

THE WORKERS' OWNED SEWING COMPANY: MAKING THE EAGLE FLY FRIDAY

AN ICA GROUP CASE STUDY
BY FRANK ADAMS AND
RICHARD SHIREY

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SEWING COMPANY:
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FLY FRIDAY

AN ICA GROUP
CASE STUDY



THIS CASE STUDY IS ONE IN A
SERIES OF **OCCASIONAL PAPERS**
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PREFACE

Against great odds in an often ruthlessly competitive industry, five sewing machine operators and a farmer got a charter of incorporation to operate a cut-and-sew factory in Windsor, North Carolina on August 15, 1979.

The women had never been in business for themselves, although they had been industrial seamstresses for several years. The farmer knew about corn and soybeans, and some few rudiments of the cut-and-sew trade. He had been on the board of directors of a sewing factory which had declared bankruptcy. Even friends predicted they would not be in business long, particularly because they intended to democratically manage their new business, the Workers' Owned Sewing Company (WOSCO).

Fourteen years later, almost nonchalantly, one founder, Celia Cherry, said: "We're still making the eagle fly Friday,"

Friday paydays had come and gone. The past gave Cherry confidence to expect she would be paid every Friday into the foreseeable future. For her, and half a hundred others, the Workers' Owned Sewing Company had become a reliable source of work; a rarity in a rural county where jobs of any sort are hard to find.

Being an owner made her assured, too. Cherry had earned income over and above her weekly wage. She expected the farmer, Timothy Bazemore, who was general manager and president, to negotiate contracts with profitable margins. She knew the importance of productivity, and she had helped create a productivity incentive system which promoted cooperation. She was pleased that her company was known in the industry as a company that made a good product. She—and the entire workforce—routinely elected peers to be directors. They had power to hire or fire Bazemore, and to give the firm direction with policies they thought best. She was proud to have had a hand in defying the odds.



*THE FOLLOWING IS A LIST OF
WORKER OWNERS
AS OF JUNE 14, 1993:*

MARY ASKIN



BARBARA BARDLWENS



MISSION AND HISTORY

The seamstresses organized the Workers' Owned Sewing Company to provide themselves and other industrial seamstresses steady jobs. Bazemore, the farmer who had regularly thrown his spare energies into the civil rights movement, was determined to prove that poor Americans, especially African-Americans, could run a profitable business.

For Bertie County, their goals were ambitious. The few jobs available to anyone in the county were in logging, on farms, or in a handful of small businesses, and these mostly in job categories strictly determined by race or by gender. African-American men worked as loggers or drove farm tractors. White men owned the woodlots, saw mills, or farms. African-American women worked as maids, or as seamstresses in tiny speciality sewing shops which opened or closed as frequently as hemlines went up or down. They coveted the jobs given white seamstresses in the county's one or two sewing factories owned by national manufacturers. In those jobs, repetitive tasks on the same garment made piece-rate pay scales attractive.

Bazemore and others had led numerous protests in Bertie County throughout the 1960s and early 1970s, seeing some segregationist laws or customs fall, but not in employment. In spite of marches and sit-ins, poverty and segregation made life harsh in Bertie County, as in much of Northeastern North Carolina. Throughout the 1970s, per capita income levels in this region were among the lowest in America, according to the U.S. Census Bureau.

For decades, piece-rate sewing shops had opened or closed with regularity throughout the South. Cut-and-sew operators expected that they could show up in towns like Windsor, the seat of Bertie County government, to offer jobs in return for tax abatements, low rents, or a bond issue they could use to fix up a plant or to buy equipment.

For county government, the shops were a way to put on a payroll people who might otherwise be on welfare. For workers, cut-and-sew shops offered a minimum-wage living for a year or two while they looked for better jobs.

Bertie Industries, Inc., where the WOSCO founders had previously been sewing garments, was formed with the promise of being a markedly different enterprise. The cut-and-sew factory was started by the Small Business Administration under a plan by then President Richard M. Nixon to promote "black capitalism." The SBA offered low-interest loans and technical



assistance to communities around the nation as an alternative to the civil rights demonstrations plaguing the Nixon administration. African-Americans, and others, could go into business rather than into the streets. At least that was the idea.

Bazemore invested money in Bertie Industries. So did about one hundred of his fellow citizens who took President Nixon and his offer seriously. The sewing factory operated for less than a decade, subsidized through federal policies which set aside a percentage of contracts for firms "owned" by women and minorities. Bazemore had been a director until he angered one manager by asking for more bottom line information than the SBA cared for him to know. He was not re-elected when his first term ended.

Even with subsidies, Bertie Industries was never profitable. One contract after another was miscalculated. The SBA, not the board of directors, picked a succession of managers. To the distress of nearly 200 employees and its one hundred or so investors, the company declared bankruptcy in August 1979. Black capitalism turned out to be more political rhetoric than profitable reality. Except for learning how to operate sewing machines, almost no business skills were transferred to the workforce or the board of directors. Segregationists were quick to say the failure proved African-Americans could not run a business. Worse, every corporate officer was at risk for the company's debts.

Politics and liability aside, the women needed work when the company closed. Bazemore wanted all or some of his investment back, even though his stake had been under a thousand dollars. He held several meetings with the unemployed seamstresses to discuss how they might start a new firm. At first, several dozen persons attended. Soon, however, only a handful came. Five of them became the founders of WOSCO. No one, including the founders themselves, had ever before imagined seamstresses owning a cut-and-sew factory.

◀ 2

DORIS BAZEMORE



HALLIE BAZEMORE



ODISSA BAZEMORE



3 ▶

SABRINA ETTA BAZEMORE



TIM BAZEMORE



DOROTHY S. BOND



ORGANIZATION

Through a small community education center in a nearby county, Carolyn Beecham, Celia Cherry, Lila Dudley, Helen White and Louise White, the machine operators, along with Bazemore, had learned about the Basques in Northern Spain. The Basques owned and managed numerous cooperatives, including a sewing factory. Their cooperatives provided employment for thousands, were profitable, and were managed democratically. The Basques believed a business could be "...a way for many people to be well off rather than a few to be very rich..." These ideas appealed to the North Carolinians.

The seamstresses each invested \$100, risking money in a business for the first time in their lives. Bazemore, despite the fact that his first investment had gone sour, put up \$100, too. Every new owner-member has paid the same since.

Under North Carolina law, they could not charter a cooperative. In that state, at the time, cooperatives were limited to agricultural or farming businesses. Further, the North Carolina Secretary of State, who registered all corporations, had never heard of an industrial cooperative. However, he issued the owners a charter as a corporation authorized to write by-laws suited to their values so long as no state law was broken.

They intended to manufacture children's and women's apparel. They rented five sewing machines, setting them up in what had been the showroom and repair shop of a once-prosperous auto dealership. The building was rented month by month. A telephone was installed. Their company name was painted on the building in lettering that caught the eye of every passing motorist. They picked a sewing machine for their logo, and stationery listed each owner's name.

At first, they got work haphazardly, in short runs, and at prices perilously close to costing them money for every garment produced. Through the educational center, staff from the Industrial Cooperative Association, now the ICA Group, were contacted to fashion financial and market plans with the owner-members. These were presented to potential lenders and foundations. WOSCO's founders learned how to cost garments, to write by-laws, and to govern themselves.

During the firm's first weeks, routine administrative chores had a way of blossoming into time-consuming problems, sometimes with potentially dire political implications. For instance, as contracts increased both in number and size, WOSCO asked the state Employment Security Administration



office for help in recruiting machine operators. They refused, charging the firm was a "communist business." Bazemore was forced to spend weeks creating an informal recruiting network through churches or civic groups, and in attempting to convince state officials that WOSCO was in business to make money, not to overthrow the Bertie County government.

Like the Basques, WOSCO's by-laws gave each worker one share of stock, and one vote in elections for a seven-member board of directors and on major policy matters. Elections would be held annually. Only people who worked at WOSCO could own stock or vote. Directors could be elected by a plurality of the vote. The board had the power to hire or to fire the general manager who, in turn, hired, promoted, demoted, or fired supervisors, machine operators, mechanics, or clerks.

In 1992, three of the founders—Bazemore, Cherry and Dudley—were still directors. Cherry and Dudley had become supervisors. Bazemore was president and general manager. The board secretary was bookkeeper Margarie Roulhac, who is evidence of the firm's durability and its willingness to foster owners' occupational growth when possible. She started work in 1980, bagging and tagging finished garments, the least skilled task in a sewing factory. Other current board members are machine operators Emma Smallwood and Irma Holley, and Hallie Bazemore, a supervisor and machine operator.

◀ 4

MONA L. BOND

ROSA L. BOND

LORA BROWN

5 ▶

CAROLYN CHERRY

CATHERINE CHERRY

CELIA CHERRY

Besides voting for representation on the board, owner-members vote on issues related to working conditions, including the work schedule, holiday pay, on any change to the firm's mission or, should the question arise, to close down the cooperative. Except for the annual general membership meeting, the workforce meets formally only as necessary.

Procedurally, Bazemore recommends policy to the board, which reaches decisions by consensus on virtually every policy. Votes are taken infrequently. The board meets at least twice monthly, but more often if necessary, and most board meetings are devoted to current financial issues.

By 1992, the workforce averaged 43 persons, 40 of whom owned WOSCO shares. Ten others who worked from time to time were buying memberships. If a person does not have \$100 to invest, the company makes them a loan which is repaid through payroll deductions. When members leave, the fee is returned during the annual general membership meeting held each December.

At this meeting, the worker-owners treat themselves to a catered, seated dinner. Bazemore and the firm's certified public accountant give a detailed annual financial report, and then answer questions about the finances. The membership agrees on broad financial and production targets for the coming year which board members use to set goals during subsequent meetings. After the annual bonus is distributed, the meeting ends with election of the board.

DIANA C. CHERRY



ADDIE S. DANLON



DOROTHY DEMERY



CORPORATE PERFORMANCE

Industry economics shaped WOSCO as much, if not more, than the founders' economic goals or democratic impulses. The lack of capital forced a market strategy on them. The cost of labor determined how they bid for contracts in those markets. Their lack of skills pushed them logically into a manufacturing niche.

The founders specialized in making the easier products: childrens' and womens' leisure clothes. These garments were simply designed and quickly constructed, and could be manufactured until WOSCO acquired a broader range of vocational skills, or until the cooperative owned more equipment. They were starting with what they knew and owned.

At first, the cooperative operated solely as a sewing subcontractor. Subcontracting required almost no start-up investment capital except for payrolls, a fact which coincided with the financial means of its founders. The capital needed to secure direct sewing contracts with retailers or manufacturers was beyond their reach. They had no money to invest in cloth, thread, elastics, or to hire a cutter to cut cloth into patterns.

Clothing manufacturers with more orders than labor capacity hired WOSCO to make garments for them, a common practice in the needle trades, especially during seasonal fashion changes. They furnished WOSCO a sample garment, patterns, pre-cut cloth, thread, and any other material such as buttons or elastic. WOSCO supplied labor, a place to manufacture and to store garments temporarily, arrangements for shipping, and the necessary administration.

As a subcontractor, WOSCO attracted five customers its first fiscal year, each for short production runs. One contract was for 250 dozen items which had to be rushed to completion during a few stressful days. Long stretches of time followed when there was almost nothing for the owners to sew.

Consequently, during the first year, there seldom was enough money to cover payroll. The eagle would fly, but only if the workforce hurriedly cashed their checks before creditors could cash theirs. Within six months, one founder quit. She needed a bigger paycheck and one she felt sure would issue each Friday. Then as now, nearly all the machine operators at WOSCO are women who head households. They value steady work, even at relatively low wages. Lean household budgets can be calculated with less anxiety if cash flows regularly.

LILA DUDLEY



SADIE EASON



BENNY ALMENA ELLIOT



Their ownership stake notwithstanding, machine operators routinely left WOSCO as they gained skills or speed. The constantly changing contracts made sewing garments at break-even production levels virtually impossible for even the most dedicated. No matter how efficiently they worked, paychecks seldom reflected the extra effort. Some months labor turnover was nearly 20 percent. Those who stayed had to learn new techniques or stitching operations almost weekly.

WOSCO borrowed routinely against customers' contracts then, upon delivery, pushed them to pay in 10 days or sooner. On the other side of the ledger, WOSCO paid its debts as slowly as possible. Money that was available went to meet payroll, or for larger than planned indirect labor and overhead costs.

However, in defiance of the odds, WOSCO kept the doors open. For most of 1979 and 1980, Bazemore supplied working capital, selling his hogs or his fall crop of corn and soybeans to meet weekly payrolls. Eventually, he invested over \$20,000, all his life's savings at that time plus his earnings from farming in 1979. Foundations and churches were asked to pay consultants, including ICA. Some responded with loans or grants, in part because WOSCO was creating jobs amidst the poverty in Bertie County. Start-up financing included a \$75,000 zero interest loan from the Catholic Church's Campaign for Human Development and a \$60,000 loan from the Presbyterian Church. Those first years were difficult. WOSCO lost \$93,000 on sales of \$221,000 during the 1979-80 calendar year. The picture was a little brighter in 1980-1981. Sales increased by over 70% and losses decreased by 20%.

By August 1983, Bazemore felt WOSCO could bid for long-run, direct contracts. The machine operators were confident of their skills. Supervisors had learned how to operate efficient assembly lines. There was enough equipment. Within the industry, Bazemore was gaining a reputation for his ability to calculate production costs closely and to negotiate contracts sharply. One competitor called him "the Muhammad Ali of the needle trades," explaining with a laugh but with admiration, Bazemore "floated like a butterfly and stung like a bee."

Direct contracts provided distinct advantages over subcontracting arrangements. WOSCO management felt that the predictable, steady flow of work from long-run, direct contracts would stabilize the firm. In addition, direct contracts require in-house cloth cutting, and are therefore more labor intensive than subcontracts. Winning direct contracts would enable WOSCO to create more jobs in depressed Bertie County. Despite the obvious benefits, direct contracts would also create new challenges for the young firm. As a contractor, WOSCO

intensive than subcontracts. Winning direct contracts would enable WOSCO to create more jobs in depressed Bertie County. Despite the obvious benefits, direct contracts would also create new challenges for the young firm. As a contractor, WOSCO would need significant capital reserves to invest in cloth and other materials.

From 1983 to 1987, direct contracts represented a major portion of WOSCO's business. The first direct contract was for 1,200 dozen boys' pants. That job was completed on time with no major production glitches. WOSCO won a follow-up contract for 10,000 dozen of the same item. Sales nearly doubled in fiscal year 1984, WOSCO's first full year with major direct contracts. Costs also rose. After spending almost nothing on cloth from 1981-1983, WOSCO spent \$112,000— nearly 20% of sales— on materials in 1984. At the annual meeting in December 1984, worker-owners learned that WOSCO had turned a comfortable profit of \$73,000 on sales of \$624,000. Thirty-five members had held full-time jobs for an entire year. Another 30 persons had worked part-time or on second shifts.

Over the next two years, sales remained high as WOSCO won new direct contracts. In 1985, the firm posted sales of almost \$900,000, and employed a workforce of 70 people. In both 1985 and 1986, material represented over 50% of costs. These costs cut into profits and the company was able only to break even in these years. In 1987, perhaps in reaction to the major capital requirements of direct contracts, WOSCO began to take fewer direct contracts and do more subcontracting. As a consequence, dollar sales volume dropped to just over \$600,000 that year, and materials costs dipped to 32% of sales. This sales mix worked well for the firm and profits rose to \$63,000 in 1987. WOSCO functioned primarily as a subcontractor until fiscal year 1991, when capital reserves were again large enough to support more direct contracts.

Until 1990-91, the cooperative never had the ability to routinely pay for cloth, patterns, cutting, supplies and freight for long-run, profitable contracts. By that fiscal year, however, the cooperative's assets totalled \$673,000, and included an automobile showroom which WOSCO had bought in 1985. Efficiency and productivity had improved markedly, too. There was hardly a garment the seamstresses could not manufacture profitably.

With these resources behind him, Bazemore reached for the next rung up the ladder in the needle trades. He bid for direct contracts from K-Mart, the huge national retailer, and got them. Over the years, K-Mart had used WOSCO for scores of subcontracts and Bazemore knew many of the buyers. In addition, he bid on a disposable adult diaper Proctor & Gamble wanted made by the hundreds of thousands, and won that long-

Alice E. Epps

Melissa Gilliam

Jennifer Vte Hardy

Lillie Heckstall

Frances M. Hendrix

Minnie C. Hendrix

Since 1982, WOSCO has provided its owners with a nearly uninterrupted flow of work. Six worker-owners became 16, then 25, eventually peaking at 85 people. Despite fluctuations in dollar sales volume, due largely to a changing mix of direct contracts and subcontracts, WOSCO has performed at or above break-even through most of its history. In this respect, WOSCO's stability is rare in the needle trades.

A sizeable number of seamstresses and other production workers have stuck with the cooperative. Steady work remains scarce in Bertie County. Four large sewing factories in nearby towns closed in 1989-90, throwing nearly 1,000 persons out of work. When seamstresses compare WOSCO with similar small, independent cut-and-sew firms, their word-of-mouth history about the steady supply of work at WOSCO gives the cooperative a recruiting edge. This translates into a comparative degree of labor stability which adds value to the WOSCO product. The Employment Security Administration no longer warns job seekers to stay away from WOSCO.

To keep a continuous supply of work, Bazemore has at times signed contracts at break-even rates. He risks narrow margins on direct, long-run contracts. However, during times when the demand for labor is intense, he charges customers higher rates for the same or similar work. This strategy protects the WOSCO workforce from dreaded layoffs. Eventually, Bazemore reasons, profits will be assured. Most fiscal years, he has reasoned correctly.

Industry economics shape the way WOSCO bids for contracts. Bids throughout the cut-and-sew industry start with the assumption that workers are paid the current minimum wage. Using that peg, bidders multiply direct labor costs by 2.5 to 3.5, depending on competitive conditions, contract size, or their own profit targets.



Over the years, Bazemore, who does all contract negotiations, has learned he can bid a 2.7 multiple on the average contract, long run or short. By keeping both direct and indirect labor costs low, the cooperative is able to bid against bigger firms who must have a higher, quicker return on their labor investment, or have higher indirect costs.

Profits in the cut-and-sew industry turn on how quickly acceptable garments are sewn and shipped. Garments are ordered in dozen lots. Machine operators are paid by the dozen lots. Machine operators measure their own productivity by the dozen. "Doing my dozen," is a common phrase among garment workers.

Cut-and-sew factory managers routinely demand 95 percent productivity levels from employees, earning these businesses the hated nickname of "sweat shop". WOSCO has yet to figure out a substitute for this exploitative industry norm. Bazemore estimates operator productivity at WOSCO averaged 78 percent annually during the first five years. Today, his figures show productivity averages 82 percent, only a marginal improvement. However, if Bazemore isolates direct, long-run contracts from short-run subcontracts, productivity averages a very respectable 92 percent.

These numbers are a source of pride at WOSCO, especially for the founders. Their work is on a competitive par with large scale manufacturers. Week in and week out, WOSCO offers more uninterrupted work than small shops. And their firm's monthly billing capacity reached \$150,000 in 1992, up from \$7,500 ten years earlier.

WOSCO keeps indirect labor costs low by limiting the number of administrators and by having each of them—the general manager, bookkeeper, two fulltime supervisors, and a mechanic—do a number of tasks in addition to the conventions of their job descriptions. Each routinely does some production work.

Bookkeeper Roulhac, for instance, doubles as shipping clerk, labeling boxes or garment bags before they are trucked away. Bazemore often comes in on the weekend to cut cloth for the next week's production run. Supervisors sew if a machine operator is absent or becomes ill.

IRMA HOLLY

ELIZABETH R. HUDDLESTON

GLORIA J. HYMAN

DELISA JENNETTE JOHNSON

OSCAR J. MARIN

ANNIE PERRY

The cut-and-sew industry measures turnaround times from the day cloth or other supplies needed for the contract arrive at the subcontractor's loading dock until the finished goods are shipped. Major manufacturers or retailers negotiate the shortest possible turnaround with subcontractors like WOSCO, both to minimize the time their working capital is tied up in cloth or related supplies, and to shorten lead times to their retail sales outlets.

Subcontractors, on the other hand, want to stretch out production schedules. This boosts operator productivity, making an efficient, balanced production flow possible. It also gives the subcontractor more time to find new work. Gradually, manufacturers or retailers have learned that WOSCO can be counted on for short turnaround delivery, regardless of the length of a production run or the prospects for replacement contracts. WOSCO's owners want work.

Brokers and most major manufacturers ration work among subcontractors during seasonally slack periods. Subcontractors with records of prompt turnaround times, high quality, and past loyalty are usually assured work during slow sales periods. Seasonal and cyclical market fluctuations factor heavily in cut-and-sew factories. By developing a respectable reputation on the crucial factors of quality and turnaround time, WOSCO has won more than a normal share of between season contracts.

By sticking to childrens' or womens' leisure clothing, WOSCO worker-owners have given themselves some additional protection against cyclical downturns. These low- and moderately-priced garments are less vulnerable to fashion cycles than other market segments, especially sales of higher priced clothing which can drop precipitously after winter holidays.

Industry comparisons are difficult to come by in the cut-and-sew trades. Most firms are small and run by owners who guard key financial data to protect themselves against cannibalistic competition. **The 1990 North Carolina Sewn Product Network Directory** lists 140 firms, a figure which is acknowledged to be well below the actual number of cut-and-sew operations in that state. The directory reflects the great variety of production specialities within the industry. Companies in the Network subcontract or manufacture everything from mens' shirts, nylon slings, hospital uniforms, to a host of other products. This also makes comparisons difficult. However, WOSCO's ownership structure and stability makes the firm unique. Only eleven firms listed have been in business longer than WOSCO.

Three weeks after WOSCO opened for business, a typically fearsome September heat wave beset North-eastern North Carolina. The humidity was oppressive. Sun blazed through the old automobile showroom's floor-to-ceiling glass windows, literally turning the Workers' Owned Sewing Company into a sweat shop.

Production all but halted. One by one, as if they still worked for Bertie Industries, machine operators asked Bazemore, the boss, for relief. WOSCO could not afford to install air conditioning equipment, he told each person, and even if air conditioning was within their means, the cooperative could not pay any higher electric bills. He hung curtains over the windows.

Work stopped after three sweltering days. The seamstresses quit to meet and talk about their options. The working day at WOSCO paralleled the hours used at Bertie Industries—from 7 a.m. until 3 p.m., with a half hour for lunch and a ten-minute break each morning and afternoon. The owners voted to start work at 5 a.m. and to quit at 1 p.m. until the weather cooled. Their decision stuck. Ever since, production workers determine policies for working conditions on the shop floor at WOSCO.

Beyond this authority, however, owner participation and decision-making at WOSCO is neither spread evenly nor widely compared with many workers' enterprises. According to Bazemore and other veteran members, there are four factors which explain why.

Initially, the board of directors and the workforce were one and the same. Distinguishing between their interests as workers and their fiduciary responsibilities as directors was difficult. Direct democracy was practical as long as WOSCO was a six-person enterprise. Further, it suited Bazemore's political temperament and experience as a civil rights leader. The ICA Group encouraged WOSCO in this direction, too. Bazemore tried to involve every person in nearly every decision from work rules and wages to contract negotiations.

However, as the firm grew in size and complexity, Bazemore became convinced there was a limit to direct membership participation. "It doesn't work to have everyone running the plant," he says. "For certain things we had to delegate responsibility to the manager."

Gradually over the years, the board has given Bazemore near unilateral power to manage as he pleases. His authority can be seen as a measure of their trust in his judgment, or of their appreciation for his stewardship in keeping the cooperative a constant source of work. He consults with the board before major investments, such as buying the automobile facility and enlarging it, on long-term contracts such as the diapers, or on administrative salary ranges. Together, they decide about basic, companywide pay levels, and on the size of annual bonuses. The board retains the right to override his decisions, which they do from time to time.

Nevertheless, since Bazemore negotiates every contract, ultimately he determines the way work is done at WOSCO. Bazemore and the supervisors decide how to distribute weekly bonuses.

Making production or making democracy has been a dilemma for WOSCO since the day it opened. Learning how to govern themselves has taken time away from production. Most often, earning a wage has taken precedence over practicing democratic self-management. But not always and not always with predictability.

Until dinner meetings became annual events and central heating was installed, the workforce organized weekly or monthly potluck lunches to discuss board nominations, or election procedures, or the financial issues of the day. Supervisors cooked white beans and sweet potatoes on wood-burning stoves situated around the shopfloor. On meeting days, the board agreed to start lunch breaks ten minutes early, and owner-members agreed to work ten minutes after the buzzer sounded to quit the day. As is the case in any workplace, WOSCO has both formal and informal leaders. The informal leaders managed the potlucks; the elected or appointed leaders spoke when asked, mostly to provide data.

Seamstresses, not management, wanted a daily production chart mounted on the shop floor so that individual and collective accomplishments could be seen, measured and compared. The firm's innovative system of bonuses grew from these informal, but intensively educative, meetings.

A year after opening, Bazemore said:

"We brought the people from a state of limited skills in production to a place where they could excel with a long-run contract. We brought the people from a state of no knowledge of

a worker's democracy to a state of some appreciation and general knowledge of a worker-managed production cooperative."

While Bazemore encourages spontaneous conversations between supervisors and machine operators during work, no matter how production is affected, he hesitates at having members vote on every policy, even during annual membership meetings. Most owner-members, he insists, "do not grasp the over-all picture." Bazemore formulates major policies himself, then sounds out the board of directors. With their advice in mind, he airs the proposal during the annual meeting, again more to test reactions rather than to seek an affirming vote. Following the annual meeting, the board votes on his policy proposals.

Moreover, since WOSCO's leadership has remained unchanged, many owner-members see little reason to spend time or energy trying to take part in policymaking. They content themselves with the knowledge that as a group they can, and do, profoundly influence shop floor decisions.

Labor turnover, historically high in the needle trades, is low at WOSCO. In this industry, careers reach dead-ends quickly, making the idea of a career ladder at the cooperative a virtual impossibility. The cooperative's political stability has narrowed pathways to participation. Today, Bazemore estimates that turnover averages 8 percent annually, down from 20% during the firm's first years of operation. On average WOSCO's 40 members have been at the cooperative for eight years.

With the exception of some limited training the first board members were given on governance, WOSCO has never had the financial surplus needed to make a systematic effort to identify and to teach the broad groups of skills necessary for effective participation in decision-making, either for the board or the membership. WOSCO has had little time and less money to spend on internal education. Members have learned on their own— usually through the tumble of trial and error— about finance, governance, the industry's economics, or policymaking. Vocational skills have been learned mostly on the job and have been taught by peers.

LORRIANE RYAN

CHRISTINI SMALLWOOD

EMMA SMALLWOOD



COMPENSATION

The 1990-91 payroll totalled \$310,169, pitifully small compensation for a workforce averaging 43 persons daily over a full working year—that is, unless the wage is compared with what other Bertie County women earn as babysitters, maids, or waitresses—if and when they can find work. Or, unless the cooperative's unique Plus or Minus Incentive is counted.

Taking their cues from owner-members, Bazemore and the board have devised a compensation system as singular to WOSCO as the cooperative is unique to the needle trades. Compensation at WOSCO does not relate to anything they were taught, or to anything put in place on the recommendation of an expert consultant. The system derives from their own reflections on their experience with self-management.

WOSCO's owner-members agree that their short-term financial needs are so pressing that rewards delayed until retirement or departure are meaningless. Building equity in the future of a shaky cut-and-sew factory is less important than feeding the family here and now.

Consequently, WOSCO never set up individual internal capital accounts, an idea created by the Basques to keep track of owner equity. The individual accounts help explain the success of the industrial cooperatives in the Mondragon region, and have been widely promoted by the ICA Group, which urged the WOSCO founders to start similar accounts with each member's \$100 investment. The advice was spurned as counter-productive in Bertie County, and in the needle trades.

Instead, WOSCO tested ways to pay incentives which reward individuals when and only when every other member's labor accomplishes the cooperative's production goals. Unfettered by industry norms, about which the founders knew relatively little, and having decided to ignore their consultants, Bazemore and the others were free to find their own way. They have, fashioning an effective cooperative compensation system.

They liked the Basques' idea of labor solidarity. Their idea of fairness and the Basques' idea of solidarity are the basic assumptions for the WOSCO compensation system. The owner-members agreed pay would be fair if no one person at WOSCO was paid more than three times the amount paid to the lowest, least skilled member.

Bazemore, for example, signed a contract in 1979 which remains unchanged today. If money was available, he was to be

paid \$350 a week before taxes. Machine operators are guaranteed they will earn a base wage of \$179 weekly, a wage based on the minimum wage in 1992. Bazemore has yet to reach, much less exceed, the 3 to 1 earnings ratio expressed by the principle of solidarity. Additionally, his contract calls for an annual bonus of 2 percent on earnings after taxes—if profits are earned. While the cooperative has earned money, Bazemore has yet to draw a bonus. The money from his crops and savings were treated as any other loan, and repaid with interest.

Solidarity was a consideration outside the firm, too. Since WOSCO pegs wages to the national minimum wage just the same as the wage in most sewing factories in or around Bertie County, the standard of living for most WOSCO owner-members is more or less in line with other sewing factory workers. Only their ownership stake and the Plus or Minus Incentive set them apart.

The piece-rate pay was \$4.25 an hour in 1992. Nearby competitors start workers at a higher hourly rate, and a few offer benefits such as limited health insurance. Obviously, if WOSCO only paid the barest wage, competitors would snare WOSCO's skilled machine operators, its most precious asset. However, by linking individual incentive rewards to the cooperative's goals for productivity and quality, WOSCO remains competitive, both in the labor market and on its garment prices.

"Doing my dozen" or "making production" is how WOSCO owners describe break-even productivity levels. Production is measured by the number of dozens of pieces an average operator should produce during an eight-hour shift. "Any number above that average is a plus," Bazemore explains. "Anything below is a minus." This formula is the foundation for the Plus or Minus Incentive System which was developed over several years.

"Making production" daily for an entire work week earns a member \$4 dollars a day above the minimum hourly wage, or \$20 a week. This is the base incentive for productivity. They earn an additional bonus if their work meets or exceeds criteria in three categories: productivity with quality, regular attendance, and extra effort. Members who excel in each criteria earn the maximum bonus; those who excel in one category earn a bonus but not the highest. Bonuses averaged \$10 weekly per member in fiscal 1989-90.

Consider, for example, baggers and taggers, commonly the lowest paid group of employees in cut-and-sew factories. Bagging and tagging is one of the few production jobs which does not involve sewing. Baggers and taggers need dexterity, endurance, and the ability to complete several procedures

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HATTIE SMALLWOOD

MARIE S. SPITLER

SHIRLEY J. STELLI

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DANA SUTTON

ADDIE L. SWAIN

JOYCE WARD

quickly. Each finished garment must be tagged with labels for trade name, size and price. Ladies' garments usually are hung on hangers, covered with protective plastic, then racked for shipment. Childrens' cloths must be folded and boxed.

In most WOSCO contracts, baggers and taggers earn 15 cents for every dozen garments tagged. They earn 15 cents for each dozen bagged and racked, or folded and boxed. In 1991, the worker-owner earned \$170 a week bagging and tagging 226 dozen garments, which was WOSCO's weekly base production goal that year. This earned the individual a \$20 bonus, according to Bazemore. In addition, the bagger and tagger could earn a quality bonus by coming to work on time every day, and by "giving extra effort." Quality was rewarded with "a brown bag bonus," so named because it was (and still is) delivered in a small brown paper bag in cash. In 1991, the brown bag bonus averaged \$15. This brought the bagger and tagger's gross earnings to \$205 weekly.

If a bagger and tagger met these standards every week throughout 1991, they received a bonus during the annual membership meeting averaging \$1,400. Thus, an efficient bagger and tagger, the lowest paid of the cooperative's workers, grossed \$235 weekly.

Where there are bonus systems in other cut-and-sew factories, productivity rewards for most baggers and taggers depend on the productivity of machine operators. Bagging and tagging is literally the end of every production line. The bonus of a bagger and tagger rises or falls as the productivity machine operators rises or falls. Under the WOSCO Plus or Minus Incentive, however, baggers and taggers— as with every production worker— earn weekly bonuses based on variables in the production process over which they have direct control and responsibility.

The Plus or Minus Incentive meets WOSCO's fairness test. The same incentives apply to seamstresses, or to the cutters WOSCO has hired from time to time, or to any production worker. The measure for machine operators is "doing the dozen" with the fewest repairs or rejects; the measure of productivity in quality control is the fewest number of customer complaints; the measure for baggers and taggers is accurate labeling and correct shipping counts.

Further, supervisors explain how each step is priced to each machine operator, or bagger and tagger, before the production process starts on every new contract. Knowing how the garment "is costed" gives every person the information needed to calculate exactly what value their labor adds to each garment, to the cooperative's profits, and eventually to their bonuses. "We

have to be teachers more than we can be bosses," explains Celia Cherry.

Production with quality is each member's responsibility, and each member is held accountable individually unless, of course, their failure to "do the dozen" results from a machine breaking down, or if supervisors switch them to another sewing task.

Showing up regularly for work is rewarded for two reasons. Shifting even the best operators to an absentee's job reduces productivity and cuts into profits. Narrow profit margins have eroded dangerously when absenteeism has forced WOSCO to hire temporary, inexperienced machine operators. Excessive absenteeism for little or no good reason is penalized by escalating layoffs without pay. "If you miss a day, you get a day," Bazemore explains. "The next day you miss, we give two days off. Then three days off. Most of the time people quit or shape up."

Extra effort is the most subjective criteria "measured" at WOSCO. There is no stated rule of thumb, and the rewards are handed out situation by situation. For example, members are given bonuses if they work past regular hours when some unexpected crisis arises, or if a shipping deadline threatens a major contract. Rewards are earned by helping organize the annual general membership meeting. "Company loyalty is rewarded," Bazemore adds, but he is unable to explain how loyalty is measured. "Deadbeats don't last long at WOSCO," Bazemore says. "They lay themselves off, or we give them some days off without pay. They get the message."

The Plus or Minus Incentive has lowered turnover. For the first five years, turnover rates averaged 20 percent annually. Turnover has dropped to 8 percent since WOSCO instituted the bonus system, and this results chiefly from persons moving away from Bertie County.

WOSCO did not offer comprehensive medical or dental insurance. This was another factor explaining higher labor turnover rates early in the cooperative's history. However, in 1986, owner-members voted to join the Amalgamated Clothing and Textile Workers Union (ACTWU), chiefly so that WOSCO members could have health insurance. Their decision surprised the union. No organizer had been dispatched to Windsor. Their request for union recognition was the first ever to that international union from a worker-owned cooperative. WOSCO pays union dues for those owner-members who are ineligible for Medicare or Medicaid. However, most owner-members are eligible for federal coverage because of the size of their individual households and the sum of their paychecks.

BERTIE J. WILKINS

MARY JO WILKINS

Helen Wilkins

JANICE WILLIAMS

Jean W. Wilkins

Founders of the Workers' Owned Sewing Company were determined to create jobs and a profitable business. They wanted to "make the eagle fly Friday." They accomplished those goals—a major achievement in Bertie County. WOSCO has won a hard-earned reputation as a quality, reliable sewing contractor and as a quality employer. Indeed, in a region with few jobs of any kind, WOSCO has provided stable employment with a regular paycheck for 14 years. In an industry dominated by piece-rate pay structures, WOSCO has devised an innovative compensation system based on cooperative performance which pays higher than average wages. And WOSCO has created jobs with dignity. Worker-owners enjoy real input into policies that govern working hours, shopfloor conditions and pay—a level of control unheard of in an industry known for demeaning, sweat shop workplaces.

Several important lessons can be learned from the experiences of the worker-owners of WOSCO. Much of their experience is common to worker-owned or community-based businesses; other elements of the history of WOSCO are unique to a cut-and-sew factory in the South.

As with many successful businesses, many of the factors that contributed to WOSCO's success cannot be quantified or even identified. The intangible and central components of that success—the tireless commitment of Tim Bazemore and the willingness of the other worker-owners to work as hard and as long as necessary to get the job done—are not easily replicated. Other components are more readily identifiable as essential ingredients for a successful business. It is to these components that we now turn.

1. Worker- and community-owned businesses must, first and foremost, be viable businesses. The road to economic development in this



country is paved with good intentions. Good business ideas that incorporate a commitment both to the empowerment of the workers and to the improvement of the surrounding community will not succeed unless there is the will and the ability on the part of the leadership and the workforce to make the business succeed, as a business.

2. Worker-owned businesses can be profitable. WOSCO has provided ownership opportunities and steady work to its members for over a decade. Despite the fact that workers at WOSCO make more money and work under better conditions than workers at competing firms, WOSCO is able to turn a healthy profit. Part of that success is the cooperative Plus or Minus Incentive System, linking the profits of each worker to those of the entire company. Another element in WOSCO's profitability is the commitment and diligence with which each employee approaches his or her job, day in and day out. Much of that commitment stems from the ownership stake each worker enjoys in the company—the very condition of employment that some argue limits WOSCO's profitability.

3. Worker-owned businesses deliver high quality products. The high quality of WOSCO's product is clear in the customer loyalty the company enjoys. That loyalty is in turn evidenced by the repeat contracts WOSCO receives and by the commitment of clients to WOSCO during downturns in the economy of the cut-and-sew industry. The quality of the product is a reflection of the quality of the jobs and of the workplace. Freed from the shackles of piecework, WOSCO's worker-owners can concentrate on doing the best job they can, confident that the Plus or Minus System will reward a job well done.

4. Worker-owned businesses need strong, committed, visionary management. In order to be successful as a democratically run business, a worker-owned enterprise must have uniquely skilled managers. These people must be able to combine a high level of technical and entrepreneurial skill in the industry with a willingness and ability to decentralize decision-making, or at least share the power over many decisions. Tim Bazemore epitomizes that contradiction—he has been willing to risk his own money and invest most of his time over the last decade in a business in which the profits are shared equitably among all the employee-owners. He has provided the company with leadership and vision in his marketing and production strategies, while ceding ultimate control over working conditions and compensation to the membership and board.

Skilled managers who balance an entrepreneurial approach to their work with the power-sharing required in a worker-owned firm are crucial to the success of that firm.

WOSCO'S SUCCESS HAS NOT GONE UNRECOGNIZED. THE FIRM HAS LONG BEEN HERALDED BY POLICYMAKERS AND COMMUNITY ORGANIZATIONS AS A MODEL FOR DEVELOPMENT IN POOR RURAL AREAS. AT THE REQUEST OF PRESIDENT CLINTON, TIM BAZEMORE SPOKE AT A JULY 1993 WHITE HOUSE PRESS CONFERENCE IN SUPPORT OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) LEGISLATION.

5. **Worker-owned businesses, perhaps more than traditionally structured businesses, should be adequately capitalized.** Worker-owned businesses are structured to maximize control by employees who rarely have the personal financial resources with which to support the growth of the company. There are no "deep pockets" to go to if the company is in financial crisis. As a result, these firms are heavily dependent on start-up and working capital from outside sources willing to invest in or lend money to alternative enterprises without expecting a proportionate share in the control of the company.

WOSCO was not adequately capitalized. Start-up monies were insufficient, and the company was forced to grow without the working capital it needed. WOSCO's success despite the absence of sufficient working and start-up capital is a testimony to the vision and sacrifice of the founding members. WOSCO was fortunate to have a manager committed enough and able to invest personal capital resources in the business as a substitute for adequate working capital.

6. **In measuring the success of economic development efforts, stable—albeit low-paying—jobs should not be undervalued.** The employee-owners of WOSCO provide the best support for this conclusion, when they point to the fact that they are still "making the eagle fly Friday." A regular paycheck means a lot in an extremely poor community where work of any kind is hard to find. Although the employee-owners of WOSCO do not make a lot of money, they have been able to count on two things: a steady paycheck every week and an incentive bonus if production is high. Furthermore, they feel they can control the level of production, through their own hard work and through the incentives for collective effort provided by the Plus or Minus Incentive.

WOSCO provides a broader lesson for low-income individuals and others interested in creating jobs and economic capacity in poorer communities. As much as the wage or salary offered, the stability of the job created, the long term prospects of that job continuing, and the dignity afforded the worker are important factors in how that worker views his or her job.

-- Frank Adams and Richard Shirey
June, 1993

Research for this case study was done by Richard Shirey of the Employee Ownership Project in Loudonville, New York. He collaborated with Dr. Frank Adams in writing this case. The opinions expressed here are those of the authors, not members of the Worker's Owned Sewing Company or of the ICA Group. All photographs are by Jerry Hedspeth. David Ehrenfest Steinglass designed and typeset the booklet, which was printed by Journeyman Press.

THE WORKERS' OWNED SEWING COMPANY

BOARD OF DIRECTORS

Hallie Bazemore, *Member*
 Tim Bazemore, *President*
 Cecilia Cherry, *Member*
 Lila Dudley, *Treasurer*
 Irma Holley, *Member*
 Margie Roulhac, *Secretary*
 Emma Smallwood, *Member*

MANAGEMENT TEAM

Tim Bazemore, *President and General Manager*
 Margie Roulhac, *Secretary and Bookkeeper*
 Cecilia Cherry, *Supervisor*
 Lila Dudley, *Supervisor*
 Emma Smallwood, *Supervisor*
 Oscar Marin, *Mechanic*

