



The Grantmaker Webinar Series 2014
presents

**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

AFN is a community of national, regional and community-based foundations and grantmakers who are strategic about using philanthropy to invest in economic opportunity and financial security for all Americans.

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



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Carla Thompson, The W.K. Kellogg Foundation
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 Carolina 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 Carolina Textile District
Bobby Smith, Senior Associate of Fellowship Programs, Echoing Green

Stephanie Upp Hilary Abell Molly Hemstreet Bobby Smith



Worker-Owned Cooperatives: Field & model overview

Hilary Abell
Co-founder, Project Equity
Asset Funders Network Webinar
March 5, 2015



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Introduction



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Introduction




1994
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2005
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Introduction




1994
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Introduction




1994
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2005
WAGES



2013
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2014
Worker Cooperatives: Pathways to Scale



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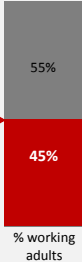
THE PROBLEM WE WANT TO SOLVE
Income inequality is perilous for the economy



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“Working poor” has become the norm

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



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Basic Family Wage is the minimum needed to cover basic living expenses of food, shelter, healthcare, transportation and childcare. In California it is \$18.35 / hour for a family with 2 working parents. www.lafca.org/pdf/MakingEndsMeet.pdf

The racial wealth gap is getting worse

11% White **31%** Black **44%** Latino

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

"Wealth Gap Among Races Has Widened Since Recession," New York Times 4/28/13

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What are Worker-Owned Cooperatives?

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What are Worker-Owned Cooperatives?

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What are Worker-Owned Cooperatives?

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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

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

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Worker-owned coops build multiple kinds of assets

5 kinds of "livelihood assets"

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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	65% 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

See citations in *Worker Cooperatives: Pathways to Scale*

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Success Factors in Worker Coop Development

Development Model	Resources & Infrastructure
People & Culture	Processes & Programs

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Cooperative Home Care Associates Success Factors

Development Model <ul style="list-style-type: none"> • Home health care industry focus • Acquired industry expertise • Multi-disciplinary leadership team • VNA, ICS mission-aligned large clients 	Resources & Infrastructure <ul style="list-style-type: none"> • Initial support from CSS • Ample grant funding
People & Culture <ul style="list-style-type: none"> • Social entrepreneurial leadership • Coaching supervision • Culture of dignity & respect 	Processes & Programs <ul style="list-style-type: none"> • Robust job & soft skills training • Hybrid governance with outside leadership & education built in

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Success Factors in Worker Coop Development

Development Model <ul style="list-style-type: none"> • Design for biz success <ul style="list-style-type: none"> - Business & human development - Clear priorities - Industry focus • Effective long-term support 	Resources & Infrastructure <ul style="list-style-type: none"> • Patient capital • Shared business services
People & Culture <ul style="list-style-type: none"> • Strong management • Cooperative fit • Distributed leadership • Social entrepreneurs 	Processes & Programs <ul style="list-style-type: none"> • Ongoing training • Cultivation of cooperative culture • Good governance


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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!

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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



Grew up in Morganton



Raising my family here

North Carolina Loses 120,000 Textile Jobs From 1995 to 2010

Over 27,000 People Employed In Textiles In NC in 2014

Building Wealth in our Community...



Intellectual
Built
Social



Political
Individual



Financial
Cultural
Natural



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....

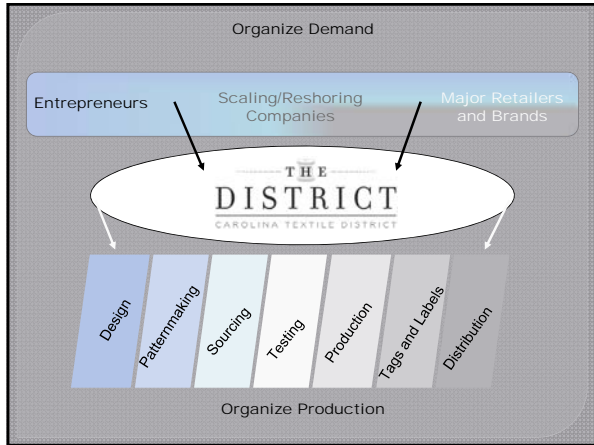


A new way of working through a heritage industry





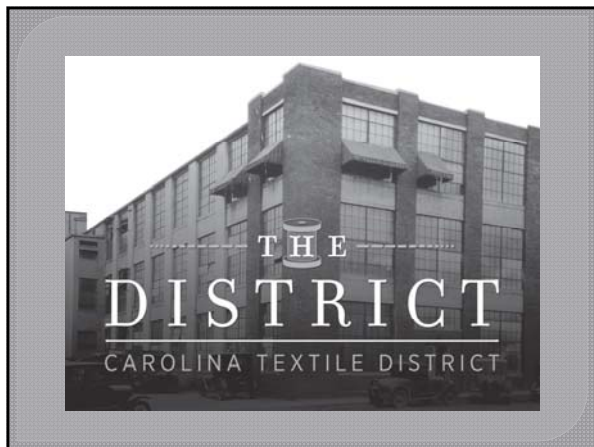
Advanced Manufacturing
Process Innovation
Collaboration
Sustainability



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Project Equity case study:


Developing pathways to scale for worker-owned cooperatives

Hilary Abell, Co-founder, Project Equity

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Project Equity Co-founders




Alison Lingane


- Scalable social ventures
- Human development expertise
- Serial social entrepreneur

Hilary Abell


- Former worker-owner
- Expert in coop development
- Nonprofit leadership track record

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We have a vision that many share...



**Worker-owned
coops building
community wealth
at scale**

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Some imagine a yellow brick road...



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




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But in fact, there are MULTIPLE ways to get there




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


Each one plays an important role in the economy


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




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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?

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Bay Area Blueprint

for Increasing Worker Ownership in Low-Income Communities


Worker Coop Academy:
small-scale coop entrepreneurship

Scale strategy 1: scalable coop incubation plan

Scale strategy 2: business conversion assessment



Worker coops
at scale

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Bay Area Blueprint Partners












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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

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Worker Coop Development - Startup Roadmap

Feasibility	Pre-development	Startup	Growth	Maturity
Assess possible business opportunities and readiness to take on coop development.	Raise funds for first 1-2 years of development; assemble team for coop management, training and technical assistance; develop business plan.	Recruit and train founding employees / worker-owners; secure startup loan and open for business; convene advisors and potential board members.	Build sales, operational efficiency and customer base; create ongoing training program for employees/worker-owners; strengthen board governance and worker-owner participation.	Grow sales to point where coop can pay its full management and operational costs; create plan for ongoing business and human development.
3-6 months	6-12 months	3-6 months	3-4 years	Up to 5 years

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Cooperative Conversion Roadmap

Explore	Assess	Prepare	Convert	Support
Initial proponent poses idea, gathers information, gets people interested	Assessment team forms, conducts current state and gap analysis, educates employees and owners(s), defines decision process, drafts timeline	Conversion team forms, secures valuation, identifies financing options, drafts management & decision-making frameworks for new coop, drafts by-laws, commits to sale; employee and owner education	Conversion team finalizes bylaws, executes management & governance structures; Buyers & sellers execute financing option and complete sale transaction	Consultants or internal team provide training & support for new worker-owners, support governance, management & decision-making processes, help owner with exit or evolving role
DECISION TO ASSESS	DECISION TO PURSUE	FORMAL COMMITMENT	CONVERSION TRANSACTION	CULTURAL TRANSFORMATION

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Implementing the Bay Area Blueprint

What's Next?


Worker Coop Academy:
small-scale coop entrepreneurship

Scale strategy 1: scalable coop incubation plan

Scale strategy 2: business conversion assessment



Worker coops
at scale

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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"



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"Trillions of dollars of business value are going to change hands in the next 10 to 20 years."




Image: Brett Ryder, The Economist
Quote: Bob Balaban, Headwaters MB, a Denver-based investment bank
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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.




<http://www.axial.net/forum/baby-boomers-deal-flow/>
http://www.huffingtonpost.com/2013/05/20/baby-boomers-small-business-sales_n_3307156.html
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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?





<http://www.oeockent.org/exit-planning/>
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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






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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)




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For more information on worker ownership:

- *Worker Cooperatives: Pathways to Scale* (PDF available at <http://www.project-equity.org>)
- American Worker Cooperatives: <http://american.coop>
- Community-Wealth.org, coop section: <http://community-wealth.org/content/cooperatives-0>
- Curriculum Library on Employee Ownership (Aspen Institute): <http://www.caseplace.org/>
- Democracy At Work Institute: <http://institute.usworker.coop/>
- Grassroots Economic Organizing: <http://www.geo.coop/>

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

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Funder Perspective



Bobby Smith
 Senior Associate, Fellowship Programs
 Echoing Green



Question and Answer Session






Stephanie Upp
Hilary Abell
Molly Hemstreet
Bobby Smith

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





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 grantmaker members to effectively promote economic security by supporting efforts that help low and moderate income households build and protect assets.

For more information, please contact julemorris@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