

# What Is a Worker Cooperative?

One of the best-kept secrets in this country is the growing economy of worker cooperatives and democratic workplaces. Thousands of people work in them, thousands more patronize them. They are a growing and hopeful part of a movement to go not just against but beyond the corporate model of exploitation and abandonment, to create a real economic alternative for people who need good jobs the most. But what *are* they, exactly?

A worker cooperative is a business entity that is owned and controlled by the people who work in it. Worker cooperatives thrive in many industries and regions.

## Worker-Owned

Workers own the business together. They usually invest with a *buy-in* amount of money when they begin working. At the end of each year, worker-owners are paid a portion of the money the business makes after expenses. In conventional businesses this money is called *profit*, in co-ops it is called *surplus*, and it can be distributed based on hours worked, seniority, or other criteria.

## Worker-Controlled

In a worker cooperative, decisions are made democratically, by the people who do the work (usually following the principle of "one worker, one vote") instead of by one person or group people that holds all the power. Worker-control can take many forms depending on the size and type of the business. Some ways to make decisions democratically include:

- \* an elected board of directors
- \* elected managers
- \* management job roles
- \* no management at all
- \* decisions made by consensus (everyone agrees)
- \* decisions made by majority vote
- \* any combination of the above

There are as many ways to make decisions democratically as there are businesses in the world; each worker-owned business creates the structure that is best suited to it.

## What kinds of businesses are worker co-ops?

Any business can be a worker-owned and -controlled business. Worker co-ops have been successful in many different sectors and industries. Some examples are:

**Service** - housecleaning, day labor, restaurants, taxis, childcare

**Retail** - grocery stores, bakeries, bookstores, bike shops

**Health care** - nursing, home health care, clinics, bodywork

**Skilled trades** - printing, plumbing, woodworking, contracting

**Manufacturing and engineering** - machine parts, fabricating

**Technology** - web hosting, networking, voice and data systems

**Education** - charter schools, teacher/student/parent-run schools

**Media and the arts** - designers, galleries, performers, publishers

### Democratic Workplaces: The Nuts and Bolts

There are many businesses and workplaces that are controlled by - and/or share profits among - their workers, that are not formally worker cooperatives. In general these are called democratic workplaces. Here's a quick look at some different forms of worker-ownership and workplace democracy:

#### Cooperatives

A specific legal definition in which the workers are defined as members and owners of the cooperative. These member-owners are entitled to a vote, and to a share of the profits of the business (called *patronage*).

#### Collectives

General term for groups with democratic decision-making. Collectives can be anything from businesses incorporated as regular corporations on paper but with democracy in practice, to all or partly volunteer-run groups. Often they do not have ownership buy-in or profit-sharing.

#### LLCs

Partnerships between a group of individuals who share ownership and management of a business, and are protected from debt as if they were a corporation.

#### Democratic ESOPs

(Employee Stock Ownership Plans)

Usually for larger businesses, employees hold ownership stock and share profits, and there is some form of democratic decision-making.

#### Staff-controlled nonprofits

Nonprofits that are not owned by anyone, but the people who work in them agree to make decisions democratically

#### Community-controlled enterprises

Can be anything from a volunteer community group to a business that exists for the benefit of the community. The people who work in the group make the decisions.

The one feature all these structures have in common is that decisions are made together by the workers.

## Worker co-ops in the economy

Democratic workplaces exist across the country, with the greatest concentrations in the Northeast, the West Coast and the Upper Midwest. The majority of worker cooperatives in the United States are small businesses, with a few notable larger enterprises. There isn't a lot of data on worker cooperatives yet, but we estimate that there are over 300 democratic workplaces in the US, employing over 3,500 people and generating over \$400 million in annual revenues. The number of workers cooperatives has grown steadily over the past 20 years, and is made up of both well-established businesses and new, growing ones. Recently there has been tremendous growth recently in the fields of technology and health care in particular.

## How are worker co-ops different from "regular" businesses?

In many ways, worker co-ops operate just like conventional businesses: they develop a product or service and offer it for sale to the public, with the goal of making enough money to support the business and its owners. They incorporate with the state, get a business license, pay state and federal taxes, have payroll and benefits, and do all the things that businesses do.

But there are some very important differences in how they do all this. Worker cooperatives tend to create long-term stable jobs, have sustainable business practices, and be connected and accountable to their community. In a worker cooperative, workers own their jobs and thus have not only a direct stake in the local environment but the power to decide to do business in a way that creates community benefit rather than destroying it. Not everyone who works in a worker cooperative is an experienced businessperson, but not everyone needs to be; the power of the group comes from each individual's contribution, skills, passions, and expertise.

Some worker cooperatives have what's called a "multiple bottom line" - that is, they evaluate their success by looking not just at the money they make, but at things like their sustainability as a business, their contribution to the community, and the happiness and longevity of their workers.

Walk into any worker co-op and you'll immediately sense the difference: the workers look happy to be working there, they are committed to the business as owners, and the business itself is often connected to the local community in a significant way.

## How can you start or join a worker cooperative?

If you're reading this, you must be interested in workplace democracy. To find out more about existing co-ops, or to get resources on how to start a co-op or convert an existing conventional business to a worker-owned or democratic workplace, contact the US Federation of Worker Cooperatives, a national grassroots membership group of and for democratic workplaces. We have resources and information available for the public. Another great way to get information is to contact co-op businesses in your area and talk to them about how they work.

*last updated June 2007*



## United States Federation of Worker Cooperatives

The United States Federation of Worker Cooperatives envisions a democratic society in which workers are in control of the management, governance and ownership of their places of work. The mission of the United States Federation of Worker Cooperatives is to create stable and empowering jobs and worker-ownership through the development of a thriving cooperative movement. We advance worker-owned, -managed, and -governed workplaces through cooperative education, advocacy and development.

[www.usworker.coop](http://www.usworker.coop) \* [info@usworker.coop](mailto:info@usworker.coop) \* (415) 379-9201