term policy roadmap to assist local businesses and communities, including the creation of financing programs and technical assistance support for small businesses in underserved communities. While worker cooperatives are not addressed explicitly, they are by almost always locally-rooted because they are owned by their workers, and are therefore strong examples of local businesses that merit this kind of consideration.

Murray, C. (2011, June). *Co-op Survival Rates in British Columbia*. The BC-Alberta Social Economy Research Alliance (BALTA) and the British Columbia Cooperative Association. [https://auspace.athabascau.ca/bitstream/handle/2149/3133/BALTA %20A11%20Report%20-%20BC%20Co-op%20Survival.pdf?sequence=1&isAllowed=y](https://auspace.athabascau.ca/bitstream/handle/2149/3133/BALTA%20A11%20Report%20-%20BC%20Co-op%20Survival.pdf?sequence=1&isAllowed=y)

This study assesses the survival rates of cooperative enterprises in British Columbia between 2000 and 2010. Through both quantitative and qualitative research, the main findings illustrate that cooperatives have notably outlasted traditional forms of capitalist businesses in British Columbia. Successful cooperatives identified four factors as important to their survival. These were: “acquisition of capital and strong financial planning and management; member engagement and board involvement and expertise; training and enlisting outside consultant expertise and support; and business planning and clarity of purpose” (p. 2).

Palmer, T. (2020). *2019 Worker Cooperative State of the Sector Report*. Democracy at Work Institute. <https://institute.coop/resources/2019-worker-cooperative-state-sector-report>

This “State of the Sector” report provides an overview of the worker cooperative landscape of the US. The report identifies 465 known worker cooperatives, and maps metro areas with a high concentration of worker cooperatives. The report highlights that the sector has been growing at a rate of 25 new worker cooperatives per year, and that this growth is being driven in significant part by women workers and workers of color. The report also includes data related to wages and pay ratios across the sector, and survey data on common challenges.

Walter, K. (2020, January 20). *Building Workers Wealth in Cities and States: State and Local Policies to Support Employee Ownership and Broad-Based Profit-Sharing*. Center for American Progress. <https://www.americanprogress.org/issues/economy/reports/2020/01/20/479503/buildingworkers-wealth-cities-states/>

This report from the Center for American Progress documents the benefits of employee ownership and other profit-sharing models and provides recommendations for state and local policymakers interested in scaling this approach. The author describes benefit workers, businesses, and local communities and cites relevant studies and examples. Broad-based profit sharing programs can help boost both the wages and wealth of its members, which is especially advantageous to people of color and women in the workforce who earn less than their male and white peers. City and state governments also stand to benefit as employee-owned businesses are less likely to go through layoffs, which the author notes “likely results in billions of dollars in savings for the government since it does not have to bear the costs associated with supporting unemployed workers” (p. 6).

California Worker Cooperatives

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