Worker-Owned Cooperatives:
Moving Beyond Personal Financial Products to Expand Ownership Opportunities for America’s Working Families

March 5, 2015
11:00am PDT – start time

The Asset Funders Network
Mission
Increase the capacity of our members to effectively promote economic mobility by supporting efforts that help low- and moderate-income individuals build and protect assets.

Desired Impact
Increase the visibility of and funding for activities that expand access to financial opportunities and strengthen communities.

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Angel Zapata, Wells Fargo Foundation

Webinar Agenda
Welcome and Introduction of Speakers
Stephanie Upp, Bay Area Project Manager, Asset Funders Network

Overview of the Worker Ownership Model and the Coop Development Field
Hilary Abell, Co-founder, Project Equity; author, Worker Cooperatives: Pathways to Scale

Case Study - Opportunity Threads
Molly Hemstreet, Co-founder & General Manager, Opportunity Threads and Caroline Textile District

Case Study - Project Equity
Hilary Abell, Co-founder, Project Equity; author, Worker Cooperatives: Pathways to Scale

Funder Reflections
Bobby Smith, Senior Associate of Fellowship Programs, Echoing Green

Moderated Question and Answer Session

Introduction of Presenters
Moderator
Stephanie Upp, Bay Area Project Manager, Asset Funders Network

Presenters
Hilary Abell, Co-founder of Project Equity and author, Worker Cooperatives: Pathways to Scale
Molly Hemstreet, Co-founder & General Manager of Opportunity Threads and Caroline Textile District
Bobby Smith, Senior Associate of Fellowship Programs, Echoing Green

Worker-Owned Cooperatives:
Field & model overview

Hilary Abell
Co-founder, Project Equity
Asset Funders Network Webinar
March 5, 2015
THE PROBLEM WE WANT TO SOLVE
Income inequality is perilous for the economy

“Working poor” has become the norm

45% of working adults in the East Bay earn below Basic Family Wage


45% of working adults

55%

% working adults

Basic Family Wage


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The racial wealth gap is getting worse

While whites lost 11% of their wealth during the great recession, Blacks and Latinos were much harder hit.

What are Worker-Owned Cooperatives?

Cooperatives

Worker-Owned Coops

Employee Ownership

Businesses that are owned and controlled by their workers

Worker-Owned Cooperatives in the U.S. Today

- Estimated 300-400 total
- Span industries and geographies
- Largest concentrations on the coasts and in the upper midwest
- More forming all the time

Worker-owned coops build multiple kinds of assets

5 kinds of “livelihood assets”

Social Capital

Human Capital

Physical Capital

Financial Capital: Income + Assets

Natural Capital

The Poor

Source: Worker Cooperatives: Pathways to Scale (data from USFWC, 2012)

Source: International Fund for Agricultural Development
Research shows that worker-owned coops create...

| Better pay | Pay well above industry average at Arizmendi, CHCA and WAGES cooperatives. |
| Asset building | In some WAGES cleaning coops, members' average business assets are nearly $9000. |
| Job tenure | 15% employee turnover at Cooperative Home Care Associates vs. 40-60% industry wide. |
| Operational efficiency | Worker coops in the plywood industry were 6-14% more efficient than competitors. |
| Business longevity | 68% of Canadian coops survived 5 years vs. 40-50% of comparable businesses. |
| Community well-being | Higher indexes of social well-being in health, education, crime, and social participation. |

Success Factors in Worker Coop Development

<table>
<thead>
<tr>
<th>Development Model</th>
<th>Resources &amp; Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>People &amp; Culture</td>
<td>Processes &amp; Programs</td>
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Cooperative Home Care Associates Success Factors

Development Model
- Home health care industry focus
- Acquired industry expertise
- Multi-disciplinary leadership team
- VNA, ICS mission-aligned large clients

Resources & Infrastructure
- Initial support from CSS
- Ample grant funding

People & Culture
- Social entrepreneurial leadership
- Coaching supervision
- Culture of dignity & respect

Processes & Programs
- Robust job & soft skills training
- Hybrid governance with outside leadership & education built in

Success Factors in Worker Coop Development

Development Model
- Design for biz success
  - Business & human development
  - Clear priorities
  - Industry focus
  - Effective long-term support

Resources & Infrastructure
- Patient capital
- Shared business services

People & Culture
- Strong management
- Cooperative fit
- Distributed leadership
- Social entrepreneurs

Processes & Programs
- Ongoing training
- Cultivation of cooperative culture
- Good governance

Worker coop development is a proven model and an emerging field

- Public interest in worker cooperatives has surged since the Great Recession
- Pioneering practices are well-established
- A growing number of initiatives are popping up around the country – more innovation than replication
- The field now has infrastructure and increasingly sophisticated leadership

It’s a great time to get involved!

Opportunity Threads Case Study

Revitalizing the textile industry through worker ownership in North Carolina

Molly Hemstreet
General Manager
Opportunity Threads and Carolina Textile District

AFN Webinar, March 5, 2015

Introduction

With Opportunity Threads since the start

North Carolina Loses 120,000 Textile Jobs From 1995 to 2010
Over 27,000 People Employed In Textiles In NC in 2014

Financial asset building at OT

- True ownership: $5k buy-in
- Internal capital accounts
- Profit sharing
  - Savings accounts
  - Partnership with Self Help
- Cash bonuses
- Links to other assets
  - Home ownership!

Improving Livelihoods of low-income people, places and firms...

- Creating jobs
- Getting underutilized infrastructure back in use
- Empowering worker-owners to make business decisions
- Encouraging worker-owners to become community leaders

Local Ownership and Control

- Worker-Owned Cooperative
- Share the co-op model and how it can be successfully done in manufacturing – then
- Encourage mill owners to look at a new model

So we saw an opportunity....
Reshoring will continue for products that change rapidly, including fashion apparel, but whose product value/weight ratios do not justify air freight.

– Forbes, “Reshoring or Offshoring”

Textile World article, “U.S. Textiles: Investments Abound”:

“Recent private investment from textile companies to pass $4 Billion

Over 500 clients have taken the Carolina Textile District survey in just 18 months

Major retailers and brands are looking at domestic and sustainable production

Our existing assets

“Textile manufacturing is the third largest industry in the world.”

– Huffington Post

“In 2012 textile and apparel exports were $22.7 billion, up 37% from just three years earlier.”


A new way of working through a heritage industry

Advanced Manufacturing
Process Innovation
Collaboration
Sustainability

JOIN US IN THE MAKING.

What the District is... CAROLINATEXTEDISTRICT.COM

Organize Demand

Entrepreneurs
Scaling/Reshoring Companies
Major Retailers and Brands

Organize Production

Organize Demand

Organize Production

Project Equity case study:

Developing pathways to scale for worker-owned cooperatives

Hilary Abell, Co-founder, Project Equity
We have a vision that many share...

Worker-owned coops building community wealth at scale

Some imagine a yellow brick road...

“Let’s just start more worker cooperatives, and grow them to be big players in our local economies!”

But in fact, there are MULTIPLE ways to get there

Each one plays an important role in the economy

- Start and grow SMALL businesses
- Start and grow BIG businesses
- Convert EXISTING businesses

Project Equity’s question: how can we accelerate growth along any or all of these pathways?
Bay Area Blueprint
for Increasing Worker Ownership in Low-Income Communities

Worker Coop Academy:
small-scale co-op entrepreneurship

Scale strategy 1: scalable co-op incubation plan

Scale strategy 2: business conversion assessment

WORKER COOP ACADEMY, Oakland

First cohort:
7 teams graduated on
12/10/14
4 teams get follow-on
business coaching

Pictured here:
Mandela Foods Coop,
Mandela Marketplace &
WCA organizers

Worker Coop Development - Startup Roadmap

Feasibility
Pre-development
Startup
Growth
Maturity

Worker Cooper 

Initial idea,
strategy for 
coop conversion, 
incubation plan

Prepare

Convert

Support

Cooperative Conversion Roadmap

Explore

Assess

Prepare

Convert

Support

Worker Coop Academy:
small-scale co-op entrepreneurship

Scale strategy 1: scalable co-op incubation plan

Scale strategy 2: business conversion assessment

Implementing the Bay Area Blueprint
What’s Next?

Worker coops at scale
Oakland business analysis
Coop conversion potential

Analysis criteria
• Growing industries
• 20-200 employees
• Low wage workers

Resulting target industries
• Manufacturing
• Commercial printing
• Logistics & shipping
• Health services
• Mission-driven businesses

Identified hundreds of businesses in Oakland alone that could be "candidates for employee ownership"

The “Silver Tsunami” — a coop conversion opportunity

Baby boomers...
• own nearly 4 million businesses
• own 66% of all businesses with employees
• had fewer children than their parents, leading to succession challenges

Baby boomer retirement was the #1 reason driving business sales in key markets in 2012.

Lack of succession planning is the #1 preventable cause of job loss

According to the Ohio Employee Ownership Center
• Only 15% of family businesses succeed to the 2nd generation
• Only 5% succeed to the 3rd generation
• Those that don’t close are sold to out-of-state buyers or private equity firms that often relocate jobs or the entire business

What if, instead, these businesses were sold to their workers?

Project Equity
What’s Next?

Worker Coop Academy (with partners):
small-scale coop entrepreneurship

Scale strategy:
ownership succession / coop conversion accelerator

Ecosystem development (with partners):
convene local stakeholders for strategic collaboration

What’s next for you?

• Learn (suggested resources on next slide)
  — Visit a coop
  — Join a coop
  — Attend a coop or employee ownership conference
  — Read up! See movies!

• Invest
  — Consider including worker coop development in your asset building portfolio
  — For starters: help educate businesses and community members about employee ownership
  — When ready: invest in strategic worker coop development initiatives

• Stay in touch (contact information on next slide)
For more information on worker ownership:

- Worker Cooperatives: Pathways to Scale
  (PDF available at [http://www.project-equity.org](http://www.project-equity.org))
- American Worker Cooperatives: [http://american.coop](http://american.coop)
- Community-Wealth.org, coop section: [http://community-wealth.org/content/cooperatives-0](http://community-wealth.org/content/cooperatives-0)
- Democracy At Work Institute: [http://institute.usworker.coop/](http://institute.usworker.coop/)
- Grassroots Economic Organizing: [http://www.geo.coop/](http://www.geo.coop/)

Contact: Hilary Abell, Co-founder, Project Equity
hilary@project-equity.org

Asset Funders Network
What’s next?
Asset Funders Network provides a unique and vital space where funders gather in-person or virtually to share ideas, best practices, and gather input to maximize our resources and share progress.

Visit our website to learn more about in-person convenings, webinars, and resources.

Asset Funders Network seeks to increase the capacity of grantmakers and assets to effectively promote economic security by supporting efforts that help low and moderate income households build and protect assets.

For more information, please contact juliemorris@assetfunders.org, or reply to the follow up email, sent your way this afternoon.

To learn more about the Asset Funders Network, please visit assetfunders.org

Hilary Abell, Co-founder, Project Equity; author, Worker Cooperatives: Pathways to Scale
Molly Hemstreet, Co-founder & General Manager of Opportunity Threads, Carolina Textile District
Bobby Smith, Senior Associate of Fellowship Programs, Echoing Green

Funder Perspective
Bobby Smith
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Echoing Green

Question and Answer Session

Please open the question box in your control panel to submit questions.

Note, due to time and topic constraints, all questions may not be addressed, but we endeavor to address each question.

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