



WORKER CO-OPS: WEATHERING THE STORM OF COVID-19 AND BEYOND

WORKER COOPERATIVES



**benefit the many,
not the few**



**allow workers to
benefit from the value
they create**



**build assets
and skills**

According to Rutgers University Institute for the Study of Employee Ownership and Profit Sharing, the combination of employee ownership and a culture of participation leads to:

- **Employee Outcomes:** Higher commitment, lower turnover, greater effort, more suggestions
- **Strategic Outcomes:** Increased productivity and innovation
- **Financial Outcomes:** Return on Equity

**In this moment of crisis,
worker cooperatives are a reliable,
proven solution to address loss of jobs
as well as income inequality.**

COVID-19 has devastated the small business community, and the clock is ticking on permanent shutdowns of small businesses. 45% of businesses believe they have less than six months until a permanent shutdown is unavoidable. Tens of millions are still unemployed. Millions of Americans will fall off an "income cliff" when unemployment benefits end. [2]

Worker cooperatives, fundamentally centered on the worker, have quickly pivoted to meet the needs of their communities during the pandemic, implementing collective decision-making, mutual aid, and resilient business planning to save jobs and stabilize their workforce. While they must still face tough decisions during this time, worker-owners make decisions *collectively*, influencing how impact is shared across the workforce.

The U.S. Federation of Worker Cooperatives and Democracy at Work Institute reached out to more than 250 USFWC members between April and July 2020, and received responses from 142 organizations. While deeper examination of the data is still being compiled, this preliminary information helps us to understand the work ahead toward building a stronger economy.



"It was a good process and went smoothly. I felt proud of how we banded together and worked together in all parts of our company to respond to this crisis. The appointed general management worked with the Board and with all our member-owners to understand, make decisions, and implement our response."

New Frameworks Construction

WORKER CO-OPS ARE RESILIENT

Workers are more likely to keep jobs secure rather than be laid off. Reporting worker co-ops were more likely to redistribute business funds to pay workers, reduce wages, or temporarily furlough wages rather than lay off workers.



WORKER CO-OPS ARE A STRONG MODEL FOR "ESSENTIAL BUSINESSES" AND ARE USED BY UNDERSERVED COMMUNITIES

Throughout the COVID-19 pandemic, some of the hardest hit small business owners were also essential businesses.

In these typically low-wage, insecure "essential" industries like **food service, home care and childcare**, people have turned toward worker co-ops to provide stability, and these are among the highest concentrations of industry within the worker co-op field.

58.8%

of people employed at worker co-ops identify as people color

62.5%

of workers identify as female and 1.7% identify as non-binary

FINANCIAL CONCERN FOR COMMUNITY



One of the reported reasons that worker co-ops did not apply for EIDL or PPP funds, citing the decision that "they want to leave money on the table for others who need it more."

"During the crash [of 2008], the company's 17 owners conducted a ruthless assessment of its strengths and weaknesses. After a handful of tough choices then, we vowed to be better prepared the next time an event threatened our future. Twelve years later, we are indeed."

**South Mountain Company
Massachusetts**

COOPERATORS MAKE DECISIONS TOGETHER

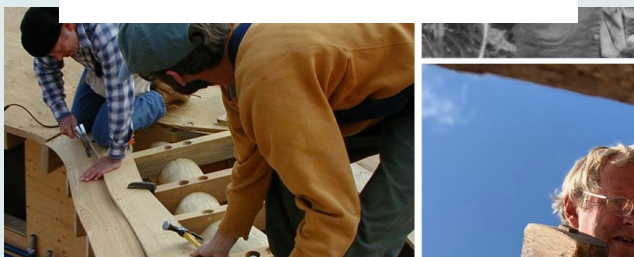
Worker-owned cooperatives operate under the general rule of "1 worker, 1 vote", meaning each owner of the business gets an equal voice in decision-making.

"The business decided to move to a flat pay as opposed to hourly in order to accommodate those who were struggling with care-giving responsibilities during the crisis. Now workers have flexibility in the hours they can choose to work, but get paid a flat wage regardless. This was a moral decision and feels right to support folks during this time."

Design Action Collective

"This time has brought us closer together as a co-op and expanded our thinking on democratic decision-making and work allocation."

Samamkaya Yoga Back Care & Scoliosis Collective



WORKER CO-OPS ARE ABLE TO PIVOT AND ADAPT

Because collaborative and creative thinking is inherent to the worker co-op model, these businesses operate well in times of crisis, and are able to spot opportunities for stability and growth.



Red Emma's Bookstore and Cafe

partnered with local co-ops to quickly form the General Store in May 2020, which brought together seven local businesses for shared distribution and delivery.



New Day Cooperative Distribution

also started in May, forming a vendor-owned partnership of local producers, growers, bakers, and florists.

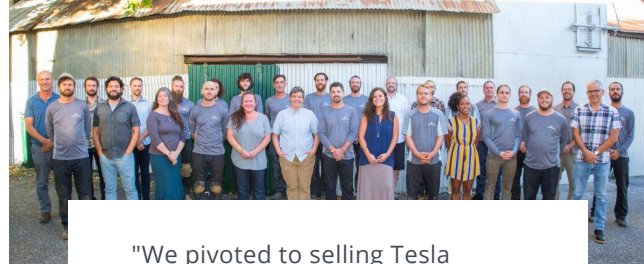
WORKER CO-OPS ARE INVESTED IN THEIR COMMUNITIES

Both locally and nationally, many worker co-ops have engaged in their communities during the pandemic.

Opportunity Threads, a sewing cooperative, organized with the Carolina Textile District colleagues to re-tool their production to sew thousands of Personal Protective Equipment (PPE) items. This quick pivot provided **Cooperative Home Care Associates**, another worker co-op in the Bronx, NY, with PPE for health care workers on the front lines. [3]

A Slice of New York, a pizza shop in San Jose, CA, launched the Community Meal Initiative (CMI), a grassroots collaboration of community organizers and small business leaders focused on providing nutritious meals for hospital ER teams and at-risk families.

HOW COOPERATIVES ARE CONNECTED TO THEIR COMMUNITIES DURING COVID-19



"We pivoted to selling Tesla storage systems in addition to solar during the crises ... they were an easy sell during what would otherwise have been a substantial downturn in our business and operations. However, our decision-making processes and management structure may be refined as a result of this process. There has been a lot of attention on finances and the way our board and management communicate."
California Solar Electric Cooperative Corporation

WORKING TOGETHER



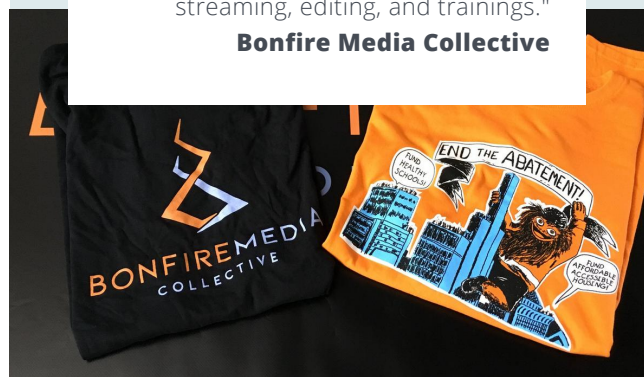
86% OF WORKER COOPERATIVES had structures in place to quickly make decisions in the workplace, and so were able to more easily adapt in response to COVID-19.



SHARED RESOURCES

Reporting worker co-ops have strong connections to mutual aid networks and share resources with each other.

"We shifted to services we can offer online or remotely, including streaming, editing, and trainings."
Bonfire Media Collective



LOCAL POLICY RECOMMENDATIONS

Worker cooperatives have proven to show resiliency and creativity in responding to this economic crisis. As we look towards rebuilding our local economies in the months and years ahead, cities can enact policies and programs that support worker co-op formation for struggling businesses and unemployed workers. Worker ownership can address today's challenges while creating a stronger small business economy for the future.

Cooperative models can reduce small business costs, help to expand essential services, and build wealth in underserved areas. Worker cooperatives can be a tool in restoring stability to small businesses as we continue to face the challenge of COVID-19.

Cities can stop preventable closures and reduce the costs and facilitate growth of small proprietors and small businesses in hard-hit industries through worker ownership

CHALLENGES

68% of the members surveyed applied for or received the Economic Injury Disaster Loan, and **42%** applied for the Paycheck Protection Program.

It is clear that the waive of the personal guarantee has had a huge impact on the ability of worker cooperatives to access these essential funds. **Still, many worker-owned businesses were rejected or were required to provided extensive documentation due simply to a lack of familiarity with the business model.**

For struggling essential businesses and unemployed workers

Develop a program to bundle small businesses through "secondary" purchasing or producer cooperatives. This approach helps small business and sole proprietors in hard-hit industries reduce supply chain costs, service delivery costs, and administrative overhead. This will be critical for helping businesses in struggling sectors such as restaurants, child care, and cleaning.

- As an incentive for job creation, provide forgivable loans for cooperatives that hire unemployed workers.

Example: Local restaurants can develop and own their own food delivery platform, thereby ensuring that they benefit fully from this critical service. Restaurants can also form purchasing cooperatives to buy goods and services in bulk, lowering their overhead costs

Create city procurement preferences for co-ops.

Procurement set-asides will spur development of cooperatives and ensure long-term opportunities.

Create a cooperative workforce development program for unemployed workers.

- Fund worker cooperative conversion specialists to host educational sessions and train unemployed workers about the worker co-op model
- Fund and include materials about worker ownership in communications

[1] <https://www.uschamber.com/report/special-report-coronavirus-and-small-business>

[2] <https://www.cnbc.com/2020/06/23/millions-face-income-cliff-next-month-when-extra-600-dollars-in-ui-ends.html>

[3] <https://www.carolinatextiledistrict.com/covid-response>

For more information and examples on how your city can deploy cooperative business to rebuild a strong, local and resilient economy, please contact:



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