THE

COOPERATIVE GROWTH ECOSYSTEM

Inclusive Economic Development in Action

A joint project of Project Equity and the Democracy at Work Institute
Melissa Hoover & Hilary Abell, Lead Authors
Building the Inclusive Economy series: Through three groundbreaking reports funded by Citi Community Development, the Building the Inclusive Economy series sets out new, cutting-edge economic development models for city leaders and community development practitioners interested in embedding equity, community wealth, and sustainability into their local economic growth plan. This series, authored by The Democracy Collaborative, The Democracy at Work Institute, and Project Equity, lays out key tools and building blocks for equitable local economic growth where all residents are able to maximize opportunities, thereby expanding urban economies where all can meaningfully participate and benefit.

To learn more about the series, visit www.CitiCommunityDevelopment.com.

The Cooperative Growth Ecosystem Project: This paper is the fruit of a year-long project carried out by the Democracy at Work Institute and Project Equity in 2014 and 2015. Hilary Abell and Alison Lingane of Project Equity, Melissa Hoover and Tim Palmer of the Democracy at Work Institute, and consultant Tim Lohrentz comprised the team that developed the Cooperative Growth Ecosystem framework; piloted it as an analytical and strategy tool looking at five regions around the country; hosted a national convening, in coordination with Citi Community Development, to get feedback and provide space for regions to develop actions plans; and developed this paper to share with the field. Engagement with partners in the San Francisco Bay Area, New York City, Cincinnati, Madison, and Western North Carolina played a vital role in the process. Both the Democracy at Work Institute, through its Local Initiatives Program, and Project Equity are available to support regional groups in applying the ecosystem framework in their communities.

Democracy at Work Institute and Project Equity: The Democracy at Work Institute works at the national level to expand the promise of worker ownership to communities most affected by economic and social inequality, and to ensure that future growth in the field is adequately supported and strategically directed. Project Equity, based in the San Francisco Bay Area, fosters economic resiliency in low-income communities by demonstrating and replicating strategies that increase worker ownership. Combined, the project team has many decades of on-the-ground experience supporting worker cooperatives and social ventures.

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The Cooperative Growth Ecosystem framework presents the recent wave of worker cooperative development as a timely, high-potential strategy for inclusive, place-based community economic development. The Democracy at Work Institute and Project Equity developed this framework to engage diverse actors across the private, public, nonprofit and financial sectors in exploring how they can work together to catalyze worker co-op development that creates quality jobs and wealth-building opportunities for low- and moderate-income workers.

Executive Summary

A new approach to local economic development has never been more urgent, as poverty concentrates and inequality rises in cities across the United States. A new approach has also never been more possible. Faced with a widening racial wealth gap, unprecedented displacement of people of color from urban cores, and deadlocked federal and state governments, cities across the country are flexing their local muscle to solve big problems. They are innovating. They are prioritizing strong local economies. Various public and private sector actors are working together to maximize broad-based community benefit in real and sustainable ways.

Purpose

The Cooperative Growth Ecosystem framework encourages diverse stakeholders in the field of community economic development to invest in inclusive economic development by fostering
cooperatively owned enterprises within a broader entrepreneurial "ecosystem." It encourages organizations investing in worker cooperative development to push their conception of "cooperative business development" beyond basic supports for shared entrepreneurship to more coordinated, high-investment incubation and conversion models. It reframes quality jobs as well-paid jobs with ownership opportunities and envisions an ecosystem that can be leveraged to support viable worker-owned enterprises. We started with the following questions:

- What are the key elements of an entrepreneurial ecosystem that supports sustainable growth of cooperative enterprises and their ability to create quality jobs and assets for low-wage workers?
- How do different elements in an ecosystem interact with each other to support pathways to scale—whether through startups, acceleration, or conversion of conventional businesses to cooperative ownership?
- Who are the actors in an ecosystem and how can they leverage existing resources and culture to develop and support those elements that are most critical for scale?
- Are there common stages of development for a Cooperative Growth Ecosystem?
- In active ecosystems like the five we studied, how can actors collaborate for next-stage growth?
- In communities where no worker cooperatives or co-op developers exist today, what is the best place to start?

In other words, how can all the actors in a place work together strategically to turn the demand for worker cooperatives into the supply of what is needed to create them?

Beginning to answer these questions—and using the answers to develop strategic action plans—will position those investing time, resources, and political capital in developing worker cooperatives for success. We believe that ecosystem thinking and well-informed collaboration can make the difference between creating a few worker cooperatives and building an ecosystem in which worker coops create good jobs and real wealth for large numbers of people who are today working poor, underemployed.

**The Cooperative Growth Ecosystem Framework**

The Cooperative Growth Ecosystem refers to a systemic understanding of what helps worker cooperatives thrive and reach a scale that has impact. The ecosystem includes actors—individuals, organizations and institutions—and elements that interact to support or inhibit scaled growth of worker cooperatives. Our framework is inspired and informed by five distinct entrepreneurial ecosystem frameworks from diverse entities: the Babson Entrepreneurship Ecosystem Project, the World Economic Forum, Monitor Group, PolicyLink, and Social Enterprise Greenhouse. Four high-level elements were common to all: financial capital, human capital, business supports, and attitudes and culture. In addition, each had elements related to policy, markets, and education. We include all of these and add elements that we see as critical to the growth and success of worker cooperatives that provide opportunities for low- to moderate-income workers.
The Cooperative Growth Ecosystem has eleven elements in all, in three major categories. *Essential Elements* are the building blocks of cooperative businesses and the engines for growth; neither impact nor scale can be achieved without them. *Important Elements* accelerate growth and can be key drivers for scale initiatives. *Environmental Elements* legitimize and create demand for worker cooperatives, but do not directly support growth or scale.

**ESSENTIAL ELEMENTS: BUILDING BLOCKS**
- Member skills and capacity
- Financing
- Technical assistance
- Growth-oriented co-op developers

**IMPORTANT ELEMENTS: ACCELERATORS**
- Business supports
- Connections to market
- Policy
- Advocacy partnerships

**ENVIRONMENTAL ELEMENTS: LEGITIMIZERS**
- Values-driven businesses
- Attitudes and culture
- Cooperative education

**WHAT ARE WORKER COOPERATIVES?**
Worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. The members of the cooperative are the people who work in it. These typically small and medium-sized businesses can be found in every sector and industry, from engineering and manufacturing to retail to service. Workers participate in the profits, oversight, and, to varying degrees, the management of the organization, using democratic practices. Workers own the majority of the equity in the business and control the voting shares.

**STAGES OF ECOSYSTEM DEVELOPMENT**
Developing a Cooperative Growth Ecosystem is a long-term, iterative undertaking. There is no single way to coalesce a robust ecosystem. We know that it is the *Essential Elements* that build worker cooperatives, but in many communities, *Environmental* and *Important Elements* such as advocacy partnerships and community awareness may be initial catalysts for ecosystem growth. While Ecosystem Elements do not fall into place in a set sequence, the process of purposeful ecosystem development seems to progress through common stages. Drawing on change management and systems innovation theory, we see multiple stages of ecosystem development, which may evolve sequentially or simultaneously.
Identify the change you seek and learn from others.
Identify the impact goal: Why start worker cooperatives? Is it to provide quality jobs, to retain closing businesses, to meet the immediate needs of contingent workers, to change an industry, to reduce inequality? Connect with co-op developers locally and in the field more broadly to understand the history and successes of their efforts. Knowing both their own end goals and what others have learned will help early stage actors define their unique value and role in the ecosystem.

Develop a “guiding coalition,” analyze the ecosystem, and create a strategic vision.
Understand the ecosystem: identify gaps, strengths and opportunities, and the potential roles of the various interested early stage actors. Learn from other regions about what they have done to support effective cooperative development and how they have built their ecosystems. Identify what local actors can do now to build an ecosystem that supports a successful pilot project. Important and Environmental Elements may be the most operative at this stage, but any set of actors and elements can lead during these early stages.

Pilot successful practices and create short-term wins.
Prove the concept: using the ecosystem analysis, identify a proof of concept cooperative development project to undertake that draws on best practices in the field of worker cooperative development. Adequately resource and support this pilot project and leverage the strengths of the early stage actors to fill gaps and build capacity for scale. Expect some difficulties, even failures, and incorporate these expectations into the early stage work, from fundraising to project planning. Evaluate and learn from the pilot. Building Essential Elements will be critical to the success of the Create stage, which may actually begin alongside, or even precede, the Convene stage, as a proof-of-concept undertaking.

Build momentum toward a tipping point.
Build on early success and lessons learned to take growth to the next stage. Reassess the changing ecosystem to identify potential catalysts for next-stage work. Bring in new actors and mobilize more resources for worker cooperative development aimed at scale. Using strong Important and Environmental Elements to create more robust Essential Elements is crucial in the Consolidate stage.

Anchor new approaches to create a “new mainstream.”
This stage is where worker cooperatives, co-op developers, capital providers and advocacy partners are actively evolving the ecosystem that co-ops need to thrive and grow. With adequate systemic supports, entrepreneurs are forming worker cooperatives as a matter of course and cooperative developers are executing development projects in close partnership with capital providers.
In a mature ecosystem, all elements need to be working together at a systems level, and a wide range of actors must collaborate effectively over time. It is at the Consolidate and Sustain stages that conditions for scale develop.
Regional Examples

We used the Cooperative Growth Ecosystem framework to do an initial “ecosystem analysis” of five places across the country. We chose to study the San Francisco Bay Area, New York City, Cincinnati, Madison, Wisconsin, and Western North Carolina, as much for the differences among them as for their individual achievements and potential. We wanted to learn from the dynamics within a city or region with a fair amount of cooperative development activity, as well as from patterns, commonalities, and variances we might be able to discern across the five places—and then apply those learnings to suggest interventions.

Our six examples—five cities and regions around the country and the fictional Any Town USA—can help illuminate how Cooperative Growth Ecosystems develop and how using an ecosystem framework can strengthen the role of worker cooperatives in community economic development. They offer insights about how to move an existing ecosystem toward maturity and how to jump-start a new ecosystem. For instance, comparing our two largest regions, the San Francisco Bay Area and New York City, reveals very different strengths and gaps that suggest distinct courses of action for developing their cooperative growth ecosystems.

The vibrant, long-standing Bay Area worker cooperative community has strong cross-pollination of skills and capacity at the enterprise level and a wealth of co-op development experience, but a notable lack of policy alliances and supports. To realize their shared community economic development goals and help reduce the region’s rapidly growing inequality, Bay Area actors will need to collaborate effectively to galvanize more resources and strategic partnerships to develop Important Elements of the ecosystem that can support scale.

In contrast, the relatively young New York worker cooperative community has won substantial funding and policy supports, but struggles to develop capacity in cooperative development and management to meet the demand it is mobilizing. Having convened a strong coalition, local actors now have a mandate to create sustainable, scale-oriented co-ops and co-op development initiatives. This ecosystem’s greatest priority, then, is strengthening Essential ecosystem elements such as financing, technical assistance, and co-op development capacity.

A case study of the fictional Any Town USA shows a local coalition starting from scratch and developing a robust Cooperative Growth Ecosystem over the course of fifteen years. We imagine many communities could learn from this generalized example. The Any Town group starts with assessing their ecosystem, then considers three approaches—community planning, lean startup, and conversions—and moves quickly to a small-scale co-op development project, from which they hope to demonstrate proof of concept and launch larger initiatives. This case study projects out fifteen years, showing how to engage more and more actors and elements in the ecosystem to support greater size and density of cooperatives.
Recommendations

Our findings point to an ecosystem-building approach that jumps in quickly to the hard work of building cooperative businesses, while also developing system-wide entrepreneurial leadership skills and clearly defining the ways that other ecosystem actors can be instrumental to this business development. In early-stage ecosystems, it is critical to strengthen the *Essential Elements* of the ecosystem: build member skills and capacity, mobilize appropriate capital, pair capital with cooperative-specific technical assistance, and increase the capacity of cooperative developers. Diverse actors can amplify the work of growth-oriented cooperative developers in a variety of ways. For example:

- **Economic development and workforce development practitioners** can collaborate with prospective cooperative developers to provide member training and small business supports and to develop market access opportunities.
- **Social movement allies** can work with other actors in the ecosystem to co-create campaigns for inclusive economic development that creates market opportunities for worker cooperatives.
- **Local governments, capital providers and philanthropic funders** can invest in supportive infrastructure such as business advisory services, and a variety of patient capital sources to support co-op development.
- **Worker cooperatives** can invest in their own entrepreneurial leadership and connect more broadly to allies, understanding that they play a critical direct role in building local ecosystems for scale.
- **Educational institutions** can take on multiple roles in an ecosystem—as research centers, anchor institutions, and key capacity-builders for cooperative development skills and expertise, particularly building management and entrepreneurial leadership capacity.

Cooperative developers should not struggle in isolation to launch one business or even five businesses, but aim toward concrete wins—successful cooperatives—to build toward a longer-term tipping point—density of high-impact cooperatives within an ecosystem of support.
The past several decades of sustained growth in worker cooperatives offer us clear lessons. One such lesson is that deeper investment—not only in building cooperative businesses but in the supportive ecosystem itself—is needed to fully realize the promise that worker cooperatives offer our communities. Anyone interested in the potential of worker cooperatives as an inclusive economic development strategy should begin by investing in building this ecosystem.

Understanding early-stage ecosystem development work as long-term investment in a Cooperative Growth Ecosystem framework can help keep the focus on development of sustainable worker cooperative businesses. In this approach, cooperative developers are not struggling in isolation to launch one business or even five businesses, but building toward a longer-term tipping point, the density of high-impact cooperatives within an ecosystem of support. One eye is always on the next stages: Consolidate gains and Sustain the model.

A growing movement of diverse actors has begun to shift the economic development discussion toward fostering sustainability and reducing inequality. Worker cooperatives can accelerate this change by combining economic growth and community well-being in a practical business model that meets the day-to-day income needs of workers while creating business ownership and wealth building opportunities. Using the Cooperative Growth Ecosystem framework, thoughtful and well-designed strategic collaborations can support scale-oriented cooperative development by nurturing elements that build strong worker cooperatives. These strategic collaborations can create substantially more worker-owners from low-income backgrounds, enhancing economic resiliency in the communities where they live and work and demonstrating a new strategy for building truly strong local economies.

**SOME WORDS OF ADVICE**

1. Don’t try to do it alone, and learn from previous efforts
2. Build Essential Ecosystem elements, including worker cooperatives themselves
3. Collaborate strategically by understanding your best role in the ecosystem
4. Think “ecosystemically”
# Elements of an Ecosystem

## Essential Elements: Building Blocks For Scale

| Skills & Capacity | • Management skills and expertise  
|                   | • Core job skills and governance skills  
|                   | • Growth-oriented entrepreneurial leadership  
| Financing         | • Availability/experience of loan capital  
|                   | • Availability/experience of investment capital (equity)  
|                   | • Availability/experience of grant funding  
| Technical Assistance | • Supply, quality and affordability of professional service providers  
| Cooperative Developers | • Co-op developers—experience, business acumen, scale orientation  
|                   | • Co-op networks/associations  

## Important Elements: Accelerate Growth

| Business Supports | • Business advisory services, incubators, industry peer networks  
|                   | • Quality, accessibility of public workforce, economic development programs  
| Connection to Market | • Anchor institutions and key clients  
|                   | • Supply chain possibilities and connections  
|                   | • Key industries for cooperative development  
|                   | • Local government contracting & community benefit agreements  
| Policy            | • Tax/business barriers/incentives  
|                   | • Government funding or support  
|                   | • Pro-cooperative laws/regulations  
| Advocacy Partnerships | • Government officials advocating for co-ops  
|                   | • Shared issues, partnerships with social movements  
|                   | • Advocacy by worker-owners, co-op movement, partners  

## Environmental Elements: Legitimize And Popularize

| Values-Driven Businesses | • Strength, embeddedness, and reach of worker co-op sector  
|                         | • Other co-ops, B Corps, ESOPs, social enterprises  
| Attitudes & Culture     | • Desire/momentum for change  
|                         | • Cooperative awareness  
| Cooperative Education   | • Institutional education programs  
|                         | • Integration of co-ops into SBDCs and entrepreneurship education  

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In the wake of the economic crash of 2008, widespread dissatisfaction with prevailing economic models spurred a groundswell of interest in new approaches, including worker cooperatives. Since then, calls for inclusive growth have only grown more persistent, and are now part of the mainstream political dialogue. As cities across the United States rethink their approach to economic development, they are trying new strategies and tools to promote sustainability and inclusion. From city halls to community colleges to community development financial institutions, various municipal and regional actors are engaging with worker co-op development as a way to address growing income and wealth inequality.

US WORKER COOPS BY THE NUMBERS

- Est. Number of Worker Cooperatives: 350 enterprises
- Est. Total Workforce: 7,000 people
- Est. Total Revenue: $367 million
- Median Revenue: $282,480
- Median Number of Employees: 10 people

GROWTH & DEMOGRAPHIC TRENDS

- 60% of worker co-ops have formed since 2000
- 31% of worker co-ops have formed since 2010
- 60% of new worker-owners since 2010 are people of color
- 68% of total worker-owners are women
Worker cooperatives provide an inclusive, place-based community economic development strategy that improves job quality and wealth-building opportunities for low- and moderate-income workers. Cooperatives are businesses owned and controlled by their members, who rely on them to meet shared community needs—for goods and services, housing, or jobs. Cooperative business forms have long been key to community economic development in other parts of the world and have been used as a self-help strategy in urban, rural, Black, white and immigrant communities going back centuries in the United States. In recent decades, worker co-op development has emerged as a strategy to leverage the well-known benefits of local business ownership for a broader and deeper impact in U.S. communities. Worker cooperatives, which may have provided earlier generations with an alternative to mainstream employment, are now largely being used as vehicle for those locked out of good jobs not to exit the economy but to enter it.

Today, innovative cooperative development efforts are taking place around the nation, and worker cooperatives, in particular, are in high demand. Workers want jobs and to own their own businesses; city economic development officials want sustainable, locally based companies; social movements want a positive alternative to hold up; nonprofits want to respond to their constituents’ need for dignified work; and baby boomers want to retire and see their companies continue to thrive.

Despite this growing interest in worker cooperatives, there is little shared understanding of what these businesses need to launch, develop, and grow. The challenge is to meet this growing interest with two kinds of resources: an adequate supply of technical expertise, appropriate capital, and entrepreneurial leadership to create successful worker cooperatives; plus public awareness, education, advocacy and a supportive policy environment to foster a thriving ecosystem for cooperative business development.

As businesses centered on member and community benefit, worker cooperatives, when thoughtfully structured and well-implemented, can offer three distinct advantages: [1] They can create high-quality locally rooted jobs; [2] They can democratize wealth and address inequality at its root in the ownership of productive assets; and [3] They can build skills and leadership among workers who traditionally have limited access to these opportunities. Moreover, because they are market-based business entities that generate profits, they can be a self-sustaining strategy for economic development.

The positive impacts of worker ownership at the individual, enterprise, and industry levels have been well documented, both by individual worker co-ops and in a robust body of research about Employee Stock...
Ownership Plans. For low-wage service workers, worker cooperatives can boost incomes substantially and stabilize volatile jobs in high-turnover industries. One network of green housecleaning co-ops, for example, increased household incomes as much as 80% and individual incomes by more than 150%. And a cooperative of thousands of home care workers has only 15% employee turnover versus the industry average of 40–60%. A growing body of international research also points to the powerful impact of cooperative ownership in improving company performance and longevity and even positively affecting public health.

The additional community benefits of local business ownership are well known. Research shows that beyond economic benefits, local business builds social capital and community efficacy. According to the Institute for Local Self-Reliance, “Sociologists have found that neighborhoods where a large share of the economy is in the hands of locally owned businesses have higher levels of social capital and a higher degree of ‘collective efficacy’—meaning that residents are better able to act together to solve problems—compared to places dominated by outside companies.” These benefits are amplified when local ownership is also worker ownership, with its high degree of participation and engagement, and when the worker-owners are people who might otherwise have limited leadership opportunities on the job.

DIVERSE APPROACHES

There are multiple pathways to increasing worker ownership: creating new cooperatives, growing existing cooperatives, and converting conventionally owned businesses to worker-owned structures. Cooperative worker-owners can undertake these processes independently or in partnership with a co-op developer, usually a nonprofit organization but in some cases a secondary co-op. The term “worker cooperative development” encompasses a range of activities, from general support for shared entrepreneurship to incubation of new businesses and support for businesses that are converting to worker cooperatives. The development approach may be determined by who initiates the endeavor and what impact they are aiming for, as well as by the experience, resources, and needs of the cooperative’s eventual members.

At one end of the spectrum of co-op development models, a group of entrepreneurs comes together to start a cooperative business, often as a self-help strategy. They initiate the idea, make the investment, and take the risk to launch the business and ensure its ultimate success. The role of a cooperative developer in this case is relatively “low-touch”: the developer may help facilitate the process, provide training, and help entrepreneurs access resources, from capital to technical assistance. When critical capacities, such as deeply supportive policy, protected markets via preferential procurement, and large pools of friendly capital, are present in the ecosystem of support, these low-touch approaches can succeed at a scale that has impact on community economic development. This is the case in several European regions and Quebec, for example.
At the other end of the spectrum, the entrepreneurial actor is the co-op developer itself. The developer makes the investment, takes the risk, and garners the expertise to start, grow, or convert a cooperative business, bringing in worker-owners and expanding ownership of the enterprise over time. The developer provides more in-depth and comprehensive services over a longer period of time and often has substantial control over the process and outcomes. This approach, also called “incubation” or a “high-touch” approach, generally aims for community economic development impacts: to create quality jobs for low-wage workers, to build assets, and ultimately to reduce poverty. When these initiatives are designed for scale and co-op developers have critical assets, such as business expertise, entrepreneurial leadership, an industry- or sector-specific growth strategy, and access to growth capital, co-op development can achieve deep impact on workers, families, and communities.

As with other community economic development efforts, deeper investment in cooperative development can create deeper impacts for people who lack access to investment capital, advanced education, or the social capital that creates connections to business opportunities. In this case, successful developers bring a complex set of skills, including entrepreneurial business growth experience, participatory management, and the ability to train and build capacity in others; leverage other essential resources, such as financing and technical assistance; and identify committed workers who will become the cooperative’s members. For the purposes of this paper, we focus on those growth-oriented cooperative development activities that we believe are most likely to support scale and associated community economic development impacts: incubated and high-touch/high-investment models.

 DIMENSIONS OF SCALE

Worker cooperatives have had profound impact on society in places where they have reached significant scale. Examples of this scale exist primarily outside of the United States, in Europe, Quebec and Latin America [one notable exception is Cooperative Home Care Associates in the Bronx, which has had considerable impact on the home care industry]. When we talk about scale, we are referring to several factors: the size of individual cooperatives, the density of worker co-ops in a region, and their impact on a community or industry. While the size of an enterprise is not in and of itself a recipe for success, it is undeniably an ingredient in the stability, longevity, and capacity of worker cooperative businesses. Density of worker cooperatives in a given place seems to have a powerful multiplier effect, generating and mobilizing resources that support further growth in number of enterprises. Finally, the impact of worker cooperatives in building wealth and creating quality jobs for low-wage workers is perhaps the most important way that we think about scale.
Ecosystem thinking has become popular among entrepreneurship advocates in the past decade. For proponents of worker cooperatives, the Cooperative Growth Ecosystem framework helps us bridge the gap between the proven benefits and growth potential of worker-owned businesses and the current reality that there are only about a dozen larger worker cooperatives (with 50 or more employees) in the U.S. today. The field of worker cooperative development is still nascent, and none of the local ecosystems to support it can be considered mature—that is, with all elements from capital to policy to business supports working together strategically to achieve such scale and density that worker cooperatives constitute a measurable part of the economy.

For us, the question is not whether a given place already has the ecosystem elements to support thriving worker cooperatives—we believe that all places have this potential—but which elements are strong in a place and how they can be used to build more capacity. The ecosystem itself does not create worker cooperatives. Entrepreneurs, whether they are individual worker-owners or cooperative developers, create worker cooperatives. These cooperatives in turn create the ecosystem of support they need. But imagine the possibilities if these cooperatives were not solely responsible for building their supportive ecosystem. What scale might be possible if cooperative developers and entrepreneurs worked alongside other actors in a coordinated strategy to build a more favorable ecosystem for worker cooperatives?

The Cooperative Growth Ecosystem framework helps diverse local actors determine what roles they can successfully play, design effective collaborations and develop strategy with other actors, and create initiatives that will have real impact and be able to scale. The framework includes actors and elements, as well as common stages that local ecosystems may cycle through when actors are working together to pro-actively cultivate the ecosystem.
Actors in the Cooperative Growth Ecosystem include the people, organizations and institutions that are engaged, or could potentially engage, to support the development, growth or conversion of worker cooperatives, either directly or indirectly. They span the private, public, nonprofit and financial sectors. The chart shown here, while not all encompassing, suggests the many actors we see populating and developing the ecosystem in each of these sectors.

### Elements in a Cooperative Growth Ecosystem

The Cooperative Growth Ecosystem has eleven elements in all, in three major categories. **Essential Elements** are the building blocks for robust growth, and scale cannot be achieved without them. **Important Elements** support growth and can be key drivers or supports for scale initiatives. **Environmental Elements** legitimize and create demand for worker cooperatives, but do not in themselves support growth or scale.

It is important to note that we do not see these parts of the ecosystem evolving in a necessarily linear or sequential fashion; we believe the process is iterative and dynamic. In fact, many ecosystems may begin with a concentration of Environmental Elements or a few Important Elements, and as they develop, they create more Essential Elements.

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<th>FINANCIAL SECTOR</th>
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<td>Community capital</td>
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<td>Community Development</td>
<td>Government agencies</td>
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<td>Financial Institutions (CDFIs)</td>
<td>Policymakers, elected officials</td>
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<td>Credit unions</td>
<td>Small Business Development Center</td>
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<td>Foundations</td>
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<td>Corporations</td>
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<td>Cooperative developers</td>
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<td>Faith groups</td>
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MEMBER SKILLS AND CAPACITY

What this element is: This element addresses the heart of worker cooperatives—the people who work in them day to day. It includes existing skill levels and available training in three areas: [1] core job and business functions, [2] cooperative-specific practices, such as democratic governance, and [3] management and entrepreneurial leadership, which we see as essential to growing both individual worker co-ops and a broader worker co-op sector.

Why it matters: In order to grow beyond a very small size and build community wealth, worker co-ops need to effectively exercise management functions, such as planning, market positioning, hiring, and accountability; governance functions, such as strategy and policy development; and entrepreneurial leadership to drive growth and smart risk-taking. A thriving worker co-op will have entrepreneurial drive among many worker-owners and may or may not have dedicated management positions. When worker-owners have low levels of formal education, limited business experience, or multiple barriers to employment, experienced managers can bring business expertise and also cultivate entrepreneurial leadership among all cooperative members.

Current state: Many growth-oriented worker co-ops have managers with fairly traditional job descriptions and a participatory management style that engages the workforce at multiple levels. Other co-ops structure management functions across teams or multiple positions. In general, worker cooperatives tend to underinvest in management talent and management training. Where co-ops do invest in building entrepreneurial leadership and management skills, the result is business growth and benefits for the entire ecosystem, as leaders bring their skills to new co-ops and co-op development efforts.

KEY INSIGHT: The critical role of mission-driven management

Skilled participatory management is a common success factor among the worker co-ops that have created measurable economic benefits for low-wage workers. Examples include Cooperative Home Care Associates, Opportunity Threads, Alvarado Street Bakery, and the green cleaning cooperatives developed by WAGES (now Prospera). In each case, business-savvy, mission-driven managers led business growth and supported the training and development of all co-op members. These examples suggest that developing management capacity should be a high priority for Cooperative Growth Ecosystems.


FINANCING

What this element is: In order to meet community economic development goals, a robust Cooperative Growth Ecosystem needs ample amounts of patient capital in a variety of forms, including:

Equity: Equity includes internal equity [member investment and reinvested profits] and external equity [outside investment]. Though not common, non-member investments such as non-voting preferred stock can play an important role in supporting expansion of existing cooperatives. Community and crowdsourced capital, from Kickstarter to direct public offerings, can provide initial investment for startups or funding for special projects or strategic needs.

Debt: Many worker co-ops take out loans from community development financial institutions [CDFIs]
and cooperative-specific revolving loan funds. Larger, well-established worker co-ops are often able to access lines of credit or loans from traditional banks. **Grants:** Philanthropic capital can drive worker co-op development through grants to nonprofit co-op developers working in low- to moderate-income communities. Grants generally pay for training, management, administration, and other support services needed to start and grow co-ops with low-income first-time entrepreneurs. Philanthropic capital can play a key role in mitigating risk for investors and lenders by funding robust technical assistance and support. It is not typically used to purchase equipment or build cash reserves.

**Why it matters:** Financing is essential for the startup and growth of all businesses, and worker co-ops, while no exception, experience unique challenges in this area that can limit their growth unnecessarily. Experienced cooperative developers have identified absence of equity, and thus over-reliance on debt, as a primary reason for the undercapitalization and resulting failure of worker co-ops in the past. Conversely, values-aligned outside investment has been a catalyst for growth in a number of worker cooperatives, as has grant funding for successful co-op development efforts in low-income communities.

**Current state:** Loans are the most common form of outside capital that worker co-ops access, yet most traditional lenders do not understand the cooperative model, and pose additional hurdles to cooperative borrowers. Regional and national cooperative lenders and community development financial institutions (CDFIs) thus play a critical role in providing capital to worker co-ops, especially those that benefit low-income communities. Larger worker co-ops like Equal Exchange and Namaste Solar have had great success with non-voting preferred stock, which returns modest dividends to shareholders. Startup and conversion worker cooperatives have accessed community capital through platforms such as Kickstarter, Kiva Zip, and others. A growing number of worker co-ops are using direct public offerings to generate equity financing. Grants to cover startup technical assistance and training remain the primary source of investment in nonprofit co-op developers, most of whom are developing cooperatives in the service industry with low capital requirements. Nonprofit cooperative developers remain generally under-resourced.

**KEY INSIGHT: Financing needs are more complex than meets the eye**

Capital providers active in the co-op space consistently say that they do not have sufficient “deal flow” to deploy the debt capital they are willing to provide, and point to a need for in-depth technical assistance, and often the support of a co-op developer, to help worker cooperatives become “ready” to borrow or accept equity investment. Today, most “loan ready” small worker co-ops can meet their debt financing needs through CDFIs or co-op specific loan funds. Most credit unions are not active small business lenders, but in Madison and Cincinnati, credit unions have made loans to worker co-ops. In Western North Carolina, Self-Help Credit Union has helped Opportunity Threads’ members save and build individual assets.

The greater challenges are: (1) funding the technical assistance and co-op development services that can help worker co-ops with low-income worker-owners access capital and use it effectively to start, grow and scale; and (2) meeting the more complex capital needs of growing and growth-ready worker co-ops with sufficient amounts of values-aligned equity investment. Two examples illustrate how grant funding for cooperative developers can increase cooperatives’ ability to access capital: the Catholic Campaign for Human Development supported The Working World to provide technical assistance to the low-income worker cooperatives in the Rockaways in which The Working World was investing; and Citi Community Development provided funding over two years to Urban Upbound, in part to evaluate capital needs of different cooperative opportunities resulting in Urban Upbound’s development of the On Point Security cooperative in Queens.
**TECHNICAL ASSISTANCE**

**What this element is:** Technical assistance ("TA") includes attorneys and accountants (CPAs) who have specific knowledge of worker cooperatives. Other less recognized but equally important types of technical assistance include organizational development, conflict resolution or mediation, human resources, governance, and general business advice.

**Why it matters:** Technical assistance is critical for worker cooperatives, given their unique and somewhat complex organizational, legal, and capital structures. Cooperative-knowledgeable attorneys have historically played a strong development role in startup worker cooperatives. Co-ops also need knowledgeable local TA providers throughout their life cycle, as growth brings new challenges in diverse areas such as human resources, commercial property negotiations, regulatory issues, restructuring of bylaws and equity, dispute resolution, and capital planning.

**Current state:** Where it does not exist locally, co-ops and developers seek technical assistance from providers in other regions. With the growth of worker co-ops around the country, we see TA providers encouraging and mentoring local colleagues in the field, and recent efforts to convene co-op lawyers and CPAs on a national level.

**REGIONAL EXAMPLES: Building an ecosystem of technical assistance providers**

In the Bay Area, the community of lawyers trained in cooperative law has grown, thanks to dedicated individual attorneys mentoring new entrants, and to the recent work of the Sustainable Economies Law Center and the Green Collar Communities Clinic of the East Bay Community Law Center. As a result, legal TA is now highly accessible through free legal clinics and legal representation for co-ops serving low-income communities, and through lawyers in private practice. New York City also has several legal clinics serving worker cooperative startups, and these could be leveraged to train private practice attorneys who could accompany a co-op throughout its life cycle. In Madison, a network of experienced legal and accounting service providers has developed to serve the worker co-op community, and the University of Wisconsin Center for Cooperatives provides support for governance, strategic planning, and organizational development. On a national level, the Democracy at Work Network trains worker co-op members to provide peer technical assistance to other co-ops.

**CO-OP DEVELOPERS**

**What this element is:** The co-op developers element is unique to our Cooperative Growth Ecosystem. Most worker co-ops that create quality jobs for low-wage workers and many of the larger worker co-ops in the country were formed through an explicit process of incubation and acceleration whereby a third party—either a nonprofit co-op developer or an association of cooperatives—brings critical capacity to the table and drives the co-op’s growth. Co-op developers provide some or all of the following services for the cooperatives they support: recruitment and training of worker-owners, technical assistance, direct support to co-op governance, management services, and administrative support, including back-office services. Developers that aim to create larger or multiple job-creating worker co-ops bring an explicit growth orientation and usually provide the full spectrum of services, make or broker capital investment in the cooperative, play a stronger role in co-op management, and often have voting or non-voting seats on co-ops’ boards of directors for some period of time.

**Why it matters:** Co-op developers are an essential element of our ecosystem because they play a key role in the development and growth of co-ops that work with low-wage workers and fulfill community economic development objectives.
Current state: More and more organizations are getting involved in worker co-op development, and there is a growing diversity of approaches,\(^5\) as well new training and capacity-building programs for worker co-op developers. The rarest skill set among worker co-op developers in the U.S. today is actual experience in business growth and scaling. Training, facilitation, organizing, and conflict-resolution skills are more common. Developers that have developed worker cooperatives of significant scale have well-rounded capacity in both business and human development.

Build with Prospect is a Brooklyn-based construction business that transitioned to a worker co-op structure in 2014.

Photo c/o Myleen Hollero

KEY INSIGHT: The importance of business skills—among others—for co-op developers

Whether formal training, lived experience, or simply a “good head for business” and an entrepreneurial mind-set, strong business skills on the development team are what have distinguished successful co-op development projects. However, developing or recruiting co-op developers for business skills alone is not adequate. Because they have an explicit commitment to growth and sustainability of the co-ops they support, cooperative developers must prioritize developing entrepreneurial capacity among worker-owners. This requires that developers also have mission drive and strong people skills.
IMPORTANT ELEMENTS

BUSINESS SUPPORTS

What this element is: The business supports element of a Cooperative Growth Ecosystem contains both private and public supports: (1) advisory services, business networks, industry-specific trade and manufacturing associations, incubators and accelerators, and microenterprise development organizations; and (2) public workforce and economic development programs.

Why it matters: Accessing the mainstream business supports that have helped small businesses of all kinds play a vital role in our economy is important for broader uptake of the cooperative model. In a robust ecosystem, business advisors would include co-ops on the menu of business forms available to entrepreneurs, provide basic advice to cooperative businesses, refer clients to service providers with expertise in worker co-ops, and become partners in advocacy efforts that integrate cooperatives into a broader spectrum of small business and workforce development strategies. Connecting to existing infrastructure and funding for workforce development could be a scale strategy for worker cooperative developers focused on low-income and semi-skilled workers.

Current state: Generally speaking, worker cooperatives have had little interaction with entrepreneurial support programs and small business and industry networks, and most such programs provide no information or advice about the cooperative business form. Some worker co-op advocates have begun the critical work of educating business service providers. Some larger cooperatives, such as Cooperative Home Care Associates, have integrated into the workforce development system, but this connection remains relatively rare.

REGIONAL EXAMPLES: Building an ecosystem of technical assistance providers

“Coop Academies” are becoming a popular way to support small worker co-ops in many metropolitan regions. In the Bronx, Green Worker Cooperatives’ Coop Academy has partnered with Workshop in Business Opportunities (WIBO), and in Oakland, the Bay Area Worker Coop Academy is partnering with Centro Community Partners, a local microenterprise support organization, to provide a general business curriculum. Partnerships like these leverage the experience of the microenterprise field and allow co-op experts to focus on overall program design and cooperative-specific curriculum.

Government programs for small businesses are also entering the fray. In the course of providing funding for worker co-op development, the City of New York is integrating cooperative support services into its Department of Small Business Services (SBS), a critical agency in a city where more than 95% of businesses are considered “small businesses.” SBS has an annual budget of over $100 million, works with more than 200,000 small businesses, and recently partnered with Citi Community Development to launch the citywide Immigrant Business Initiative.

CONNECTION TO MARKET

What this element is: The connection-to-market element of a Cooperative Growth Ecosystem focuses on special connections to market through strategic partnerships with key institutional customers that can help them grow and diversify, including:

Anchor institutions such as universities and hospitals,
Early mission-aligned customers or other major players along the supply chain, and
Publicly funded entities that have socially or environmentally driven purchasing policies.
**Why it matters:** Having a sound market strategy and connecting successfully with customers are fundamental activities of any successful business, but focused strategies to open new markets can spur growth more quickly. Conventional businesses develop protected and proprietary markets through all means available to them, including personal relationships, policy influence, and preferential purchasing policies, and cooperatives can also benefit from such strategies.

**Current state:** Where worker cooperatives and co-op developers have seen and seized these opportunities, they have often been able to leverage them for substantial growth. For co-ops with low-wage workers, cooperative developers can play a valuable role in bringing the social capital and business connections needed to identify and open unique markets. A critical lesson learned from recent cooperative development strategies using an anchor institution model is that there may be a mismatch between startup cooperatives and the needs and imperatives of anchor institutions. At the same time, worker cooperatives may have a competitive advantage, as they present a unique value proposition for anchor institutions to fulfill their institutional mission to purchase locally, support small businesses, and invest in the health and well-being of the communities in which they are located.

**REGIONAL EXAMPLES: Increasing market share with industry-specific strategies**

The worker co-op Opportunity Threads plays a leading role in the visionary Carolina Textile District, which aims to "revitalize the American textile industry in a way that builds on local people, assets and heritage." The District brings together manufacturers, stitchers, printers, and professionals serving entrepreneurs and established businesses in Western North Carolina’s textile industry, and is an exciting example of a worker co-op creating connections to market through supply-chain organizing.

Cooperative Home Care Associates designed a powerful connection-to-market strategy beginning with its early contract with a key mission-aligned client (Visiting Nurses Association) and culminating in its incubation of a market-facing sister company (Independence Care Systems) that provides it with a steady stream of new business. CHCA’s iterative strategy of growing its business to meet its key customer needs demonstrates what makes connection-to-market strategies successful.
Policy

What this element is: Policy supports for worker co-ops at the local, state or federal level could include the following:

- **Public funding** for growth-oriented co-op developers and high-quality technical assistance
- **Incentives or tax benefits** for cooperatives, or adaptation of other business incentive programs, such as local or minority- and women-owned businesses, to suit co-ops
- **Pro-cooperative procurement policies** that create markets through government purchasing
- **Removal of administrative barriers** to co-op formation
- **Supportive regulatory frameworks**

Why it matters: In parts of the world where worker co-ops have become a measurable part of the economy, such as Quebec, Northern Italy, and France, public policy has played a significant role, encompassing a range of policies, from basics such as standard corporate entity definitions and public funding for co-op development, through to more complex policy such as providing tax incentives for cooperative ownership and linking unemployment insurance to equity investment in startup cooperatives.

Current state: In the United States, policy supports for worker co-ops are generally weak and efforts to develop local, state and national policies to support worker cooperatives are still in their early phases. Advocacy for cooperatives currently has the greatest momentum at the municipal level, where the focus has been on city funding for co-op development, and at the state level, where the focus has been on drafting “enabling legislation” (corporate formation statutes making it possible to form a cooperative corporation) and promoting employee ownership more broadly via state centers.

Regional Examples: Increasing market share with industry-specific strategies

2014 and 2015 were breakthrough years for government support of worker cooperatives. Two cities—New York City and Madison—have allocated millions of dollars to support worker co-ops. In New York, a coalition of several worker cooperative organizations and a key policy partner leveraged connections with the new mayor’s office, worked with City Council members, and mobilized grassroots action to push for $1.2M in city funds in 2014 and $2.1M in 2015. In Madison, the Common Council approved $5M over five years from the city’s capital budget. Funds will be deployed starting in 2016, primarily as low-interest or forgivable loans, likely with set-asides for technical assistance and co-op development services, and potentially a small portion for public education. Cooperative advocates in the Bay Area have begun a process of government engagement, with a new California state worker cooperative corporation statute just signed by the governor, a city proclamation recently made in Oakland, and a resolution pending before the Berkeley City Council.

In parts of the world where worker co-ops have become a measurable part of the economy...public policy has played a significant role.
ADVOCACY PARTNERSHIPS

What this element is: Advocacy partnerships can advance supportive policy and public awareness. Worker co-ops currently have working alliances with other cooperative sectors, selected small business associations, and localist groups. Recently they have begun to develop a broad range of potential advocacy partnerships with community organizing groups, to be a positive alternative for community empowerment. These nascent alliances include partnerships with labor unions and employee ownership organizations to advocate for quality jobs; and with New Economy, impact investment/social capital, racial justice, and sustainability groups to position worker cooperatives as a pathway for creating a fairer economy for all.

Why it matters: Since the Great Recession began in 2008, public demand for fairer business models has grown, and many community organizing and advocacy organizations have become interested in worker cooperatives. Such organizations can play an important role in galvanizing public support for co-ops and advocating for funding for growth-oriented worker co-op development (Essential Elements) and for policies and special market connections (Important Elements) that can help bring the worker co-op sector to scale.

Current state: Worker cooperatives are just beginning to form advocacy partnerships and to understand themselves as a potential political force. Though many individual cooperatives have maintained industry-based or mission-related partnerships, for decades the worker cooperative community as a whole was largely unconnected to advocacy efforts. This began to change in the early 2000s with the rise of the sustainable small business community and the growth of organizational infrastructure within the worker cooperative community, and has gained momentum since the Great Recession.

REGIONAL EXAMPLES: Partnering with social movements

In Cincinnati, the two existing co-op developers have deep ties to social movements—one to organized labor and the other to grassroots community organizing linked with faith communities. Considering the reach and power of these movements, incorporating these partners as strategic drivers of growth—to access markets, mobilize capital, and connect to workers—could be a pathway to scale. In Madison, alliances forged between worker cooperatives and the South Central Labor Council, in part through shared advocacy efforts at the state level, have opened important opportunities for scaled growth. In New York City, the Federation of Protestant Welfare Agencies’ commitment to a broader New Economy strategy animated the campaign for city funding for worker cooperatives.

Community organizing and advocacy [groups] can play an important role in galvanizing public support for co-ops... advocating for funding, policies and special market connections.
VALUES-DRIVEN BUSINESSES

What this element is: This element includes the strength of the existing worker co-op community in a region, including any formal networks or infrastructure supporting it, as well as the number of other kinds of values-driven businesses and their level of engagement. Some like-minded business models include:

Other kinds of cooperatives, such as consumer co-ops, food co-ops, credit unions, rural electric co-ops, and business-to-business or purchasing co-ops
Employee Stock Ownership Plans or ESOPs
Certified B Corporations
Other kinds of “triple bottom line” businesses or social enterprises

Why it matters: Success breeds success. Businesses that have values woven into their DNA tend to do things a little differently and to embrace and encourage like-minded companies. Worker cooperatives have a long tradition of supporting each other by sharing best practices in cooperative-specific areas such as democratic governance, providing financing to startups, lending to one another, collaborating on training, doing joint marketing and purchasing, and creating solidarity funds to help one another through rough times. Extending this cooperative habit—which makes good business sense as well as values sense—to other forms of allied businesses would expand worker cooperatives’ reach and relationships.

Current state: Collaboration with other kinds of values-driven businesses remains relatively unexplored for smaller worker co-ops, though the larger worker cooperatives often have business relationships or industry partnerships. In general, these collaborations are currently most developed among worker co-ops themselves, and between worker co-ops and the other cooperative sectors, in part because of their explicit commitment to “cooperation among cooperatives,” which is codified as a cooperative principle.

REGIONAL EXAMPLE: The power of businesses in community

With 56 worker co-ops, the majority of them in existence for more than 20 years, the Bay Area worker co-op community plays an important role in its own growth. Established co-ops mentor new ones, new co-ops spin off from old ones, and some co-ops provide loans or grants to others.

There is also a large contingent of Certified B Corporations (130 in total) and ESOP companies (300) in the Bay Area, including some well-known 100% ESOPs, such as Zachary’s Pizza and Recology. One B Corp gave a seed grant to Project Equity, a scale-oriented co-op development organization, and B Lab, the organization that certifies B Corps, has partnered with Democracy At Work Institute to pilot the use of the B Impact Assessment tool among worker co-ops. The Bay Area’s vibrant values-driven business community could potentially provide business capacity, resources, and connections to market to help worker co-ops flourish.

ATTITUDES AND CULTURE

What this element is: This element includes distinct components that can help create a needed cultural shift: general awareness of cooperatives among businesses, social movements, and the public; coverage of co-ops in mainstream and alternative media; the presence and visibility of successful co-ops in local communities; and local support for alternative economic models.

Why it matters: In places where cooperatives are embedded in the local culture to a great degree, we see several positive effects: consumer loyalty, advocacy strength, institutional support, cooperative development as an accepted strategy for community economic development, and ultimately more people starting their own small businesses as cooperatives.
Current state: Misconceptions persist that may keep cooperatives from gaining mainstream traction: that “co-ops are just for hippies”; that all cooperatives are small; that all co-ops make decisions based on consensus; and that cooperatives are grant-seeking nonprofit entities. In fact, cooperatives appeal to values that are embraced across the political spectrum, such as personal responsibility and the common good; they can be quite large; they use a variety of decision-making structures; and they are generally profitable businesses. Worker cooperatives have potentially wide appeal as a principled and practical business form that is values-based but non-ideological—but only if they are seen as a “normal” option.

REGIONAL EXAMPLE: The importance of cooperative awareness

Public awareness and acceptance of cooperatives will play an important role in moving them into the mainstream of community economic development. Co-ops are common and considered “normal” in Madison and throughout the Upper Midwest, for example. Worker co-ops have a visible and measurable presence in Madison, employing between 0.3% and 0.4% of the city’s workforce. The “multiplier effects” of this public awareness are many: loyal customers, many of them members of multiple co-ops, choose to spend their money at cooperatives; talented workers choose to build their careers in worker cooperatives, moving up skill ladders and into leadership positions; the publicly funded University of Wisconsin Center for Cooperatives provides invaluable support; the Cooperative Network lobbies for co-ops of all kinds; and in the recent mayoral election, cooperatives played a key role in getting out the vote for the candidate who supported cooperative economic development strategies.

With public awareness of inequality growing, we see potential for growing support for the leading edges of worker co-op expansion in Madison: co-op development efforts in low-income communities and government support for cooperatives as a tool to build and anchor community wealth.
**Cooperative Education**

**What this element is:** This element encompasses education about worker cooperatives within formal educational institutions [graduate, undergraduate and K-12], and the degree to which worker cooperatives are included in entrepreneurship education and community training programs.

**Why it matters:** Educational institutions have an important role to play by educating the general population for long-term culture change, training business leaders to lead cooperative businesses, and fulfilling the research needs of a growing cooperative business community. In other parts of the world where worker co-ops thrive in much larger numbers, educational institutions are an active part of the cooperative ecosystem, teaching students at all levels about co-ops, conducting academic research, and performing research and development functions for the cooperative community. Mondragon, for example, began with a technical school and has its own university with a robust R&D arm.

**Current state:** Generally speaking, the U.S. cooperative movement does not have strong ties to educational institutions. In the Upper Midwest, cooperative summer camps for young people continue to build some foundational values, awareness and connection to cooperative movements. Some undergraduates learn about co-ops by living in student housing co-ops, and students of social science, law, and industrial relations occasionally get exposure to the cooperative model. A few courses have launched in the past few years, including most recently a cooperative management certificate program at Pinchot University in Seattle. But, with the exception of Pinchot’s new program, co-ops are largely invisible in business schools, whose graduates could be well positioned to launch and grow scale-oriented worker co-ops.

**Regional Examples: Early steps toward cooperative education**

Cooperative education is becoming more common in both community-based programs and at all levels of post-secondary education. In New York City, the City University of New York School of Law trains lawyers in cooperative law and is a host site for the upcoming Mondragon MBA. In Cincinnati, Cincinnati State Technical and Community College has a course that gives students hands-on experience with a local worker co-op. In the Bay Area and Western North Carolina, community colleges are beginning to engage. And in Madison, the University of Wisconsin Center for Cooperatives provides education for co-ops and the general public, as well as an undergraduate course on cooperatives. The Center is playing a leading role in working with the city and labor and other groups to shape the city’s cooperative funding initiative.

In other parts of the world where worker co-ops thrive in much larger numbers, educational institutions are an active part of the cooperative ecosystem.
STAGES OF ECOSYSTEM DEVELOPMENT

Developing a Cooperative Growth Ecosystem is a long-term, iterative undertaking. While Ecosystem Elements do not fall into place in a set sequence, we envision the process of purposeful ecosystem development progressing through common stages. Drawing on change management and systems innovation theory, we envision multiple stages of ecosystem development, which may evolve sequentially or simultaneously.

BEGIN: Identify the change you seek and learn from others. Identify the impact goal: Why start worker cooperatives? Is it to provide quality jobs, to retain closing businesses, to meet the immediate needs of contingent workers, to change an industry, to reduce inequality? Connect with coop developers locally and in the field more broadly to understand the history and successes of their efforts. Knowing both their own end goals and what others have learned will help early stage actors define their unique value and role in the ecosystem.

CONVENE: Develop a "guiding coalition," analyze the ecosystem, and create a strategic vision. Understand the ecosystem: identify gaps, strengths and opportunities, and the potential roles of the various interested early stage actors. Learn from other regions about what they have done to support effective cooperative development and how they have built their ecosystems. Identify what local actors can do now to build an ecosystem that supports a successful pilot project. Important and Environmental Elements may be the most operative at this stage, but any set of actors and elements can lead during these early stages.

CREATE: Pilot successful practices and create short-term wins. Prove the concept: using the ecosystem analysis, identify a proof of concept cooperative development project to undertake that draws on best practices in the field of worker cooperative development. Adequately resource and support this pilot project and leverage the strengths of the early stage actors to fill gaps and build capacity for scale. Expect some difficulties, even failures, and incorporate these expectations into the early stage work, from fundraising to project planning. Evaluate and learn from the pilot. Building Essential Elements will be critical to the success of the Create stage, which may actually begin alongside, or even precede, the Convene stage, as a proof-of-concept undertaking.

CONSOLIDATE: Build momentum toward a tipping point. Build on early success and lessons learned to take growth to the next stage. Reassess the changing ecosystem to identify potential catalysts for next-stage work. Bring in new actors and mobilize more resources for worker cooperative development aimed at scale. Using strong Important and Environmental Elements to create more robust Essential Elements is crucial in the Consolidate stage.

SUSTAIN: Anchor new approaches to create a “new mainstream.” This stage is where worker cooperatives, co-op developers, capital providers and advocacy partners are actively evolving the ecosystem that co-ops need to thrive and grow. With adequate systemic supports, entrepreneurs are forming worker cooperatives as a matter of course and cooperative developers are executing development projects in close partnership with capital providers. In a mature ecosystem, all elements need to be working together at a systems level, and a wide range of actors must collaborate effectively over time. It is at the Consolidate and Sustain stages that conditions for scale develop.
The textile industry has such deep roots here [in spite of having largely moved offshore between 1995 and 2010, taking 120,000 jobs with it]. This is [also] where the National Guard was called in to quell labor unrest [during the textile mill strikes of the 1920s]. If we can look back 30 years from now, and see that most of the companies—whether they’re making fabric or they’re dye houses or whatever they are—are owned by the workers themselves, I think that would be an incredible shift of...consciousness in an industry. We’re starting to see this transformation.

In Morganton, North Carolina, a new model of place-based economic development has been unfolding over the last decade, led by an innovative textile factory owned by its employees. Opportunity Threads does cut-and-sew textile work, producing garments, bags, pet accessories, and hundreds of “upcycled” T-shirt blankets each week. The company is a worker cooperative: The people who work in the factory own it, make all the business decisions, and take home the profits. The workforce is mostly Mayan indigenous immigrants from Guatemala, many with limited formal education and all with a high degree of skills and experience in textiles.

With support from the local community organizing group, startup funding from values-aligned funders, loans from a community-based loan fund, a dedicated and visionary entrepreneur, a skilled workforce geared toward cooperation, and the help of local technical assistance providers, Opportunity Threads has grown from a starting group of three founders in 2009 to more than twenty workers in 2015. The factory’s 2015 revenues were more than $700,000, and the company hopes to hit the $1 million milestone in 2016. Worker-owners now earn $16 per hour, including profit sharing, compared to $8 per hour at many other plants. They have paid time off and own a productive asset that shows no signs of slowing its growth.

Opportunity Threads is also leading a place-based supply chain effort to create good jobs in the textile industry across the Carolinas, through its work with the Carolina Textile District (“the District”). The District’s aim is to transform an industry—and a place—by supporting the growth of textile manufacturing enterprises and helping entrepreneurs connect successfully to each link in the supply chain. Opportunity Threads and the District are also supporting the sustainability of long-standing businesses in the industry by encouraging them to consider worker ownership as an option in their succession planning.

A Look at Five Cooperative Growth Ecosystems: Regional Examples

Following is an initial “ecosystem analysis” of five places across the country: the San Francisco Bay Area, New York City, Cincinnati, Madison, Wisconsin, and Western North Carolina. We chose these regions because their individual successes, their potential, and the differences among them illustrate diverse approaches to the development of both worker cooperatives and Cooperative Growth Ecosystems. Each region has seen years, even decades, of cooperative development activity, and all are seeking new ways to develop their local ecosystems to increase impact and scale. Each regional snapshot identifies strengths and opportunities in the local ecosystem and suggests a possible path forward, along with numerous questions that local actors may want to explore as they develop local strategies and action plans.
Long-standing Worker Co-op Community in a Thriving Multi-City Region

The San Francisco Bay Area is a nine-county region comprising dozens of cities of all sizes, resource levels, governance models, and economic drivers. In the midst of a tech industry boom, the Bay Area has high inequality and is undergoing intense gentrification, with displacement reaching crisis levels as low-wage workers and people of color move out to far-flung suburbs. The area is also home to a large progressive community, diverse nonprofit and social enterprise sectors, and many values-driven capital providers.

The Bay Area has the most worker cooperatives of any metropolitan area in the United States, and many are several decades old. Almost one-third of the largest worker co-ops [with more than 50 employees] in the country are here. The tight-knit co-op community has substantial capital assets and an experienced workforce that shares best practices. More than one-third of these businesses are in retail, enhancing co-ops’ public profile, and a similar percent are in the food industry, providing ample opportunity to do business with each other. Some of the older co-ops have spun off new cooperatives, providing technical assistance and financing. There are also several pioneering worker co-op developers, a local network of worker co-ops, and a healthy appetite for innovation and scale.

Oakland City Councilmember Annie Campbell-Washington advances a resolution in support of worker cooperatives, with the Bay Area advocacy group in attendance. Photo c/o Sustainable Economies Law Center
**ECOSYSTEM ANALYSIS**

**Ecosystem Analysis:** The Bay Area ecosystem has a solid foundation of *Essential Elements*, and its *Environmental Elements* are favorable for worker cooperatives. The greatest opportunities for scale may be with the *Important Elements*, which are in nascent stages of development.

*Strong Elements in this ecosystem:*

- **Member Skills and Capacity** of longstanding worker co-ops and experienced **Co-op Developers** Knowledgeable and accessible **Technical Assistance** providers
- **Values-Driven Businesses**, including 56 worker co-ops and many Certified B Corps, green businesses, and ESOPs
- **Local Attitudes and Culture** supportive of social innovation

**Opportunities to build and leverage strengths in this ecosystem:**

- Form **Advocacy Partnerships** with values-driven business groups and social movements
- Promote **Policy** initiatives to build legitimacy, incentives, and funding for worker co-op development, possibly in a staged city-by-city approach
- Build on recent local market assessments to develop **Connection to Market** strategies

**Possible System Interventions:** Collaborative action may be the key to taking this Cooperative Growth Ecosystem to scale. How can Bay Area cooperative developers leverage the expertise and capital of their thriving worker cooperative community to support advocacy, policy initiatives, and connection-to-market strategies? How can local foundations, impact investors, and anchor institutions help growth-oriented worker co-op developers succeed? Perhaps the housing crisis and accelerating gentrification present an opportunity to make a case for shared ownership as a path to community stability. Is there an opportunity for a city-by-city policy approach or are there regional agencies or consortia that could be allies?
Worker Cooperatives Lead with Policy in the Largest City in the Country

New York City is the largest and most complex city in the United States, and its economy is marked by extremely high inequality. With more than 325,000 employees and annual purchasing in the billions, the city government is a major player in the local economy and has a highly centralized “strong” mayor-council system. In 2014, New Yorkers elected a staunchly progressive mayor who publicly committed early in his term to worker cooperatives as a strategy to address inequality. The City Council allocated $1.2M in discretionary funding for worker co-op development in 2014, and in 2015 the allocation increased to $2.1M. This infusion of funds has resulted in a flurry of activity by a loose coalition of co-op developers and support organizations to promote, start, and convert existing businesses to worker cooperatives.

The South Bronx is home to the country’s largest worker cooperative, Cooperative Home Care Associates (founded 1985), with 2,200 workers, almost all women of color, doing home health care work. The rest of New York City’s worker co-ops are very new and small-scale—grassroots cooperatives initiated by workers themselves. The nascent coalition formed around city funding is still formulating its strategy and membership.
ECOSYSTEM ANALYSIS

Riding the wave of advocacy and city support, New York City’s ecosystem contains Important Elements for scale. The Essential Elements, however, are still emerging and too reliant on city funding to be immune to the next election cycle.

Strong Elements in this ecosystem:
▶ **Policy** strength and relationships with government officials forged in the collaborative work around city funding
▶ **Advocacy Partnerships**, formed by the NYC worker cooperative coalition, that are expanding to new social movement actors and the small business community

Opportunities to build and leverage strengths in this ecosystem:
▶ Build **Member Skills and Capacity** within worker co-ops, especially the 50% that were formed in the past ten years
▶ Increase the quantity and diversity of patient capital available as **Financing** to NYC worker cooperatives and to **Co-op Developers**

▶ Make **Cooperative Education** and **Business Supports** available through educational institutions, community programs, and city agencies

**Possible System Interventions:** Strengthening the Essential Elements of this ecosystem is the key to scale here. There is an opportunity to use current city funding to build skills and capacity within worker co-ops, and to access business supports and education to build the capacity of co-op developers to drive business success, quality job creation, and co-op growth within the low-income communities where they are already operating. How can the relatively new coalition of worker cooperatives and co-op developers set standards and build capacity for worker cooperative development that aggregates resources for scale? How can today’s city government support be leveraged to institutionalize the city’s priority of worker ownership more broadly—in city procurement, city agencies, and small business support services?
Cincinnati

Community Connections to Labor and Faith in a Medium-Sized City

Cincinnati is a medium-sized city in the Ohio River Valley. It has a large working-class population and a long labor tradition as the first industrialized city in the Midwest. Inequality here is medium, and what used to be above-average unemployment partially as a result of deindustrialization across the Rust Belt has decreased in recent years. Several major corporations have their head offices in Cincinnati. The two largest employers are Kroger Corporation and the University of Cincinnati.

Cincinnati is in the early stages of developing a growth-oriented worker cooperative ecosystem. A robust network of faith-based organizations has long supported worker co-op development at a small scale, with a Catholic university recently playing a larger role. The relatively new Cincinnati Union Cooperative Initiative makes Cincinnati the central testing ground for the union co-op model developed by the United Steel Workers and Mondragon. Driven by two local nonprofit developers with distinct approaches and networks, worker co-op development is beginning to engage local politics and philanthropy in a vision of alternative economic development for the city.

### Cincinnati

2,149,449 Population

17.23/hr Median Wage

12.2% Unemployment

34,768 Total Business Establishments

80.0% Small Business

4 Worker Cooperatives 50 Employees in Worker Cooperatives

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*2014 **2013 ***2013 (city only) †2011
ECOSYSTEM ANALYSIS

The relatively young worker cooperative ecosystem in Cincinnati has powerful building blocks in its relationships with labor and faith communities, and these Important Elements have real potential to be leveraged for scale. However, without a strong history of do-it-yourself cooperatives—and the social capital, management expertise, business relationships, and TA providers that grow up around such a community—Cincinnati is missing some Essential Elements that are preconditions to scale.

Strong Elements in this ecosystem:
▶ Robust Advocacy Partnerships with labor and faith communities
▶ Potential for Connection to Market via these constituencies
▶ Attitudes and Culture of support, while not widespread, are concentrated in key communities with power and resources

Opportunities to build and leverage strengths in this ecosystem:
▶ Develop co-op Member Skills and Capacity, including the skills of managers
▶ Connect worker co-ops to mainstream Business Supports
▶ Strengthen Cooperative Education through local educational institutions and entrepreneurship programs

Possible System Interventions: Fully leveraging the resources of existing partners may be the next step toward scale for this Cooperative Growth Ecosystem. How can organized labor, for example, use its financial and legal resources and industry knowledge to build capacity in the worker cooperative community? How might the faith community leverage its connection to educational institutions to build skills and capacity among co-op members? What other actors in the ecosystem could help fill in gaps? Might a coordinated campaign help unlock public and private funding and engage the values-based business community?
Supportive Mayor in a Small City in the Heart of Cooperative Country

Madison, the capitol of Wisconsin and home of its flagship university, has a solid middle class, a stable economy with low inequality, and relatively little racial diversity. The state of Wisconsin is distinguished by a long history of cooperative organizing and a strong cooperative economy, based in agriculture but present across sectors. A polarized dynamic between progressive Madison and conservative state government has made the statehouse a flashpoint for mass protest. Madison’s progressive mayor has a history of supporting co-ops and, in 2014, committed $5M over five years from the city’s capital budget for cooperative development. In 2015, a worker co-op leader was elected to Madison’s Common Council.

Madison has the highest rate in the country of employment per capita in worker cooperatives. More than 500 people working in 14 worker co-ops compose between 0.3% and 0.4% of Madison’s total labor force. These co-ops have a public profile and level of political influence that is not seen elsewhere in this country. With more than 80 cooperatives of all types in this small city, the cooperative way of doing business is widely seen as “normal” in Madison, and co-ops enjoy institutional support from higher education and business service providers. The two largest worker co-ops in Madison were both formed through conversion from a conventional form of ownership.
**Ecosystem Analysis**: A clear picture emerges in Madison of a mature and well-supported ecosystem for worker cooperatives, with Essential, Important, and Environmental Elements in place, alongside a nascent ecosystem for low- and moderate-income worker cooperative development aimed at scale.

**Strong Elements in this ecosystem:**

- **Member Skills and Capacity** in long-standing worker cooperatives
- **Experienced Technical Assistance** providers
- **Values-Driven Businesses**, including co-ops of all kinds
- **Advocacy Partnerships** with labor, higher education, and co-op lobbying groups at the local and state levels
- **Widespread Attitudes and Culture** favoring co-ops

**Opportunities to build and leverage strengths in this ecosystem:**

- Develop a city-wide strategy for incubation of worker co-ops for low-wage workers and build capacity of Co-op Developers to carry it out
- Explore **Connection to Market** and contracts with anchor institutions as a strategy for scale
- Develop the **Financing** ecosystem for worker co-ops beyond the strong foundation of self-financed growth

**Possible System Interventions**: With an already strong Cooperative Growth Ecosystem, Madison has an opportunity to aggregate the resources, reach, and expertise of its current worker cooperatives and co-op developers to bring in new worker-owners from low-income communities and communities of color. Could some portion of the mayor’s capital budget support “high-risk” forgivable pre-development loans to support this expansion? How could high cooperative awareness and the fact that the two largest worker co-ops in the city were created through conversion jump-start a drive for cooperative conversions in Madison as a business succession and community economic development strategy? What additional outreach and supports may be needed to bring the worker co-op model to Madison’s low-wage workers?
Western North Carolina

A Place-Based Rural Industry Focus

Western North Carolina, also known as the Mountain Region, is the rural part of the state that includes the Appalachian Mountains. Its main population center, Asheville, has a population of 83,393, while the entire region has nearly 1.5 million people. Asheville has a high rate of income inequality. The geography of North Carolina reinforces strong regional patterns of identity and culture, economic development, and industry concentrations. Western North Carolina is home to a large number of immigrants of Mayan descent, many of whom work in the poultry, furniture, and textile industries. The textile industry has historically been a critical part of the region’s economy, and offshoring has resulted in a massive loss of textile jobs since the 1980s.

Recent interest in reviving the textile industry is driving new efforts in cooperative development. One highly innovative and fast-growing worker-owned textile factory co-founded, and plays a leading role in, the Carolina Textile District, a collaboration of businesses along the textile industry value chain. Overall, Western North Carolina has only four worker cooperatives, but a recently-formed cooperative development center and value-chain organizing within the heritage industries (especially textiles, hosiery, and furniture-making) could spur more strategic co-op development as part of broader economic revitalization. As in many rural areas, the only prospective buyers for businesses whose owners are retiring may be local, increasing potential for conversions to cooperative ownership.

Jessica Medina and Reyna Rodríguez, worker-owners, Opportunity Threads. The Carolina Textile District is “reshoring” North Carolina’s textile production, through a place-based rural economic development strategy centered on worker-ownership of heritage industries.

Photo c/o Opportunity Threads
This Cooperative Growth Ecosystem has key Essential, Important, and Environmental Elements along the value chain of one key heritage industry (textiles), providing an inspiring example for other industries and regions around the state and the country. Worker co-ops and developers are just beginning to expand this ecosystem to other local industries.

**Strong Elements in this ecosystem:**

► **Technical Assistance** made available through a young co-op development center
► Supportive **Attitudes and Culture**, including a tradition of self-help in the region and widespread interest in worker co-ops in Asheville
► Strong **Business Supports** in the textile industry

**Opportunities to build and leverage strengths in this ecosystem:**

► Increase number and capacity of **Co-op Developers** that can focus on startups and conversions of existing businesses, possibly by leveraging **Cooperative Education** at entrepreneurship programs and local colleges
► Build off success in the textile industry to develop **Connection to Market** strategies in other industries
► Develop **Advocacy Partnerships** to explore and potentially advocate for **Policy** to incentivize worker co-op development

**Possible System Interventions:** One key opportunity for scale in this ecosystem is to shore up and expand the pioneering textile industry-specific efforts for further job creation, especially through conversions of existing businesses to worker co-ops. What would it take for conversions of existing textile manufacturing enterprises to go to scale as a strategy for saving and improving manufacturing jobs in the region? To replicate such an effort in other heritage industries? Is policy important at this juncture or would a pure technical assistance-focused industry/value-chain strategy be most productive? More broadly, how can the supportive community in the region’s largest city, Asheville, be leveraged to strengthen support for co-ops via existing entrepreneurial and small business programs?
Findings

The five cities we studied teach us that there is no single way to coalesce a Cooperative Growth Ecosystem. We initially suspected that the Essential Elements of the ecosystem would be the starting place. Indeed, regions like the Bay Area and Madison first developed their worker cooperative presence—the beginnings of their ecosystems—through decades of independent efforts by worker-owners and co-op developers. In many communities, however, it is the Environmental and Important Elements such as advocacy partnerships and community awareness that are the initial catalysts for ecosystem growth.

Regardless of which actors or elements initially drive activities within the ecosystem, it is the Essential Elements that build worker cooperatives. In nascent ecosystems, Essential Elements must be built from scratch, and even in the more developed ecosystems, there are still notable gaps, for example, in philanthropic and investment capital or in co-op development capacity in low-income communities. For a Cooperative Growth Ecosystem to mature and have a significant impact on its community, Important Elements such as advocacy partnerships, supportive policy, and connections to market are likely needed to fully resource the Essential Elements and unlock scale.

Comparing our two largest regions, the San Francisco Bay Area and New York City, sheds light on how ecosystem elements and stages of development can play out. These two dynamic ecosystems have very different strengths and gaps that suggest different courses of action for developing their Cooperative Growth Ecosystems.

**BAY AREA:** The long-standing Bay Area worker cooperative community has many Essential Elements in place: there are several large worker cooperatives; strong skills
and skill-sharing among worker-owners; almost two decades of pioneering practices in growth-oriented co-op development; even appropriate capital and technical assistance supports to access it. But until very recently there has been a notable lack of advocacy partnerships and policy initiatives, little strategy supporting connection to market, and few mainstream business supports integrating worker cooperatives. Local actors are just entering the Convene stage. Rich in Essential Elements, and underdeveloped in Important Elements, this ecosystem has a great deal of internal strength, but is not growing or scaling as quickly as it could. To realize their shared community economic development goals and help reduce the region’s rapidly growing inequality, Bay Area actors will need to further strengthen Essential Elements and collaborate effectively to galvanize more resources and strategic partnerships to develop Important Elements of the ecosystem that can support scale.

**NEW YORK:** The relatively young New York City worker cooperative community has won substantial funding and policy supports through robust advocacy partnerships, and it is aiming to institutionalize worker cooperatives in the business support ecosystem and build connections to market through city procurement. Having Convened a strong coalition, local actors now have a mandate to Create sustainable, scale-oriented co-ops and co-op development initiatives. But the Essential Elements are nascent and building: member entrepreneurial leadership is just beginning to develop in a wave of young cooperatives, and there is very little equity investment to match philanthropic support. Most critically, a large pool of very new cooperative developers needs to build entrepreneurial leadership skills and experience, especially considering that the majority of worker cooperative development efforts here aim to support cooperative business ownership among low-wage workers, recent immigrants, and other groups locked out of ownership opportunities. Rich in Important Elements and underdeveloped in Essential Elements, this fast-growing but fragile ecosystem struggles to develop capacity in cooperative development and management to meet the demand it is mobilizing.

**Lessons About Scale**

Keeping our focus on impact and scale, we also examined how various ecosystem elements support different kinds of scale, and found that different elements play key roles.

**Size of individual enterprise**

*Key ecosystem elements: Growth capital, management*

Worker co-ops can thrive at all sizes, but larger cooperative enterprises not only create more quality jobs (often doing so more efficiently as they create economies of scale) but also play a critical anchoring, resource-sharing, and influencing role within a thriving Cooperative Growth Ecosystem. In the Bay Area and Madison, for example, large local co-ops have provided key support within their local ecosystems. Building larger worker
Density of co-ops in a region

**Key ecosystem elements:** Member entrepreneurial leadership, TA providers, policy, co-op developers

Density of worker cooperatives in a given place has a powerful multiplier effect, generating and mobilizing resources that support further growth in number of enterprises. In the more mature ecosystems we studied, existing worker cooperatives and cooperative developers leveraged their skills and capacity in a variety of ways to increase the number and density of worker cooperative businesses: Co-ops trained common TA providers; pooled capital; cross-pollinated personnel and management talent; joined forces in policy advocacy to galvanize resources for co-op development; and provided a range of direct technical assistance to other cooperatives, including some worker-owners becoming full-time co-op developers. In Madison, especially, the presence of 500 worker-owners in fourteen worker co-ops, and 80 total cooperatives in a small city has normalized the model. This suggests that one way to build a flourishing Cooperative Growth Ecosystem may be simply to start as many worker cooperatives as
possible and then leverage their strengths for further growth. Worker cooperatives themselves—along with co-op developers, policy, advocacy partnerships, technical assistance providers, and business supports—are the drivers for increasing the number and density of worker cooperative businesses. This density of worker cooperatives then becomes its own fuel for growth.22

Impact on community

Key ecosystem elements: Growth-oriented cooperative developers, grant funding, equity investment, advocacy partnerships

The impact of worker cooperatives—their ability to build wealth and create quality jobs for low-wage workers and to influence other parts of the system from industry practices to local economy and policy—is where we begin to see their potential as a vehicle to reduce inequality. The entrepreneurial leadership of cooperative developers plays a central role in worker cooperatives’ positive impact on low-wage workers and communities of color. In the Bay Area and New York City, for example, cooperative development organizations are driving efforts to use worker cooperatives as a strategy to create jobs and build community wealth. Often they incubate, coach or help manage co-ops through critical startup, expansion and business ownership transition periods. They also work to build these capacities, to varying degrees, among the worker-owners. Where cooperative developers have more resources and strong ability to develop businesses and develop people, more cooperatives are being developed with greater impact for unemployed and underemployed people, low-wage workers, and recent immigrants. Conversely, in places where few or no such cooperative development organizations exist, or where developers utilize only “low-touch” approaches, the model’s impact as a community economic development strategy is limited.

Business and participatory management skills are critical to all three components of scale: to increasing the size of individual enterprises, to helping more worker co-ops start and succeed, and to increasing impact for low-wage workers. These skills are perhaps most necessary for cooperatives aiming to create quality jobs and shared business ownership for low-wage worker-owners. With a great deal of interest in worker cooperatives coming from people otherwise locked out of good jobs and wealth-building opportunities, relying on a do-it-yourself startup model alone will not achieve the true promise of worker cooperatives for those who need them most. Yet, many of the organizations getting involved in cooperative development are community organizing and social service organizations that have little experience operating businesses in the market. This new growth is extraordinarily vulnerable if not met with adequate resources and appropriate skills.
Regional Stories:

Twenty Years of Cooperative Growth in the San Francisco Bay Area

San Francisco Bay Area, 1995: Worker cooperatives—most of them formed in the 1970s and early 1980s—are thriving. The cooperatives, concentrated in natural foods and media/cultural production, are distinctly countercultural: alternative, left-leaning, utopian. In this tight-knit community, worker co-ops informally lend to each other, workers move between cooperatives for jobs, and a worker co-op business network recently formed. Growth is modest, organic and largely self-financed. A study group, including a worker-owner and technical assistance providers, aims to understand and replicate the Mondragon cooperative model in the Bay Area. A nonprofit organization has just formed to empower low-income women using the cooperative model.

San Francisco Bay Area, 2015: What a difference twenty years makes. The 1995 study group formed the Arizmendi Association of Cooperatives, a self-financed cooperative development and support organization structured as a secondary cooperative. Its six member cooperatives now employ more than 120 people, have combined revenues of around $18 million annually, and are well-known local fixtures. They borrow from a local CDFI and have even received tax breaks from cities eager to anchor new development. The new nonprofit became WAGES (Women’s Action to Gain Economic Prosperity, later re-branded as Prospera), the groundbreaking developer of cooperatives led by Latina immigrant women [see below]. These two industry-based initiatives demonstrate the power of concentrating effort and resources along industry lines.

Existing worker cooperatives have grown. Two of the country’s largest worker cooperatives—Rainbow Grocery and Alvarado Street Bakery, both started in the 1970s—are in the Bay Area, with combined total revenues of over $100 million and more than 350 worker-owners. Other long-standing cooperatives have spun off new businesses, providing technical assistance, capital and market access; most notable is the Cheese Board’s support for the Arizmendi Association. Wholly new worker co-ops have started in the technology sector, green construction, and food retail. A couple of major cooperatives of the 1990s have either closed or demutualized.

Today, there is strategic momentum toward developing cooperative businesses with low-wage workers of color. WAGES (now Prospera) pioneered a model for worker cooperatives in the green housecleaning industry that has inspired dozens of adaptations around the country. Four cooperatives developed by WAGES support almost 100 worker-owners and generate around $4 million in annual revenue, and substantial increases in pay and benefits. Other community economic development efforts include worker-owned Mandela Foods Cooperative in West Oakland, a nascent co-op incubator and loan fund in Richmond, and the Project Equity Business Incubator (co-founded by a former director of WAGES and an experienced social entrepreneur), which helps businesses convert to worker cooperatives.

The infrastructure of support has also grown. The Sustainable Economies Law Center and the Green Collar Communities Clinic, with attorneys mentored by existing co-op lawyers, play an active role advising startup cooperatives. Cutting Edge Capital pioneered the Direct Public Offering, used by cooperatives around the country to raise community capital. The Democracy at Work Institute and the National Center for Employee Ownership, both in Oakland, are actively collaborating to advance a spectrum of democratic employee ownership options and supports. A nascent coalition has formed around advocacy work; it helped pass a California legal form specifically for worker cooperatives and a resolution of support by Oakland’s City Council.

The next challenge is to engage with larger-scale Bay Area economic drivers, such as the booming tech economy, which is fueling a small business and housing displacement crisis, and retiring business owners, to prevent a wave of small business closures. To succeed at scale, worker ownership needs to be integrated into the economic development agenda and prosperity planning for Bay Area cities.
The Growth of an Ecosystem in Any Town, USA

Here we tell the story of a fictitious Any Town where a variety of stakeholders use the Cooperative Growth Ecosystem framework to analyze their local community and develop an ecosystem of support for worker cooperatives. Over fifteen years, they move through the Convene, Create and Consolidate stages of ecosystem development and generate good jobs in worker cooperatives for hundreds of community members.

Any Town, USA

Any Town is a midsize city in the middle of the country. A group of visionaries have come together, inspired by the success of worker cooperatives in other cities where anchor institutions and city government have embraced their development. There are no worker co-ops in Any Town, but there are some credit unions, one food co-op, and a thriving social enterprise community.

In two years of infrequent conversations, these visionaries have brought together diverse stakeholders spanning labor, economic development, anchor institutions, and the local community foundation. The group decides to use the Cooperative Growth Ecosystem framework to determine where they can have the greatest impact in jump-starting a cooperative economy in Any Town.

ECOSYSTEM ANALYSIS

The group convenes a half-day workshop for twenty participants representing the four most active organizations and some allies from the social enterprise community and the food co-op. Together they fill in the scorecard displayed here, rating each element on a scale of 0-5 (five being most developed). Then they step back to reflect on these key questions:

- What are the strongest elements in our ecosystem?
- Where are there notable gaps?
- Which categories do our weak and strong elements fall in?
- How strong are our Essential Elements?
- What can we identify as a “game changer” for our ecosystem?
- What does this tell us about where we might want to start?

Their key observations are the following:

- With no worker co-ops, no co-op development organizations, and no previous experience of investing in worker co-ops, Any Town scored low on the Essential Elements of a Cooperative
Growth Ecosystem. The nascent group leading this initiative, however, includes the local community foundation and an attorney who is connected to the business community and has moved from curious to passionate about worker cooperatives.

The group is optimistic about being able to develop the Important Elements of the ecosystem. The main participants have strong connections to the local Small Business Development Corporation (SBDC) and other business support entities within city government and local nonprofits. They also identified three key industries that are growing in Any Town and in which worker co-ops might have a good chance at success: small scale food manufacturing, home health care, and medical records storage. The one anchor institution in the group—a hospital—is interested in being creative about how its procurement of goods and services might be able to support the growth of worker co-ops.

Any Town’s moderately high score in Environmental Elements makes the group optimistic about the community’s receptiveness to cooperative businesses. They hope to leverage the strength of the local social enterprise sector and the backing of food co-op leaders to support implementation of their early strategies. The local university has a professor who teaches about cooperatives in her undergraduate business course, so co-ops are not an entirely foreign idea.

**ACTION PLANNING**

Based on these observations, the Any Town group considered three paths forward:

**OPTION 1: Community planning approach:** Expand the circle of anchor institutions and government officials [especially in the city’s economic development department] who can get behind a cooperative development strategy and initiate a research and planning process to determine the best strategy.

**Analysis:** With initial support from anchor institutions, some supportive city officials and a growing medical records storage industry, this option seems promising on the surface. The group looks into it and finds the following:

- Anchor purchasing comprises millions of dollars in the local economy, and much of it is bound up in multi-year contracts with multinational corporations. Recently, however, the local publicly-funded hospital came under mandate to increase community health outcomes to maintain its funding.
- The local community foundation is interested in the community planning approach, and in persuading other funders to explore it.
- With no cooperative developers on the ground yet, it will take years to build the capacity to create businesses that can effectively serve anchor institutions.
- Anchor institution development projects in other regions have shown that there can be a mismatch between the limited capacity of startup businesses and the high-volume service needs of large anchor institutions.
- There may be some possibility in helping existing businesses that serve anchor institutions to convert to worker-ownership, rather than starting new anchor-serving businesses.
**OPTION 2: Lean startup approach:** Identify an organization that could develop a worker cooperative quickly and pool resources to create a successful demonstration project to showcase the cooperative model as part of the local economy.

**Analysis:** With a strong social enterprise community, this seems like a natural direction to pursue. Further investigation reveals the following opportunities and gaps:

- Local lenders and investors have little experience with worker cooperatives. However, due to strong cooperative ties, there may be an opportunity to secure some equity investments from the food coop and the credit union.

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**Any Town, USA, Ecosystem Scorecard**

<table>
<thead>
<tr>
<th>ECOSYSTEM ELEMENTS</th>
<th>METRICS</th>
<th>SCORE</th>
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<tbody>
<tr>
<td><strong>ESSENTIAL ELEMENTS</strong></td>
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<td>Member Skills &amp; Capacity</td>
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<td>Availability/experience of community capital</td>
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<td></td>
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<td>Connection to Market</td>
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<td>Key industries</td>
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<td><strong>ENVIRONMENTAL ELEMENTS</strong></td>
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<td>Cooperative Education</td>
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<td>Integration of coops into SBDCs</td>
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</table>
There is a local community foundation that may be interested in investing, but would need to be convinced of the potential community wealth-building impact for low-wage workers.

A leading social enterprise organization has developed multiple social enterprises in home health care, one of the key growing local industries. One of these enterprises is mature enough to become a permanent stand-alone business—as a worker cooperative.

A local community organizing group is partnering with a workers center to start a campaign targeting health care agencies and hospitals, to demand a living wage for non-union health care and home care workers.

**OPTION 3: Conversions approach:** Undertake an awareness-raising campaign targeted at local small-business owners in the food manufacturing sector, which is strong in Any Town.

**Analysis:** Investors, lenders, and funders are immediately interested in this idea, but the group is uncertain where to start. A few members learn more by reading case studies of worker coops formed through conversion, studying a successful conversions initiative in France, and conducting a few interviews with people involved with local food manufacturing and potential allies for this work. They conclude that:

- Several small factory owners are nearing retirement age, and the small business support community is tight-knit and could help raise awareness of employee ownership among its retiring members.
- The supportive local attorney is willing to learn the details of structuring and financing cooperative ownership transitions, and to mentor other attorneys.
- A local Community Development Financial Institution (CDFI) is potentially interested in financing cooperative conversions, but needs to be persuaded by at least one successful example.

**TAKING ACTION**

After looking at the data, the group agrees to pursue Options 2 and 3, and to consider Option 1 as a possible next-stage initiative. They take the following steps to launch the effort:

- The community foundation provides a grant that will be split between the social enterprise organization that will “incubate” the home care co-op and an experienced co-op developer from another state that will provide technical assistance and cooperative expertise. Their goal is to convert the home care service run by the social enterprise organization into a stable and growing worker cooperative within a year, linking it to the social enterprise organization through a contract for back-office services. They may coordinate with the local workers’ center on hiring.
- The local attorney agrees to increase her legal knowledge of cooperatives by connecting to other co-op attorneys around the country and offering pro bono services to help form the home care cooperative.
- The group approaches a public relations firm to conduct an awareness campaign about succession planning and employee ownership targeted at manufacturing firms;
the campaign will be funded by a combination of pro bono time from the PR firm and a matching grant from a national foundation.

To make some headway on the community planning approach, a small group, staffed by the social enterprise organization, will undertake research on local industries to understand their growth trends, capital needs, and potential to create quality jobs. At the end of the year, they will present this research to the full group to inform future projects. Given its interest in anchor institution strategies, the community foundation is considering a small grant to fund this research.

The local partners agree to meet quarterly over the next year to support and learn from the success of this initial effort. Their longer-term plans are to support the conversion of at least one successful food business into a worker cooperative in year 2 and to develop new co-ops along the initial cooperatives’ value chains. They will create a new co-op development organization within a year, and develop a five-year growth plan that connects philanthropic investment with equity investment. They will revisit anchor strategies at the end of the first year of work, to assess the feasibility of this approach.

Any Town started small, assessed what they had and what they needed, and moved quickly to a small-scale concrete learning project, from which they could launch larger and larger initiatives. They moved quickly from the Convening stage to the Creating stage of ecosystem development to demonstrate proof of concept. By taking stock early on of their local growth industries, technical assistance capacity, available grant funding and likely capital sources, they were able to develop two strategies simultaneously without jeopardizing the success of the demonstration project. Strategies and projects that seemed out of reach in the early years were ripe for implementation after years of practice. Ten years in, they moved into the Consolidate stage, engaging more and more actors and elements in the ecosystem to support greater size and density of cooperatives. By year fifteen, their Cooperative Growth Ecosystem was thriving.
After several high-profile successes and a couple of cooperative business closures over 15 years, Any Town has built a Cooperative Growth Ecosystem benefitting hundreds of low- to moderate-income families around the city. The ecosystem builds on the relationships and strategies developed in the earliest stages of planning. In this mature ecosystem:

► Most of the city’s dozen or so worker cooperatives are concentrated in key industries but some have arisen spontaneously in other sectors of the economy. Some of these were startups and others converted from another form of ownership; many were created along the value chain or “spun off” from existing cooperatives. The co-ops are all visible in the community and active in local business associations. They have also created a local Co-op Network that meets quarterly for mutual learning and to plan joint promotions.

► Two co-op developers led the launch of six of these cooperatives and now have strong track records and steady funding through public and private grants, as well as earned income. One of these developers is a stand-alone nonprofit and the other is a large social enterprise organization with a co-op development division, staffed in part by former members of the first cooperatives it developed.

► The majority of the worker co-ops have more than twenty worker-owners, and three-quarters of them employ formerly low-wage workers. They have created internal training programs and external partnerships with entrepreneurship organizations, other co-ops, and community colleges to help worker-owners develop business and management skills and strategies for sustained growth.

► Several local lawyers and CPAs have expertise in co-op law and accounting, and the local law school provides free advice to startups through its community economic development legal clinic. The co-op community is also well connected to the business school and a variety of business support programs.

► City government and local Small Business Development Centers actively promote worker co-op development as a community economic development strategy and educate entrepreneurs about cooperative business models.

► The co-op community is connected to organizing and advocacy groups and supports their campaigns for better conditions for workers and their efforts to increase demand for worker cooperatives.

► Co-ops are regularly featured in the media and at the annual social enterprise conference, as well as in several courses at the university and community college.
Recommendations

Our six examples—five cities and regions around the country and the fictional Any Town USA—help illuminate how Cooperative Growth Ecosystems develop and how using an ecosystem framework can strengthen the role of worker cooperatives in community economic development. They offer insights about how to move an existing ecosystem toward maturity and how to jump-start a new ecosystem.

To help turn these insights into action, we offer some recommendations for three distinct audiences: actors in the five regions we studied, actors in any early-stage ecosystem [like Any Town USA], and co-op developers, the actors that make our Cooperative Growth Ecosystem unique. We then close with general recommendations for anyone interested in expanding the use of the worker cooperative model to build community wealth and address inequality and other pressing issues of our time.

Recommendations for the five regions

First and foremost, we encourage actors in existing ecosystems to coordinate their efforts strategically, using an ecosystem framework to develop their own insights and strategies. By collaborating to grow markets, access capital, advance policy and connect to allied communities, they will build conditions that support scale. For the five regions we studied, we developed some initial hypotheses about where the greatest potential might lie for next-stage growth that increases the impact of worker co-ops among low-wage workers and communities of color:

- The Bay Area’s potential could lie in collaborative action for policy change and resource mobilization, building on its Essential Elements to create Important Elements such as advocacy partnerships and connections to market;
- New York City’s priority could be for cooperative developers and technical assistance providers to work together to strategically to strengthen Essential Elements such as financing, technical assistance, and co-op development capacity;
- Cincinnati’s best path forward may be to fully leverage its Important Elements, the resources of existing labor and faith community partners, to build overall ecosystem strength;
- Madison’s biggest challenge may be to coordinate its very strong ecosystem—especially the entrepreneurial leadership in co-ops and the strong local technical assistance center—to increase capacity to bring in new worker-owners from low-income communities and communities of color;
- Western North Carolina could expand pioneering efforts in the textile industry for further job creation, especially through conversions of existing businesses to worker co-ops, bringing its somewhat developed Essential and Important Elements together to strengthen both.
Recommendations for early-stage ecosystems

Most places in the country are in the early stages of developing a Cooperative Growth Ecosystem, exploring or forming a cross-sector coalition of organizations and local leaders interested in using worker cooperatives to build community wealth. They may have gathered interested actors, identified their shared interest, and begun to stoke their enthusiasm for worker cooperative development. These enthusiastic actors want to know: what next? Where to start? How to invest?

To help identify next steps, we return to the stages of growth framework.

- **BEGIN**: Identify the change you seek and learn from others.
- **CONVENE**: Develop a “guiding coalition,” analyze the ecosystem, and create a strategic vision.
- **CREATE**: Pilot successful practices and create short-term wins.
- **CONSOLIDATE**: Build momentum toward a tipping point.
- **SUSTAIN**: Anchor new approaches to create a “new mainstream.”

We encourage early-stage ecosystem leaders to jump in and start cooperative businesses, but to do so in a way that mitigates risk and amplifies support through effective collaboration, smart experimentation and learning, and long-term strategic thinking. While staying thoughtful and collaborative, do not get stuck in the Convene stage. Take the critical step from Convening diverse actors and developing a shared vision to Creating a successful pilot project to generate a short-term win. Especially in areas where there are no worker co-ops or co-op developers that stand as an example of business success and community impact, building these early and well is critical. To choose a demonstration project, explore various strategic options through the lens of cost, time, impact, partnerships, and potential for scale. Is it an industry-specific model, an anchor institution strategy, or something else that will best fit your ecosystem? Is it startups or conversions? Where can you pilot a project that builds capacity and creates that early win?
A WORD TO WORKER CO-OP DEVELOPERS

Understanding their work within an ecosystem can help co-op developers define their desired impact, role, and growth strategy and develop partnerships to ensure the success of the cooperative as a business that meets its members’ needs for quality jobs.

We encourage co-op developers to envision their work in the context of:

- **A place**, so they connect with ecosystem actors who can help their co-ops thrive by accessing customers, vendors, workers, and opportunities.
- **An industry**, so they set up management, purchasing, physical plant, marketing, and hiring practices geared to that industry.
- **A capital** ecosystem, so they begin building relationships with potential investors and lenders long before they need money.
- **A community development and organizing** ecosystem, so they connect authentically with communities whose needs are served by the co-op, and who share interests with worker-owners in building power for inclusive development.

In order to Create pioneering practices and to Consolidate the lessons and resources from the Create stage, diverse actors must support and complement the role of growth-oriented co-op developers by strengthening the *Essential Elements* of the ecosystem: member skills and capacity, appropriate capital, cooperative-specific technical assistance, and the cooperative developers themselves. For example,

- Economic development and workforce development practitioners can collaborate with prospective cooperative developers to provide member training and small business supports and to develop market access opportunities.
- Social movement allies can work with other actors in the ecosystem to co-create campaigns for inclusive economic development that creates market opportunities for worker cooperatives.
- Local governments, capital providers and philanthropic funders can invest in supportive infrastructure such as business advisory services, and a variety of patient capital sources to support co-op development.
- Worker cooperatives can invest in their own entrepreneurial leadership and connect more broadly to allies, understanding that they play a critical direct role in building local ecosystems for scale.
- Educational institutions can take on multiple roles in an ecosystem—as research centers, anchor institutions, and key capacity-builders for cooperative development skills and expertise, particularly building management and entrepreneurial leadership capacity.

Understanding this early-stage work in a Cooperative Growth Ecosystem framework helps all actors keep the focus on the successful development of worker cooperative businesses. Cooperative developers are not struggling in isolation to launch one business or even five businesses, but are aiming
toward concrete wins—successful cooperatives—to build toward a longer-term tipping point—
density of high-impact cooperatives within an ecosystem of support. One eye is always on
the next stages: Consolidate gains and Sustain the model. The larger project team identifies
opportunities for growth, and inflection points where ecosystem elements can be built; they
are always consolidating resources and learnings to build more support infrastructure.

General recommendations

A growing movement of diverse actors is shifting the economic development discussion
toward fostering sustainability and reducing inequality. Worker cooperatives can accelerate
this change by combining economic growth with community and worker well-being. Anyone
who wishes to foster an ecosystem that supports the successful development of these
unique businesses should take to heart the lessons of the past several decades of sus-
tained growth in worker cooperatives:

▶ Don’t try to do it alone: Draw on the experience of existing worker co-ops, expe-
rrienced co-op developers [whether they be local or not], and national and regional
leaders in the field to create early successes and long-term ecosystem-building
strategies. Learn from others’ successes and mistakes, share learnings, and build a
community of practice.

▶ Build Essential Ecosystem elements: Adequately fund growth-oriented co-op
developers with business and human development expertise. Cultivate a diverse
funding ecosystem willing to invest for several years at a time and not reliant on a
single source. Pair this funding with impact-oriented investment capital that can
support and sustain business growth.

▶ Collaborate strategically: Identify unique roles in the ecosystem, with each actor
doing what they do best, and partner with others fulfilling their unique roles. Social
movements play a role distinct from business developers, who play a role distinct from
capital providers. Additionally, cooperative developers can collaborate for business
advantages or funding. Collaborations for scale may create unlikely allies to move
policy, mobilize resources, or open new markets. Seek and cultivate these alliances.

▶ Think “ecosystemically”: Ask “How is what I am doing contributing to the building
of an ecosystem of support? If it is not, how could it be?” The first step to building a
thriving Cooperative Growth Ecosystem is intending to. Doing so will not only amplify
impact in the long term but make the work in the moment easier and dramatically
increase chances of success.
In response to a devastated post-WWII economy, the government of Emilia Romagna initiated a regional economic development strategy centered on cooperatives. The Emilian government started with policy, enshrining the “social function of cooperatives,” as non-speculative firms deserving of public support, into the constitution in 1948. From there, it developed a complex of interrelated policies that create incentives for cooperatives to retain reserves, federate with one another, and fund their own growth by retaining wealth within the cooperative system. The government provided funding for technical assistance and other supports for cooperative businesses. Critically, the Emilian model started with a manufacturing base. A second wave of growth for the maturing ecosystem expanded worker ownership to the social sector, creating care cooperatives that contract with the government both to provide services to and to employ “disadvantaged” members of the community.

In fifty years, Emilia Romagna (pop. 4.5 million) has experienced a remarkable turnaround, from being the weakest region in Italy economically to one of the strongest, with a robust small business community. One in twelve people in Emilia Romagna is a small business owner. As of 2015, it had a per capita gross domestic product that was 21% higher than the EU average, with unemployment under 5% and one of the lowest rates of inequality in Europe [Gini index 0.25]. Emilia Romagna contains 7% of Italy’s population but generates 9% of its GDP, 12% of its exports, and a startling 30% of its patents. Household wealth in 2015 was 30% higher than the Italian average.

As of 2015, around 3,600 cooperatives, most of them small firms, employ 250,000 people and generate about 13% of the GDP in the region. Worker cooperatives are concentrated in two sectoral clusters: (1) manufacturing, including food processing, and (2) “social cooperatives” that now provide a substantial portion of health care and social service delivery in the region. All Cooperative Growth Ecosystem elements are in place in Emilia Romagna. Some highlights include:

**Business supports, technical assistance, connection to market**
- Flexible manufacturing networks: Small firms operate in cooperative networks within industrial districts.
- ERVET (“Emilia-Romagna Valorizzazione Economica Territorio” or “real service centers” in English): Government centers provide targeted business services to small firms in key sectors, including research and development, purchasing, and collaborative bidding.
- There is a strong ethic of co-op to co-op support in purchasing and other economic linkages.

**Financing**
- Co-ops must contribute 3% of surplus to cooperative solidarity and loan funds, resulting in a large pool of capital that is available to and controlled by worker cooperatives.
- Via the Marcora Act, the government matches investment in co-op conversions and allows unemployment benefits to be invested in cooperatives.

**Policy**
- The 1947 Basevi law mandates the formation of co-op federations, and a 1948 law enshrines the “social function of cooperatives” in the Constitution. Tax exemption for indivisible reserves (retained earnings) is based on this social good.
- Three worker co-op federations, each affiliated with a social or political institution, are in the process of merging.
- The federated Alliance of Italian Cooperatives (Alleanza delle Cooperative Italiane) provides research, strategy, advocacy and general capacity building for worker cooperatives.
Endnotes


7. Source: Prospera, formerly WAGES (Women’s Action to Gain Economic Security)

8. Source: Cooperative Home Care Associates


11. A secondary cooperative is a cooperative of cooperatives, generally formed for the purpose of supporting or supplying goods or services to the primary cooperatives that constitute it.


13. Member equity is the cornerstone capital contributed: Worker-owners make a membership contribution, which ranges from several hundred dollars per member (or even less in some cases) to as much as $5,000–$10,000 per member. While an essential part of a co-op, member capital is usually insufficient for a worker co-op’s startup and growth needs, especially when worker-owners lack personal wealth.

14. Half of the worker cooperatives or networks of worker co-ops in the U.S. that have 50 or more employees were created by a co-op developer. See Abell, Worker Cooperatives: Pathways to Scale, p. 6 for a list of the largest worker co-ops in the country.

15. See Abell, Worker Cooperatives: Pathways to Scale, pages 17–20 for a discussion of five common approaches to worker co-op development.

16. An employee stock ownership plan (ESOP) is an employee-owner program, created as a retirement plan, that provides a company’s workforce with an ownership interest in the company. In an ESOP, the company provides its employees with stock ownership, often at no up-front cost to the employees. ESOP shares, however, are part of employees’ remuneration for work performed. Shares are allocated to employees and may be held in an ESOP trust until the employee retires or leaves the company, when the shares are sold.

17. B Corps are corporations certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.


19. The largest worker cooperative in the U.S., Cooperative Home Care Associates, has 2,500 employees, and the largest in the world, Mondragon, has 80,000.


21. Gini coefficient is a standard measure of inequality, where 0 means all people have same amount, and 1 means one person has all the money. Source of all Gini index data here is: http://www.bjzournals.com/bizjournals/news/2014/01/31/gini-indexes-of-income-inequality-in.html

22. In The Worker Co-operative Movements in Italy, Mondragón, and France: Context, Success Factors, and Lessons (Canadian Worker Co-operative Federation, 2010), Corcoran and Wilson identify seven common elements in European worker co-op ecosystems that have achieved scale. The seventh is scale itself: “having achieved a size and strength to enable the worker co-op movements to be taken seriously by governments, the broader co-operative sector, etc.” (p. 1).