

US Worker Cooperatives: A State of the Sector

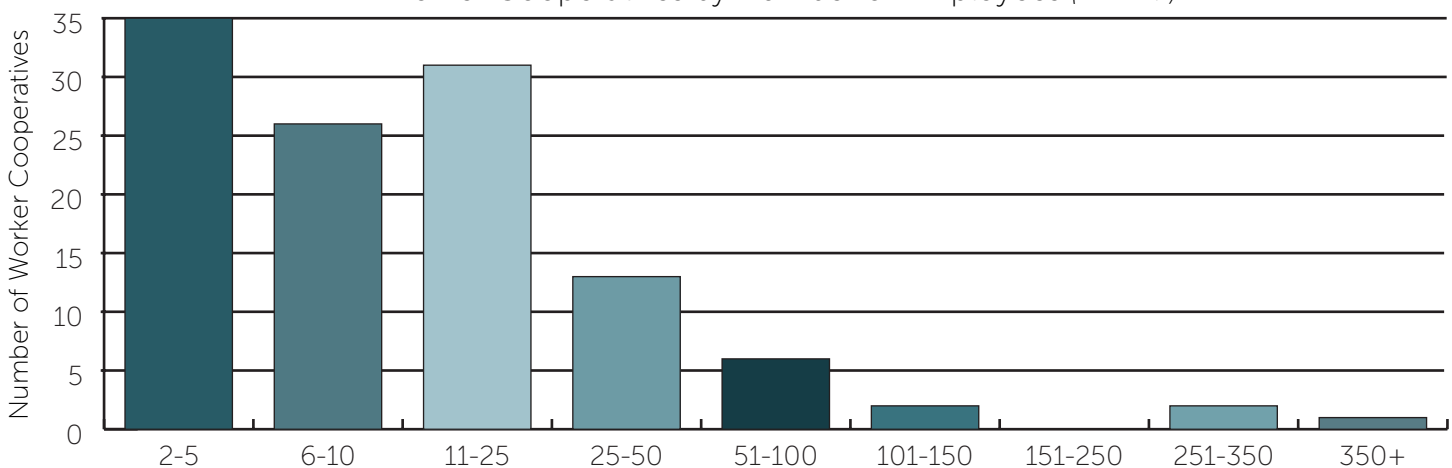
Worker cooperatives have increasingly drawn attention from the media, policy makers and academics in recent years. Individual cooperatives across the country have been highlighted, and substantive studies have been conducted of the worker cooperative experience in other countries, including Spain, Italy, France, Canada and Argentina. But what do we know about worker cooperatives in the US as a whole? Given the limited data available, the Democracy at Work Institute conducted a national survey of worker cooperative firms to start to answer some basic questions and lay the groundwork for future longitudinal studies. To our knowledge, this is the first nationwide survey to solely target worker cooperatives. We used publicly available data to identify basic information about 256 worker cooperatives operating in the US in 2013 (due to lack of a central registry and recent rapid growth, this is likely an undercount). 109 of these cooperatives then submitted substantial responses to our survey questions. The data set represents a combination of these two sources. For each survey question the exact number of cooperatives with available data varies, as the response rate for each question differed. Below are some key questions addressed by their responses.

How Big Are US Worker Cooperatives?

Most worker cooperatives are small businesses, though several worker cooperative firms do employ more than 250 workers each and produce revenue in excess of \$10 million per year. Some of the smallest worker cooperatives are fairly new and were start-ups in 2013. Altogether worker cooperatives represent a small part of the national economy. However, there may be a greater impact at the local level in areas where they are more concentrated (e.g., San Francisco Bay Area, Bronx, NY, Madison, WI).

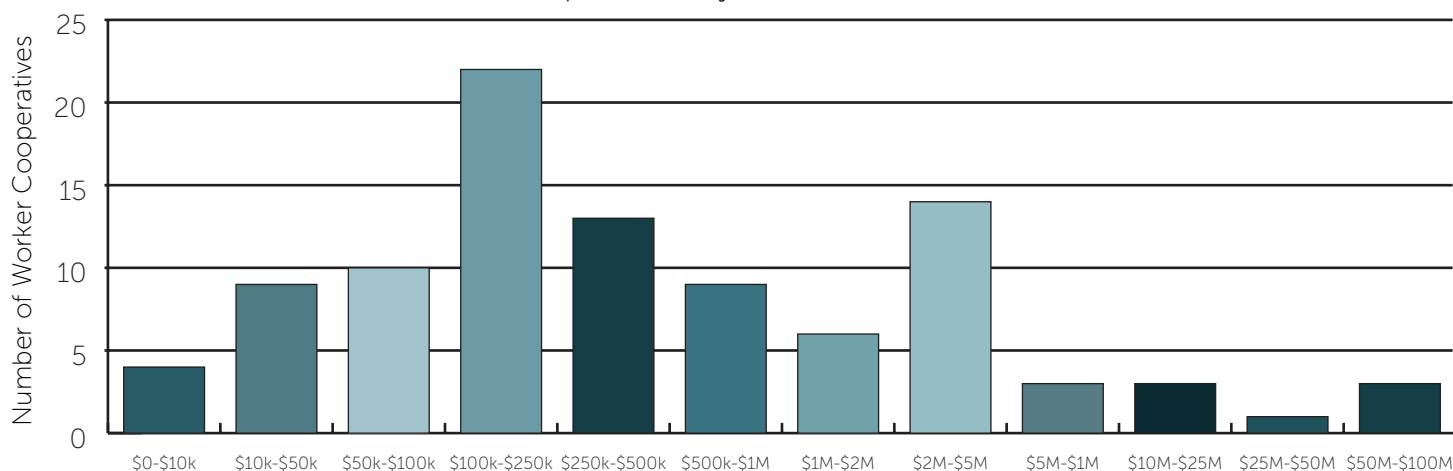
Est. Total Workforce	Est. Total Revenue	Median Revenue	Median Workforce
6,311 ¹	\$367 million	\$282,480	10

Worker Cooperatives by Number of Employees (*N*=117)



¹A combination of survey and publicly available data identified 4,931 workers in 118 worker cooperatives. Estimate derived by applying the median workforce size to the remaining 138 known worker cooperatives. We used a similar calculation to estimate total revenue.

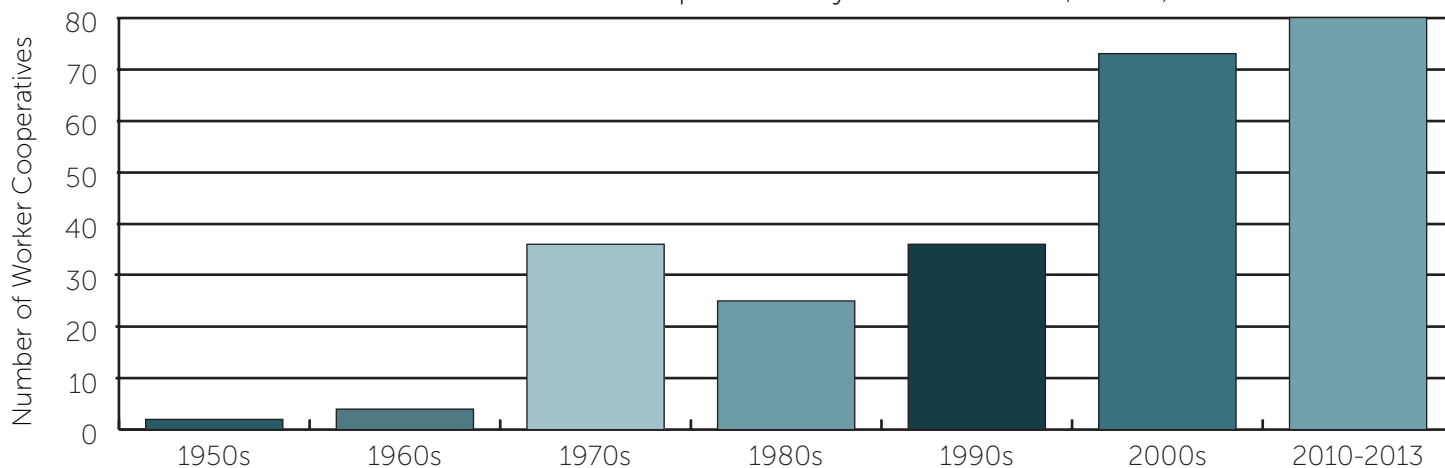
Worker Cooperatives by Total Annual Revenues (*N*=97)



Are They Growing?

Unfortunately, we cannot answer this question with certainty yet. With only a one-year snapshot, we do not have information about how big the sector was in previous years and thus have no clear point of comparison. However, a quick look at the age of current worker cooperatives does hint at an overall growth trend. Of the 256 known worker cooperatives, 60% have formed after 2000 and 31% launched operations since 2010 alone.

Current Worker Cooperatives by Year Founded (*N*=256)



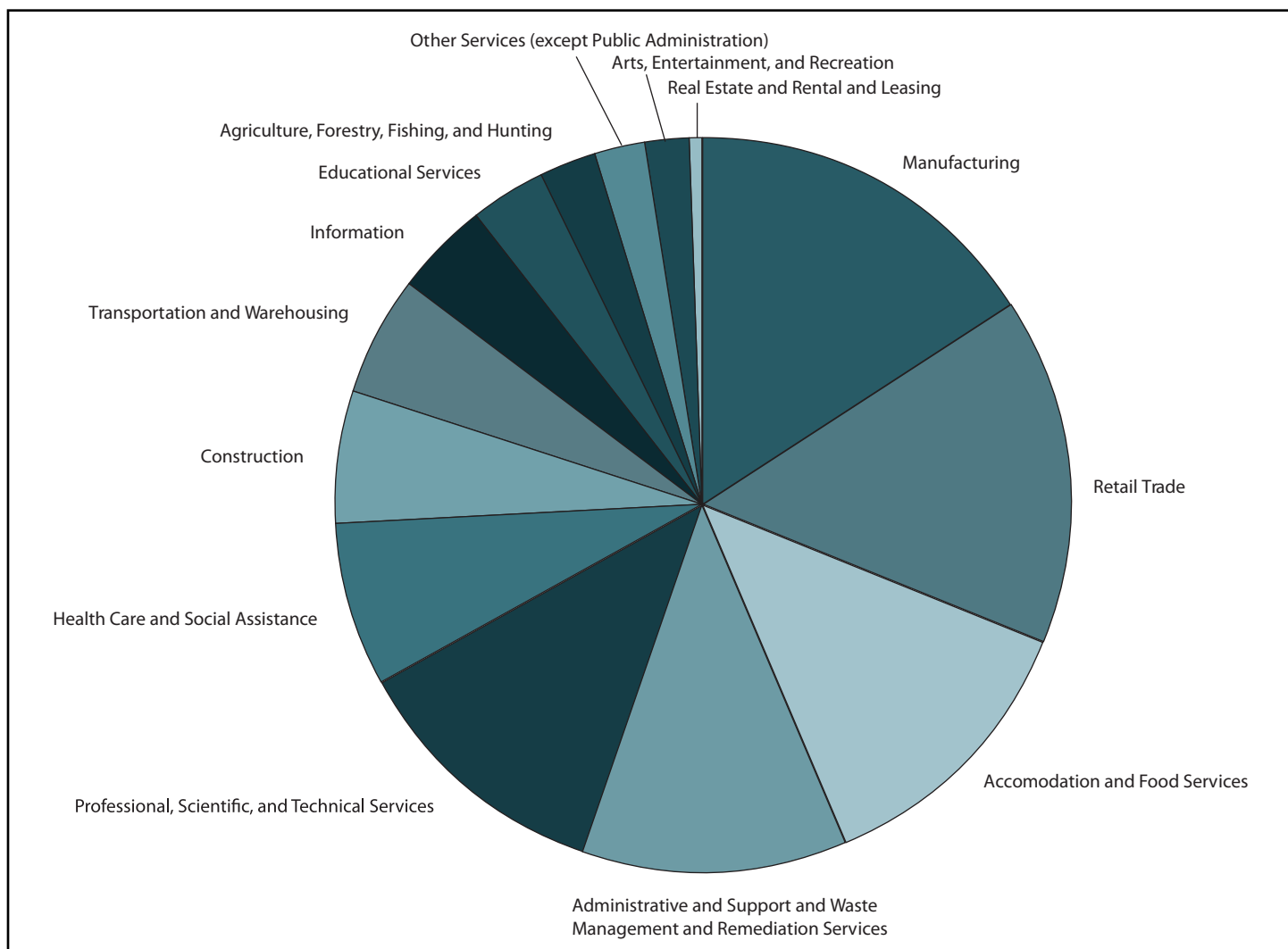
How Are Worker Cooperatives Formed?

Many US worker cooperatives begin as new business ventures, but there is a significant portion (42%) of existing worker cooperatives that were not start-ups when they formed. Many of these were conventionally held businesses that transitioned to democratic ownership. Others began as mission-driven nonprofits or volunteer organizations before converting to a cooperative form. This finding is particularly unexpected given that the focus of most cooperative developers is on assisting the launch of new worker cooperatives.

What Industries Have Worker Cooperatives?

Worker cooperatives are found in nearly every sector of the economy, though the majority are located in five key sectors – manufacturing, retail, food, administration/waste management and professional services. The largest plurality of worker cooperatives (16%) is in manufacturing, thanks in part to the strength of food manufacturing businesses in particular. Health care cooperatives, while only 7% of the sector, accounted for over half of all worker cooperative revenue, mostly due to the performance of a single large firm.

Current Worker Cooperatives by Industry (N=256)



Are Worker Cooperatives Profitable?

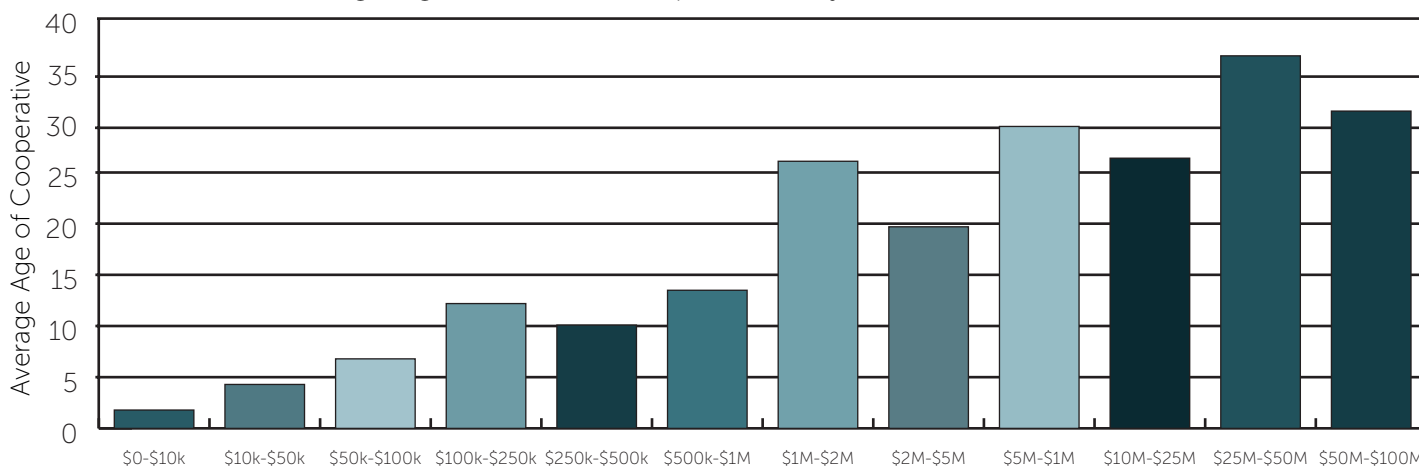
Worker cooperatives appear to slightly outperform their peers. In 2013, the average private firm had a profit margin of 5.9%, while the margin for worker cooperatives was 6.4%. While this figure is based on a small sample size (67 firms), it does appear that the worker cooperatives examined here are competitive and viable as a whole, particularly in the manufacturing and retail industries.

Category	# of Firms	Net Profits	Average Profit	Median Profit	Profit Margin	US Profit Margin ²
Overall	67	\$20,513,839	\$306,177	\$30,000	6.4%	5.9%
Manufacturing	12	\$10,862,904	\$905,242	\$72,422	10.1%	5.0%
Retail Trade	14	\$5,816,079	\$415,434	\$81,000	7.1%	2.4%

Do Worker Cooperatives Succeed Over Time?

Due to the small size of many worker cooperatives at the time of their formation, and some perceived unique barriers to growth, it has been an open question whether worker cooperatives have the capacity and resources to expand their volume of business. However, the survey data shows a clear trend toward larger annual revenue as worker cooperative firms gain experience in the market. Like many other business forms, it appears that financial stability and, in some cases, significant expansion can occur once the initial start-up or post-conversion period is over.

Average Age of Worker Cooperatives by Total Annual Revenues (N=97)



How Are Worker Cooperatives Structured?

Although ownership is a core principle in the worker cooperative form (as demonstrated by the fact that our survey shows that 84% of workers are also owners), there is no standard ownership structure with regard to legal entity type, governance structure, or patronage dividends.

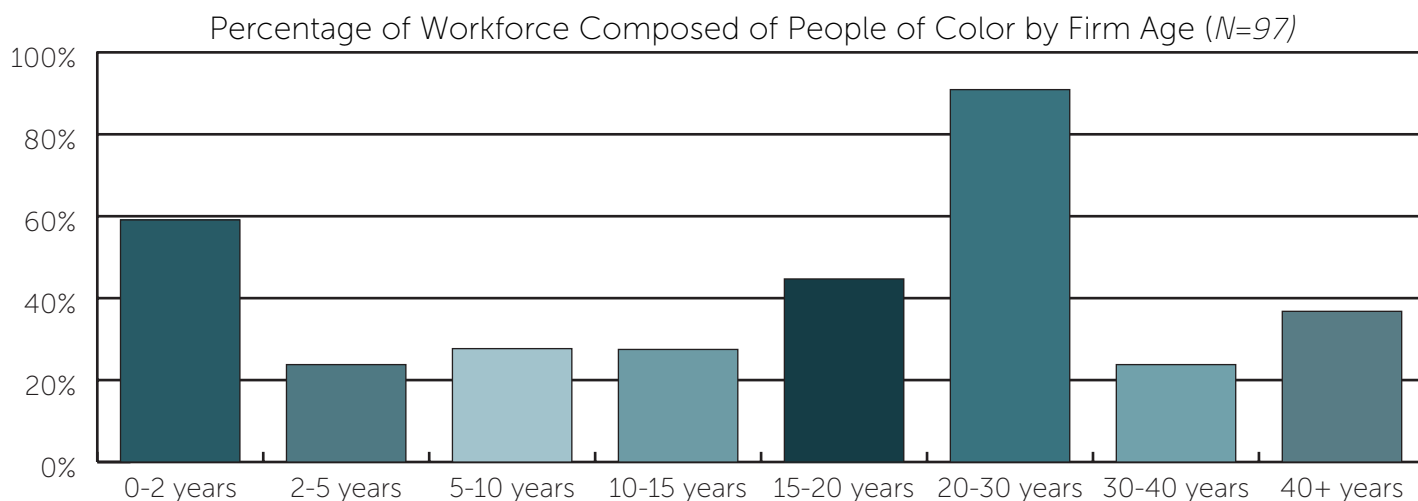
Worker cooperatives are incorporating under a variety of legal structures. The most popular form is the cooperative corporation (44%), despite the fact that such laws are only available in 23 states. The remainder are limited liability companies, or LLCs (26%), C or S corporations (14%) and other entities (16%) such as nonprofit corporations.

²SOURCE: Sageworks, Inc., The Private Company Report, September 2013 data. See https://www.sageworks.com/pdf/Data_Release__09292014.pdf.

Almost half (46%) of respondents reported they do not have a board of directors, a surprising result. Broken down by entity size, however, the results were more predictable: 73% of companies with revenues of \$500,000 or more reported having a board, versus 45% of companies with under \$500,000 in revenue.

Are Worker Cooperatives Becoming More Racially Diverse?

In short, the answer is yes. The exponential growth of one older large worker cooperative alone has added significant diversity to the overall workforce (reflected below in the “20-30 years” bar). More interestingly though, there has been a very recent spike in the number of non-white workers in worker cooperatives. In 2012 and 2013, almost 60% of people in new worker cooperatives were people of color. While hard 2014 data is not yet available, the anecdotal evidence indicates this trend is highly likely to grow in the near future.



Conclusion

Worker cooperatives appear to be growing each year, outperforming their traditional peers and providing vital services, from home care for the elderly and disabled to solar panel installation and green landscaping. Yet at the same time, they appear to have a noticeable presence in only a few pockets of the country and remain small compared to the rest of the economy. Recent developments show that the worker cooperative form is being used as a strategy to address inequality and access to employment, particularly in communities of color. The diversity of worker cooperative origins, locations, structures and industry concentrations suggests there has been no one path to scale so far. Further research is needed to help uncover richer data about worker cooperatives, including success and failure rates over time, firm performance and community impact, demographic and economic trends animating current growth, and the relationship of scale to realizing the wealth-building potential of cooperative business ownership.