



To jumpstart US job market, turn workers into owners

Many Americans build wealth through their home. Why not through work?

By Melissa Hoover and Beadsie Woo

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San Francisco and Baltimore —

Seldom do the United Steelworkers, the United Nations, and film director Michael Moore express the same idea at the same time. But all have, in their own way, promoted the benefits of cooperative businesses in recent months.

The Steelworkers Union, North America's largest industrial union, has signed an agreement with a 100,000-member European co-op to help workers here gain an ownership stake in their workplace.

Just last month, the UN declared 2012 the International Year of Cooperatives. It's urging governments worldwide to collaborate with the co-op movement to reduce poverty and create more productive societies.

And Michael Moore sent a valentine to the co-op movement in his latest film, "Capitalism: A Love Story." As a form of economic democracy, he said in an interview, co-ops are "the patriotic thing to do."

In hard times like these, the co-op model makes sense. After all, public confidence in corporations, banks, and the larger financial system is at low ebb, while unemployment is at its highest level in 25 years. Homeownership, historically a reliable way to build equity, has been rocked by foreclosures. People are looking for other ways to do business and save money.

Turning workers into investors isn't new. We're all familiar with dot-com employees whose vested stock options turned them into overnight millionaires. And Employee Stock Ownership Plans have long allowed workers to invest in their companies. But worker-owned co-ops are unique because employees own 100 percent of the business, so they have a voice in how it's run.

Many people think of co-ops as the hippie-dippy grocery store that sells organic goods. In fact, a 2009 study by the University of Wisconsin Center for Cooperatives found more than 29,000 cooperatives in the US, which make \$500 billion in annual revenue, support 853,000 people, and pay \$25 billion in wages and benefits. They include national firms such as credit unions, and local businesses such as the Alvarado Street Bakery in Petaluma, Calif., or the Evergreen Cooperative Laundry in Cleveland. [**Editors note:** *the original version of this essay misstated the number of workers supported by cooperatives.*]

Cleaning ladies in the San Francisco area and home-care workers in New York have banded to pool resources as worker-owners of profitable enterprises. White-collar workers are getting involved, too: One of the most successful cooperatives is Isthmus Engineering, a Wisconsin firm where engineers bought the company from its owner.

For low-wage workers, owning a business cooperatively can play a particularly important role in helping them climb out of poverty and build savings. Cooperative Home Care Associates in New York's South Bronx, for instance, lets its 1,600 members save money toward a \$1,000 stake in the co-op, entitling them to annual dividends. The business offers them affordable health insurance, retirement plans, and other benefits.

In America, most families build wealth by buying homes, investing in businesses, or putting money into employer-sponsored retirement accounts. The federal government subsidizes this wealth-building to the tune of \$367 billion a year. But most low-income families don't have the money to buy a house or start a business. And they don't have jobs that come with 401(k) plans. Many of those who stretched to buy a house this decade have lost their homes or their equity.

It was mass unemployment and widespread poverty in Spain's Basque region that spurred the creation of the Mondragon co-op in the 1950s. Today it's the region's economic engine, with more than 100,000 workers. At Mondragon, workers make the investment and the decisions. They share the profits and the risk. The Steelworkers say the co-op structure empowers workers and makes business more accountable. It envisions converting an existing site or starting new ventures, a natural extension of the union's role in giving workers a voice with owners. Except this time, the workers would also be the owners.

There is plenty America can do to help cooperative businesses flourish. The Small Business Administration could make clear that it guarantees loans to worker co-ops. Congress could set aside money for an urban co-op development initiative as it does now for rural cooperatives. State and local governments could provide tax breaks and loans to co-ops that create new jobs. They could also fund an employee-ownership bank to support these ventures. Charitable groups, too, could help develop and expand the co-op model as a strategic approach to creating jobs and building assets for working families.

A model based on human values rather than the unbridled pursuit of profit might be just what we need to create jobs, rebuild wealth, and support our communities. Keep your eye on co-ops.

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