

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

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## 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.





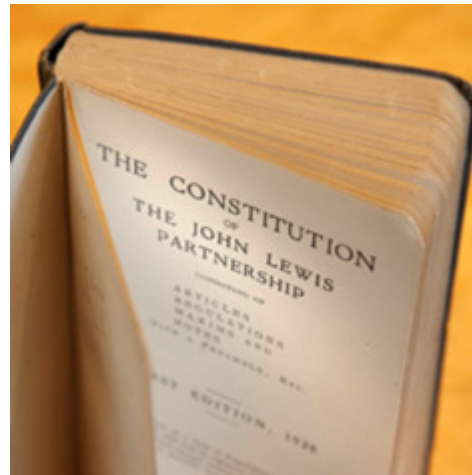


**Purpose of company: Serve employee happiness.**

- **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

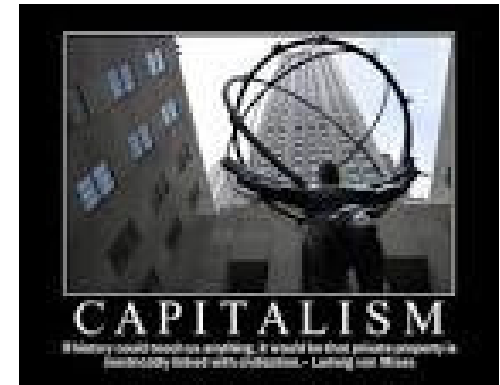
We're taught there are two kinds of economies, which involve two kinds of ownership.

- 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 19<sup>th</sup> century .

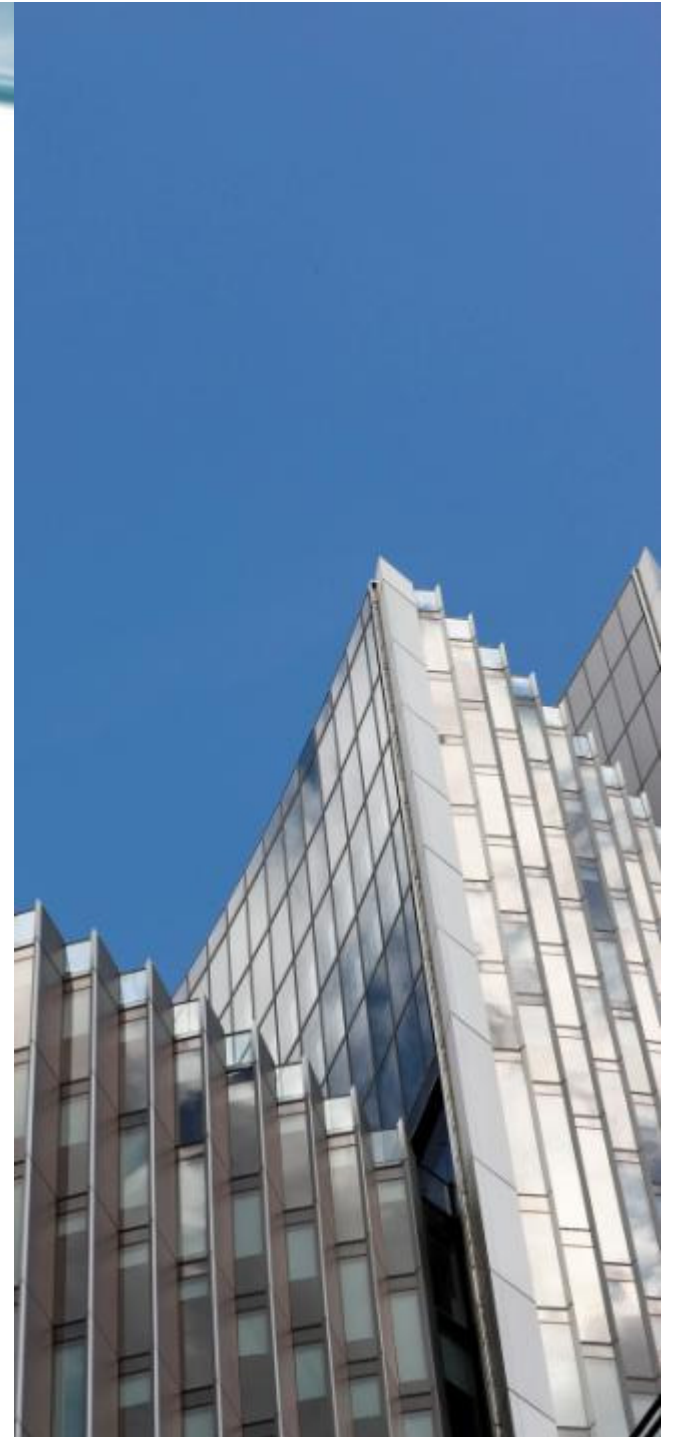
**What is a new vision for the 21<sup>st</sup> century?**





## **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.**





The background image is a landscape photograph. It shows a wide, flat field covered in a dense carpet of small, bright orange flowers, likely poppies. Scattered throughout the field are several rounded, grey-green shrubs. In the far distance, a range of low, dark mountains or hills is visible against a sky filled with heavy, dark, and textured clouds. The overall mood is one of natural beauty and resilience.

**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

## Extractive Ownership

**Financial Purpose.**

### Monoculture design:

Publicly traded corporation

## Generative Ownership

**Living Purpose.**

### 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 19 83. 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](http://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>
- 







### 3) Social Enterprise

- A **social enterprise** is an organization or venture that achieves its primary social mission using business methods.
- **Social Enterprise Alliance** is 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 farmer cooperative Organic Valley.
  - **Worker-owned cooperative** – like Equal Exchange coffee company.
  - **Consumer cooperative** – like grocery co-ops.
  - **Credit unions** – 53,000 around 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.**



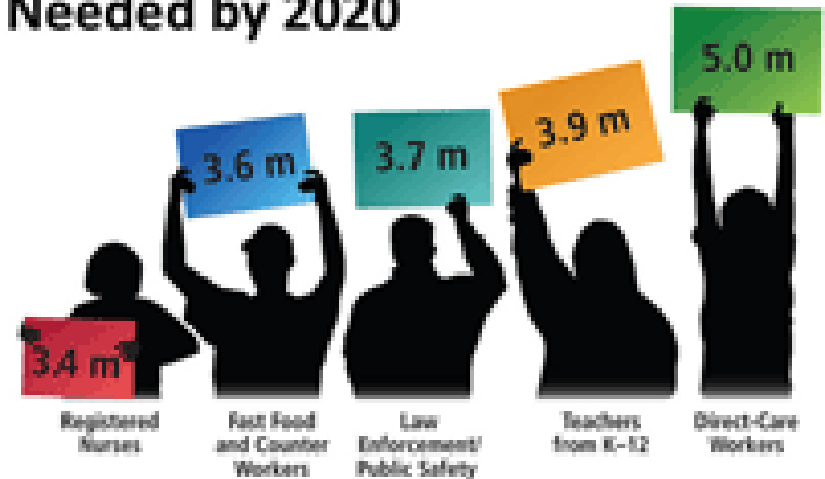
CHCA trains 600 low-income and unemployed women annually, in English and Spanish.

## 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.**

### Five Million Direct-Care Workers Needed by 2020



## **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](http://www.OwningOurFuture.com)

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