



ECONOMY

AUGUST 1, 2014

## When Workers Own Their Companies, Everyone Wins

How a very old economic model could help the new economy

By [Sean McElwee](#)

In 1921, the Olympia Veneer Company became the first worker-owned cooperative to produce plywood. By the early 1950s, nearly all of the plywood produced in the United States was manufactured by worker-owned cooperatives. Today, however, worker-owned cooperatives seem few and far between. Say “co-op” and most people think of Park Slope foodies or strictly guarded apartment buildings. Worker ownership may seem a relic of the past, but it could actually play a significant role in reviving the union movement, bolstering the green economy, and stemming the tide of deindustrialization.

Today, there are [only about](#) 30,000 cooperatives, strictly defined, employing 856,000 workers in the United States. Most of these cooperatives are

consumer cooperatives, owned by consumers, rather than workers. (Technically, cooperatives are defined by incorporation, ownership, and tax-filing status.) But about 47 percent of American [workers participate in](#) profit-sharing arrangements of some sort. Employee stock ownership plans (ESOPs), for instance, [involve around](#) 10 million workers and range from plans that are essentially cooperatives (in which workers have decision-making power) to plans in which workers have stock, but no ownership or decision-making power—these are essentially profit-sharing by a different name. Procter and Gamble, the twenty-seventh largest corporation in America [is estimated to be](#) 10 to 20 percent employee-owned. Among the Fortune 100, [many companies](#) have employee ownership plans, including Exxon Mobile, Chevron, ConocoPhillips, GM, Ford, Intel, UPS, Amazon, Coca-Cola, Cisco, and Morgan Stanley.

Against this backdrop, it's not so surprising that some are making the case for co-ops. Union leaders, in particular, argue that there is significant opportunity to expand the coop model by associating it more closely with unions. This make sense: Unions are looking for new allies and methods for increasing worker control, while cooperatives can benefit from the organizational skill and scalability of unions. Associating with coops would also allow the unions to extend their reach. While the union movement is concentrated in manufacturing, [a recent study](#) by Hilary Abell finds that 58 percent of cooperatives are in the retail and service sectors. "If you go back to the beginning of the labor movement," says activist Carl Davidson, "unions and cooperatives used to go together like bread and jelly."

Leo Gerard, the President of United Steelworkers Union, has been vocal about the possibility of what he calls "union cooperatives." He has even studied this: In the wake of the recession, his union allied with Mondragon, a large federation of cooperatives based in Spain, and spent three years developing ways to build a similar movement in the states. Gerard noted that even [while the Spanish economy has fared poorly](#) in recent years, Mondragon proved resilient, [maintaining steady employment](#).

The idea is catching on in the U.S. as well. In Pittsburgh, a “union cooperative” industrial laundry called Clean and Green uses green technologies and employs 120 worker owners. The business replaces a traditionally-run laundry; if it succeeds it will be a potent proof-of-concept for the cooperative movement. Two thousand minority home health-care workers in New York City formed a cooperative that increased their wages and benefits while also giving them more control of their working conditions. They are coordinating with the Service Employees International Union (SEIU). The coop model might provide unions with just the fresh air that they need. The economist Richard Wolff tells me that, “Unions concentrated mostly on how to minimize what to give back. They very rarely think in terms of strategic alternatives.”

Coops are also already an important part of the emerging green economy. In Cincinnati, [one cooperative](#) is connected with local building trades, and it retrofits buildings with green energy technologies. The nascent nature of the industry makes it ideal for cooperatives, which cannot be formed in industries already dominated by large hierarchical corporations. Ohio Cooperative Solar, [for instance](#), installs solar panels on rooftops in downtown Cleveland.

Cooperatives can also supplement economic development programs in cities suffering under the weight of deindustrialization. In Cleveland, historian and political economist Gar Alperovitz has developed a cooperative model based on the idea of “anchor institutions.” He aims to use institutions like hospitals, local government, and universities, which are constantly in demand, to serve as a bulwark against the vicissitudes of the business cycle. He tells me that he’s had interest in his anchor-institutions model from representatives from about a hundred cities across the country. Cincinnati has experimented with the anchor-institution model, as well as Atlanta, Washington, D.C., and Jacksonville. Most of these areas are either deindustrialized or were hit hard by the housing crisis.

And coops are not just good for unions, the environment, and struggling towns—they are good for workers, too. A [meta-study by](#) economist Chris Doucouliagos examines 43 published studies and find that profit-sharing,

worker-ownership, and worker participation in decision-making are correlated with higher productivity. The effects are stronger among labor-managed firms than among those with merely worker-ownership schemes like ESOPs. This seems to be playing out in the Union Cab Cooperative in Madison, Wisconsin. The coop was formed when cab drivers—who were fed up with long hours, poor benefits, and low pay—ditched management and bought the cabs themselves. The cooperative is run by a nine-person board of directors elected by the workers who sit for terms of no more than three years. In total, about 60 workers are involved in management, with representation distributed throughout the cooperative. The highest-paid workers make a base salary that is only 2.2 times the lowest-paid workers, although drivers who spend more hours driving and those elected to management positions make more.

The Union Cab Cooperative isn't going to overtake Uber any time soon, but there is no reason to believe that cooperatives have to remain small. The Spanish coop that aligned with United Steelworkers, after all, has 80,321 employees. Its revenues in 2012 were €14.081 billion. In the United States, Hy-Vee, a chain of 235 supermarkets with 62,000 employees and \$8 billion in revenue is entirely employee-owned.

The appeal of worker-ownership in the United States could even cross partisan lines. The two biggest supporters of ESOPs are the conservative Dana Rohrabacher and socialist Bernie Sanders. In 1999, [they co-sponsored](#) “The Employee Ownership Act of 1999” which would grant companies with a threshold of worker ownership an exemption from the federal income tax. Sadly, more recent cooperative bills have been primarily [supported by liberals](#). But conservative policy wonks talk about an “[ownership society](#),” and cooperatives are an ideal way to promote ownership and responsibility.

According to [Democracy Collaborative](#), the world's largest 300 cooperatives together constitute the ninth largest national economy. America is a land of ownership and democracy—and yet these values are generally ignored in the workforce. Cooperatives can change that.