Owing Our Future: Community-Based Ownership as a Critical Core Element for Economic Development

January 2014

Marjorie Kelly
Senior Fellow and Director, Consultancy Services
The Democracy Collaborative
John Lewis Partnership – London

• Largest department store chain in UK.
• 40 department stores, 300 grocery stores.
• 85,500 staff.
• $13.7 billion revenue last year.
• $663 million profit.
51% of profits -- plus pension contributions – go to employees.

• From $663 million profit last year, $341 million paid out in bonuses to staff.

• **51% of profits** – going directly to employees.

• Average per person: $6,500 – *9 weeks pay* (17% of pay).

• Defined pension plan in addition.
Purpose of company: Serve employee happiness.

- Partnership is 100% owned by employees.

- Principle 1 of Constitution: Purpose is to serve employee happiness through satisfying employment in a successful business.

Shaila Mehta, employee.
Bicameral Governance: The Partnership Council

JLP has Partnership Board and Partnership Council.

- Employees directly elect the Council.
- Council appoints 1/3 of board.
- Council can fire chairman.
- Council decides:
  - Contributions policy.
  - Pension policy.

Partnership Council at work.
John Lewis Partnership behaves as it does because of its ownership design.

• 100% employee ownership and employee seat in governance – paired with mission of serving employee happiness – creates employee economic well-being.

• Employee ownership and governance – paired with a living mission – create beneficial outcomes.

• *Ownership design is at the root of all corporate behavior.*
Traditional corporations behave as they do because of their ownership design.

- Absentee ownership.
- Major corporations with ownership shares trading on Wall Street.
- *Extractive ownership:* its aim is maximum extraction of financial wealth for owners.
The pursuit of maximum profit for owners plays out into multiple crises:

- Sending jobs overseas.
- Corporations abandoning cities.
- 40 years of stagnant wages.
- High unemployment.
- Staggering differentials in wealth.
- 2008 financial crisis.
- Capture of government by finance.
At the root of every economic system is the invisible, foundational role of ownership.

In a way many of us rarely notice, ownership is the underlying architecture of our economy. It is the invisible foundation of our world. More basic than the shape of democracy.

**How ownership is designed in our economy shapes:**
- Who works, at what pay.
- Whether empowered or belittled at work.
- How much anxiety suffer over debts.
- Whether can own a home or be secure in retirement.
TINA thinking: There is No Alternative

We’re taught there are two kinds of economies, which involve two kinds of ownership.
• Capitalism (Private ownership) v.
• Communism (Public ownership).

Because communism has failed, we believe there is no alternative to capitalism.
But these are dusty industrial age concepts that arose in 19th century.

What is a new vision for the 21st century?
The evolution of capitalism is necessarily about the evolution of its system structures:

• Corporations.
• Capital markets.

• At root, these are about ownership.
• Ownership is what makes wealth creation possible.
A new economy – built on alternative forms of ownership – is quietly emerging in our time.

It is arising in largely unsung, disconnected experiments all over the world.
We can call it the generative economy.

Its purpose is to generate the conditions for life to thrive. It is built on a foundation of community-based ownership.

It is a new kind of economy, designed to create fair and just outcomes, to benefit the many rather than the few, and to enable an enduring human presence on a flourishing earth.
Community-based ownership tends to generate positive outcomes:

- Wealth stays local.
- Money circulates locally.
- Wealth is more broadly shared.
- Workers and communities control their own fates.
Absentee ownership does not create local wealth.

• Communities too often give wealth away, in hopes of creating jobs or other temporary streams of income.

• The major benefits flow to absentee owners, while communities are left with little.

• If we are to enhance local community development in ways that keep wealth local, local ownership and control is vital.
Two archetypes of ownership design

<table>
<thead>
<tr>
<th>Extractive Ownership</th>
<th>Generative Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Purpose</td>
<td>Living Purpose</td>
</tr>
</tbody>
</table>

**Monoculture design:**
- Publicly traded corporation

**Diversity of designs:**
- Social enterprise
- Cooperatives
- Employee ownership
- Municipal ownership
- Community land trusts
- Community banks
- Mission-controlled corporations
Five opportunities for advancing community-based ownership:

1. **Resident-owned communities** – helping residents of manufactured housing communities purchase land cooperatively.

2. **Community land trusts** – can help ease the transition of farmland on affordable terms.

3. **Social enterprise** – helping launch and support local business.

4. **Cooperatives** – can help farmers gain market power, help employees create wealth, help businesses in a sector work together.

5. **State Banks** – help support local banks and economies.
1) Resident-Owned Communities

- Demand comes from residents wanting to collectively purchase the land beneath their manufactured housing communities.

- Other value chain players include ROC-USA, providing technical assistance, and investors providing low-interest loans.

- Low-income resident gain security of owning land and bringing rents under control.

**Origin:** Meredith Center Trailer Park residents faced eviction 1983. Loan from NY Community Loan Fund enabled them to buy their park.

**NHCLT has done 90 with no defaults.**
Benefits of ROCS

As owners, residents:

• Get better loan terms.
• Attend more school conferences.
• Enjoy higher property values.
• Move less often.
• Plant more flowers.
• Become more of a community.

National roll-out planned by ROC-USA
www.Rocusa.org

Aims to take this model national, providing:
• Technical assistance.
• Affordable financing.
• Management and leadership support.
• Peer networking.
2) Community Land Trusts

• **Equity Trust** facilitated permanent protection of Caretaker Farm, Mass.

• **Retiring farmers** Sam and Elizabeth Smith remain in small house on farm.

• **New farmers** Don Zasada and Bridget Spann hold 99-year lease on land, own house.

• **CLT is nonprofit holding title to land,**

• **Conservation easement** says land must continue to produce food, sustainably.

• **Retiring family** received payment, yet remains on the farm.

• [http://equitytrust.org](http://equitytrust.org)
3) Social Enterprise

- A **social enterprise** is an organization or venture that achieves its primary social mission using business methods.
- **Social Enterprise Alliance** is a major national member network.
- **Sample activity – SEA Nashville chapter**: Hosting Business for Good Competition to ignite next generation of social enterprises. Finalists present ideas to panel in March. Compete for $20,000 in prizes.

Forum for submitting novel ideas to solve social problems – using business methods.

http://nashvillesocialenterprise.org/business-for-good/
ACEnet – social enterprise

• Example: Appalachian Center for Economic Networks (ACEnet).
• Does business incubation and specialty food production.
• **Food Ventures Center** serves over 300 food businesses annually.
• Created one of the only **CDFIs** in the Ohio Appalachian region.
• **Supports hundreds of businesses** in the region that would not exist without ACEnet.

Vino de Milo jars being packed at Food Manufacturing and Commercial Kitchen Facility.
4) Cooperatives

- **Cooperatives** are businesses owned and controlled by people who use them.

- **Various types:**
  - Marketing cooperatives – like the farmer cooperative Organic Valley.
  - Worker-owned cooperative – like Equal Exchange coffee company.
  - Consumer cooperative – like grocery co-ops.
  - Credit unions – 53,000 around the world with $1.5 trillion in assets.

More than 3,000 farmer co-ops in U.S. include a majority of the nation’s 2 million farmers.
Organic Valley — marketing cooperative

- **Mission**: Save family farm.
- **Ownership**: Cooperative owned by 1,834 organic family farms in 32 states.
- **2013 Revenue**: $860 million.
Cooperative Home Care Associates – worker cooperative

- Home health care provider.
  Providing quality care through quality jobs.
- Largest worker co-op in U.S.
- 2,000 workers.
- **Revenue** $40 million.
- **Launched 1985 by nonprofit**, to benefit marginalized worker population.
- Large driver of employment in Bronx.
- **Template for replication elsewhere.**

CHCA trains 600 low-income and unemployed women annually, in English and Spanish.
National potential for replication:
Home care aides – huge growth projected

Large growth area for jobs.
• Demand for home health aides will increase 70% from 2010 – 2020.
• Jobs overall will increase 14% that same period.
• Example: Minnesota projects shortfall of 53,000 home care workers by 2020.
• Huge opportunity for worker-owned home care companies.
Potential for employee ownership: Retiring Baby Boom Entrepreneurs

An age wave of Baby Boom entrepreneur retirements is coming.

- Every year, 150,000 to 300,000 businesses owned by Boomers will be looking for buyers.
- 1 in 7 expects to pass their business to family.
- In next 15 years, retiring Boomers could create 2 – 4 million new worker-owned businesses.
- Incentive now in law: exiting owners can defer all capital gains taxes.

New Belgium Brewery – now 100% employee owned after recent sale.
Creating a Cooperative – Rules of Thumb

• You need a dedicated core of 6 – 12 people to successfully start a cooperative.

• It may not work well to start a social enterprise and later try to sell to members.

• **Work from the start to recruit members so they view it as their own.** If someone else is doing all the work, why would they want to pitch in?

• **WAGES has guide** for nonprofits starting cooperatives.  

  http://wagescooperatives.org/co-op-network/co-op-resources
5) State Banks

- **Bank of North Dakota** – only state-owned bank in U.S. – remained resilient in crisis.
- **Mission**: creating long-term resilience for state economy, not maximizing profits.
- Returned $350 million to ND General Fund last year.
- ND has lowest unemployment in nation, no debt – instead has surplus of $1.1 billion.
- **20 states** today considering creation of similar state banks.

Bank of North Dakota
The Community-Based Economy

Community-based ownership is about generating and preserving **real wealth**, living wealth, rather than phantom wealth that can evaporate in the next quarter.

These designs embody a coherent school of ownership design – one aimed at creating the conditions for all life to thrive.
Owning Our Future: The Emerging Ownership Revolution

www.OwningOurFuture.com

Marjorie Kelly
MKelly@DemocracyCollaborative.org