

Worker Cooperatives in New York City: A Model for Addressing Income Inequality

By Noah Franklin, Chirag Bhatt and Fangye Zhao

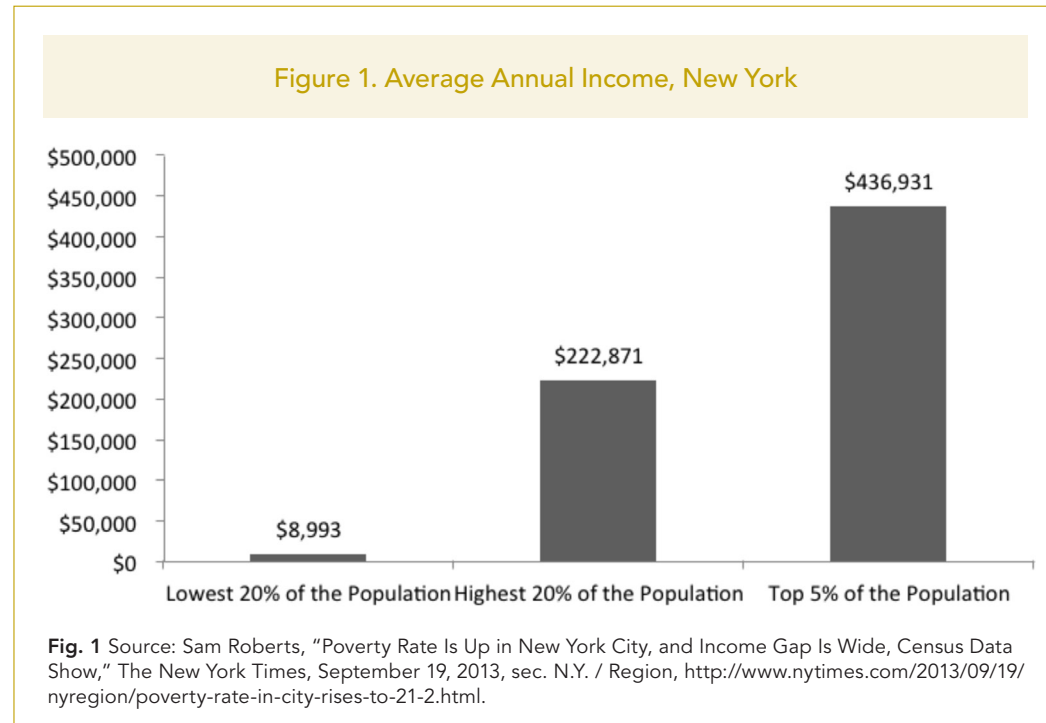
The Great Recession created a spiral effect of layoffs, long-term underemployment, and income inequality from which we have still not recovered. New York's total job count climbed back to its pre-recession level faster than the rest of the country. But business hiring trends, dominated by mostly low-wage retail and service sectors, have only added to the growing ranks of the working poor. And economic development programs have so far failed to cultivate enough good quality full-time jobs to lift large numbers of working-age New Yorkers out of near-poverty.

Worker cooperatives may offer a promising option for improving urban job markets. They have long been found in businesses large and small in a wide range of industries in Europe and Canada, and increasingly in this country too. They differ from traditional business models in that every employee is also a part-owner of the business and by various methods have a say in company-wide management decisions. Such coops produce an array of economic benefits for low-income communities and effectively reduce economic disparities on a long-term basis, by offering higher wages and better fringe benefits than other small businesses. Furthermore, this democratic structure leads to greater job security and greater resiliency in the face of economic downturns.

Worker cooperatives are a fairly new issue in New York City and have drawn little attention as an economic development strategy. This article aims to briefly describe the state of the city's worker coops today, outline some of the major challenges to their continued growth, and offer recommendations of policies that the city government could implement to expand economic opportunities with worker cooperatives for low-income families and communities.

New York's Job & Income Crisis

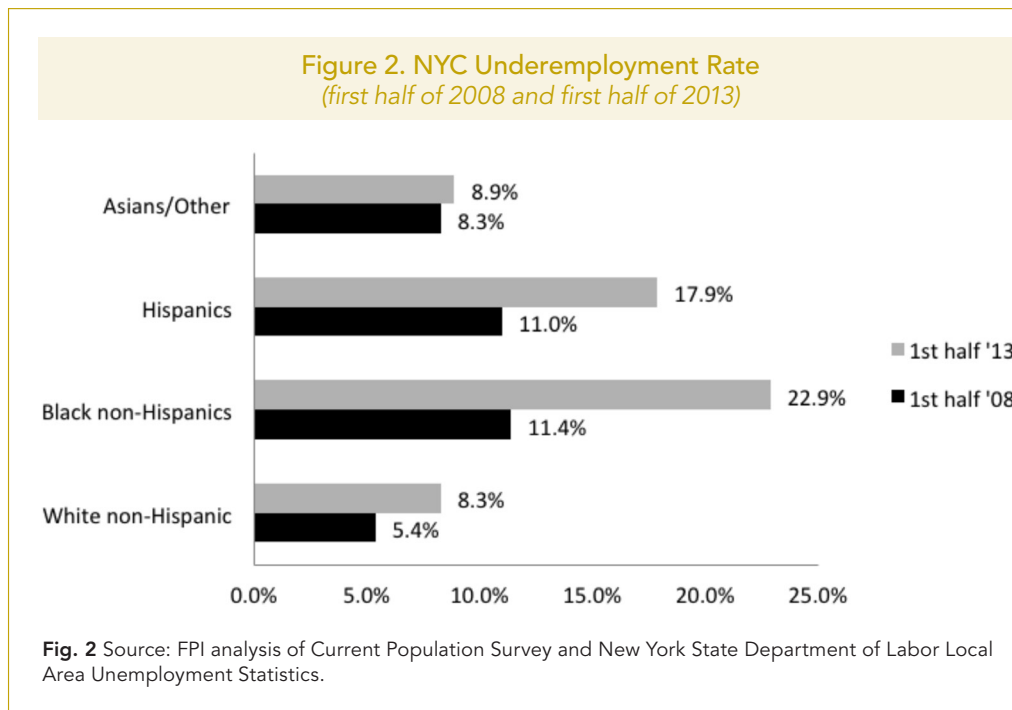
Income inequality is at a historic high in New York. The income of the lowest fifth of New York's population was \$8,993, while the highest fifth made \$222,871 and the top 5 percent made \$436,931, which was about 49 times as much as those with the lowest income



(Figure 1).¹ Based on 2012 U.S. Census data, the city's poverty rate rose to 21.2% in 2012 from 20.9% in 2011², meaning that 1.7 million New Yorkers fell in one year below the official poverty threshold. The official federal poverty line is \$23,314 for a family of four.³ This is "the highest level and the largest year-to-year increase since the city adopted a more detailed definition of poverty in 2005."⁴

Although the unemployment level in New York City has dropped slightly in recent months, it is still well above the state and national averages. Since the recession, African American and Hispanic communities have continued to face high unemployment and underemployment. For instance, from 2008 to 2013, the underemployment rate of African-Americans in New York City grew from 11.4% to 22.9%. The proportion of Hispanics who were underemployed rose from 11% to 17.9%.⁵ (Figure 2)

In addition, recent job growth has been concentrated in low-wage industries, a factor that added to income inequality in the city. From 2010 to 2013, low-wage jobs have grown 11.4%, while medium-wage jobs and high-wage jobs have only grown 4.9% and 4.4% respectively.⁶ (Figure 3) From 2007 to 2012, New York City saw its proportion of low-wage jobs increase from 31% to 35%. In 2012, 35% of all New Yorkers over the age of 18 worked in a low-wage job,

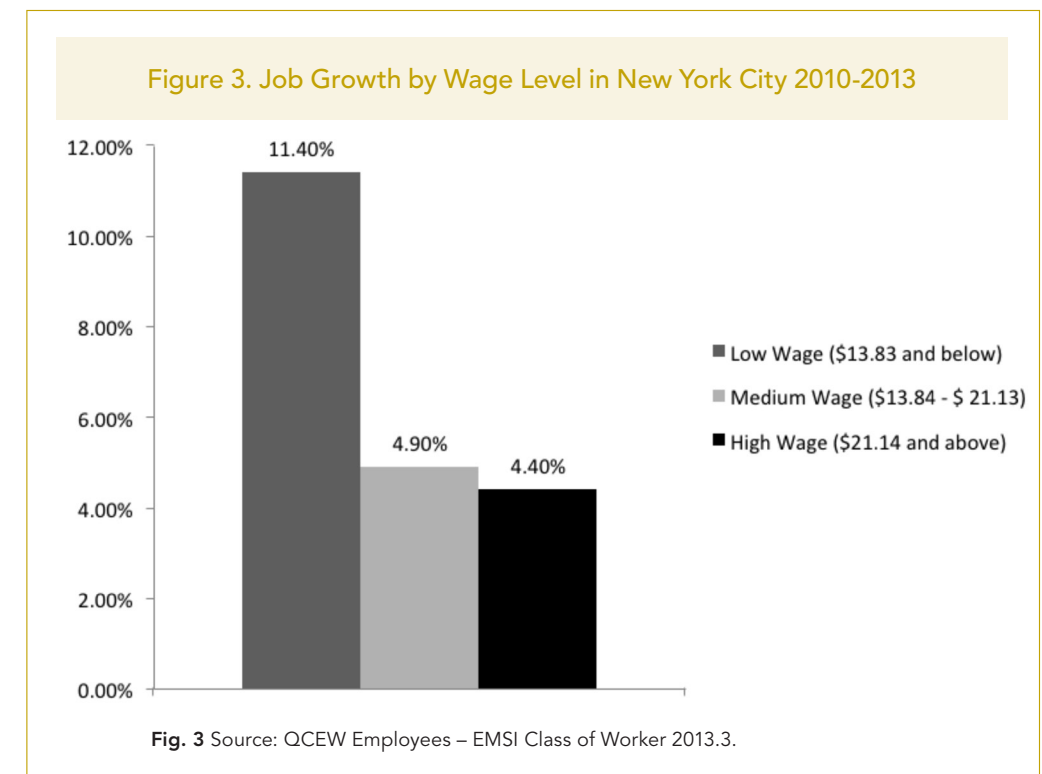


which pays less than \$12.89 an hour, or \$26,818.06 annually.⁷

Poverty, unemployment and low-wage jobs are not simply personal tragedies; they cut consumer demand, reduce business revenues, brake the city's economic growth and have dire personal consequences for the families and communities most affected. Even among those who find employment, low wages, poor working conditions, and few or no benefits take a toll on an individual's morale at work and in all aspects of their life.⁸

NYC Coops' Hidden Potential

Worker cooperatives are a unique form of small business. They vary by size and industry, but share a common focus on democratic control of the business by workers. The foundational principle for all worker cooperatives is "one worker, one vote" for the board of directors.⁹ Worker cooperatives have a long history dating back to the industrial revolution and have become an example of workers' control and democracy in various countries all over the world. In the United States, there are approximately 223 worker cooperatives and about 70% of the co-ops are located in seven states: California, Massachusetts, Minnesota, New York, Oregon, Washington and Wisconsin.¹⁰ Community non-profits like cooperative incubators and worker centers play a main role in supporting



the creation of worker cooperatives. Non-profits can bolster worker cooperatives in a variety of ways including education, training, advice and technical assistance, funding, and key staffing assistance.

Worker cooperatives have emerged over time as a response to economic crises and increased unemployment. Growth of worker coops in New York City could provide a viable solution to some of its current economic problems. They can offer the opportunity to low-wage workers to earn more by capturing more of the income that might have been lost to administrative managers who own the business in which the laborers work. Such coops also have an inherent tendency to equalize pay between worker-owners. As an example, for many worker cooperatives, "The pay ratio between the highest and the lowest paid is generally 3:1 to 5:1 before taxes."¹¹ By comparison, in the U.S., the average CEO to lowest-paid worker wage difference is 600:1.¹²

In addition, worker cooperatives not only create level pay structures, but also help worker-owners build wealth and equity.¹³ In worker

cooperatives, “Company profits are generally allocated annually to retirement funds, reserves for use in expansion or as back-up during hard times, bonuses for all workers, or dividends for worker-owners.”¹⁴

New York City’s worker cooperative movement today has a host of businesses in various sectors ranging from healthcare to tech consultation to home cleaning. Additionally, the city also has a central worker cooperative organization working to solidify the community – as well as a support system for worker cooperative including incubators; technical and legal assistance services; and a limited amount of public and private funding in recent years. It is these services that make up the institutional support of worker cooperatives.

Existing Worker Cooperatives

When examining New York City’s worker cooperative community, its size and diversity stands out. The City’s 23 worker cooperatives are of all sizes, including Cooperative Home Care Associates (CHCA), the largest worker cooperatives in the country, and small ones like OccuCopy which only has four members.¹⁵ (Figure 4). Some of the most notable cooperatives today include:

Cooperative Home Care Associates (CHCA) – Twenty-five years old, CHCA was the first worker-owned home care cooperative in the U.S. and is currently the largest worker cooperative in the country, with over 2,000 members.¹⁶ At CHCA, approximately 82 cents of every dollar received as revenue is provided to its home health aides in the form of wages or benefits. (Figure 5) Comparably, other home care agencies in New York City typically allocate 60 cents of every dollar as direct wages or benefits to workers. Consequently, hourly pay rates at CHCA are about 20% more than other agencies in New York City. Moreover, 95% to 97% of worker-members are employed full time, have 401K retirement plans, and access to affordable health insurance.¹⁷

Si Se Puede! Women’s Cooperative – A women-owned, women-run business designed to create living wage jobs that will be carried out in a safe and healthy environment, and that promotes social supports and educational opportunities for its members. In 2013, their open house to recruit new members drew over 90 applications for 13 spots. Presently, it has 51 members and all members have an equal voice in decisions regarding policies and operations.¹⁸

Caracol Interpreters – Caracol Interpreters provides both interpretation and translation services (U.S. English – Latin American Spanish); coordination of interpretation and/or translation for meetings and events; and consulting services for organizations wishing to expand their multilingual capacity.

Palante Technology Cooperative – A worker cooperative that provides tech consulting services to progressive nonprofit, social justice, activist and community organizations.

Incubators

Worker cooperative incubators have been crucial to the start of many of the worker cooperatives listed above. Incubators are programs that are designed to support the development of many kinds of entrepreneurial ventures (not just worker cooperatives) through various methods including technical assistance, legal counsel and other supportive resources. There are also organizations wholly or partially dedicated to incubating worker cooperatives. Sometimes cooperative incubators exist as subdivisions within non-profit organizations, other times they are in partnership with worker cooperative federations.

One New York City incubator is the Green Worker Cooperatives, which is based in the South Bronx and trains future co-op owners through their Co-op Academy. This Academy is a “16-week training and support program for teams of entrepreneurs seeking to establish worker-owned green businesses.”¹⁹ Green Worker Cooperatives has trained and developed many successful cooperatives including Ginger Moon and Caracol Interpreters Cooperative. These businesses and others trained by the organization highly useful skills ranging from business development strategies to cooperative principles.²⁰

Another incubator, the Center for Family Life (CFL) is a social service organization located in Sunset Park, Brooklyn and provides comprehensive programs ranging from counseling and employment to arts and recreation for a largely low-income immigrant community. It is also responsible for incubating successful and sustainable worker cooperatives. Since 2006, through their Adult Employment Program, CFL has partnered with community members and incubated five worker cooperatives and one collective, including Si Se Puede! We Can Do It!, Beyond Care child cooperative and Golden Steps eldercare cooperative.²¹ CFL recognized that many area residents were not eligible for traditional employment programs because of limited English language skills; and status limitations on their ability to be employed. Prior to the advent of the cooperatives, these individuals had served as low-skilled workers in restaurants, factories, or domestic services, and were vulnerable to exploitation by employers. In attempting to address these issues, the CFL began researching innovative alternatives to traditional models of workforce development, leading into the decision to incubate worker cooperatives in the Sunset Park community.²² CFL’s incubation methods have since been developed to the point of attaining exportability to other non-profit organizations such as Make the Road NY and Westchester Square Partnership, who have recently begun to incubate worker cooperatives themselves using CFL’s model.²³

Another two incubators are the Northern Manhattan Improvement Corporation, which has incubated EcoMundo, a small cleaning cooperative in the City, and Workers Development, which offers some technical assistance to worker cooperatives.²⁴

Figure 4. Members of NYC NoWC

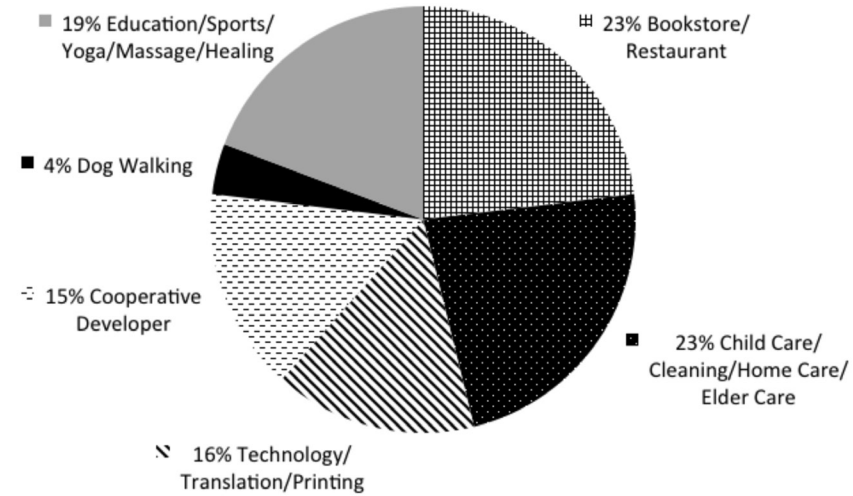


Fig. 4 Source: New York City Network of Worker Cooperatives.

Technical and Legal Assistance

Two core elements of the worker cooperative support system in New York City are the technical and legal assistance cooperatives receive from various organizations. These services equip new and existing worker cooperatives with legal and financial skills, as well as general know-how on navigating the overall challenges that worker cooperatives may face as a business. These organizations support worker cooperatives in many different ways.

In any kind of business community, organizations that serve as some form of a centralized hub are significantly helpful for reasons ranging from resources to networking. For worker cooperatives in New York City, that organization is the New York City Network of Worker Cooperatives (NYC NoWC, pronounced “knick-knock”). NYC NoWC’s primary mission is to develop and distribute technical, financial, and educational resources and capital to its members as well as supporting the overall development of worker cooperatives for social and economic justice. Although it offers assistance to all worker cooperatives within the New York City metropolitan area, NYC NoWC has a focus on the development of cooperatives in marginalized and low-income communities. One of the organization’s most notable successes was its role in “successfully [advocating] for city council funds to be awarded to the Center for Family Life in 2012.”²⁵ Membership in NYC NoWC is still loosely defined and on a volunteer basis. NYC NoWC’s Board of Directors is elected on an annual basis by its member worker cooperatives.

The Urban Justice Center’s Community Development Project works to provide legal assistance to help groups of workers with worker-owned cooperative businesses. For new and existing worker cooperatives, their attorneys provide free legal advice and

assistance in a variety of areas, including incorporation and tax exemption, employment and tax laws, and real estate and lease issues. The Urban Justice Center has also worked with CFL’s worker cooperative incubator.²⁶ Similarly, CUNY Law’s Community Economic Development Clinic also provides legal services to start-up worker cooperatives and support organizations.

In addition, technical assistance and organizing support can also be found in the US Federation of Worker Cooperatives (USFWC) and its affiliated organizations the Democracy at Work Institute and Network. The USFWC is a grassroots membership organization of worker cooperatives from across the United States. Through these organizations the USFWC provides technical assistance to cooperatives, cooperative associations, non-profits and community based organizations; they also conduct research and model development. Their support services include assisting local worker

cooperative organization through fiscal sponsorship, networking with other organizations and developing best practices, as well as working with individual cooperatives to improve their business and cooperative practices. They also work with non-profit organizations that are undertaking cooperative development for the first time in order to help them build their cooperative development skills.²⁷

Funding

A third core element of the support system for worker cooperatives in New York City is its funding base. In New York City, funding is scarce for worker cooperatives. Existing funding for worker cooperatives has come from various non-profit organizations and the public sector (mostly city funds), as well as banks and credit unions. Of note, funding for worker cooperatives can generally be divided into two categories: funding for loans and funding for technical assistance.

The Working World, a non-profit organization, is a major contributor to the worker cooperative community in New York City (and internationally) by providing business assistance after a cooperative has taken a loan. Founded in 2004 in Argentina, the Working World expanded to the United States in 2011. It provides investment capital for worker cooperatives in New York City with its innovative revolving loan fund, which has provided funding for the development of a cleaning product line at the We Can Do It! cleaning cooperative, Si Se Puede, Third Root Community Health Center, OccuCopy and Cooperativa Rockaways.²⁸

Likewise, Workers Development builds worker cooperatives with a similar mission of pioneering innovative financing techniques such as “direct public offering”, which permits worker cooperatives to

raise non-voting capital investments from local investors. Presently, they are at work on developing a worker cooperative restaurant.²⁹

The Lower East Side People's Federal Credit Union (LESPFCU), a community development credit union founded in 1987, also supports worker cooperatives. The credit union loaned \$50,000 to COLORS, a cooperative restaurant. LESPFCU got a waiver permitting them to make loans to low-income housing cooperatives in the City. It is possible that they would get a similar waiver for worker cooperatives as well.

The Neighborhood Economic Development Advocacy Project (NEDAP), or the New Economy Project, has also planned to launch a loan fund for worker cooperatives. Moreover, in order to increase the funding sources, NEDAP is trying to develop a replicable model for lending to worker cooperatives.³¹

In recent years, the New York City Council has proven to be a critical partner in the development and sustainability of worker cooperatives through new employment policy initiatives focused on increasing support and exposure for worker cooperatives. City Council Speaker Christine Quinn announced the New York City Worker Cooperative Development Initiative in a speech in 2011 to the Association for a Better New York. As a follow-up, and in dialogue with NYC NoWC, the City Council granted \$150,000 to CFL to engage two to three non-profit organizations in New York City in a cooperative incubation training program, supporting these organizations to incubate new worker cooperatives in the communities that they serve.³² This initiative aimed to provide each of the not for profit organizations in the project with technical assistance, training, consultation, and legal services for one year with CFL and with support from the Urban Justice Center's Community Development Project.³³

CFL has been subsequently been awarded a second year of City Council funding to work with two additional organizations to innovate employment initiatives through worker cooperatives.³⁴ Through funding from the New York Women's Foundation (NYWF), in 2013 CFL was able to engage an addition six non-profit organizations in its incubation, training program. Second year funding from NYWF will allow CFL to engage an additional six organization in a 2014 training program year. By the close of 2014, CFL will have trained 14 non-profit organizations in cooperative incubation, allowing these organizations to support the development of cooperative businesses in their neighborhoods.

The NYC Coop Movement

In examining the worker cooperative community in New York City, it is important to note that they are not the only existing cooperative sector in the city economy. There are now over 130 credit union locations, 24 community development credit unions (CDCU), 8 food cooperatives, including Park Slope in Brooklyn, a food co-op with over 16,000 members, housing cooperatives, healthcare cooperatives, and other advocacy groups and nonprofits.³⁵ Cooperatives impact New Yorkers lives each and every day, and

more broadly, cooperatives represent a sustainable business model and an effective tool for poverty alleviation.

Directed by a committed group of activists, artists, and community members, the SolidarityNYC Project intends to promote and strengthen the solidarity economy in New York City, which is a system equivalent to the cooperative support ecosystems in other places.³⁶ Using "snowball sampling" method, SolidarityNYC was able to come up with a map of New York City's solidarity economy. Although this map is somewhat incomplete due to a lack of systematic data collection process, it offers us a general idea of the solidarity economy system in the City. (Figure 6) The solidarity economy supports democratic, community-based business institutions. While not all worker cooperatives, these community-owned enterprises serve the same aims as worker cooperatives and provide a supportive environment that could help grow more worker cooperatives.

The Bronx Cooperative Development Initiative and the New Economy Coalition also have a significant influence on the cooperative community in New York City. The Bronx Cooperative Development Initiative intends to focus on "building wealth, ownership, and business leadership among low and moderate-income residents of the Bronx."³⁷ The New Economy Coalition is trying to promote "a just and sustainable economy" through the collaboration of grassroots organizations and academics.³⁸

In addition, organized labor has also been interested in worker cooperatives since they share the common goals. For instance, members of CHCA are also members of 1199SEIU, the world's largest local union. And the expansion of CHCA would help the union to reach goals such as increasing wages and improving working conditions.³⁹

The Canadian Coop Experience

To have a better understanding of the development of worker cooperatives in New York City, it is helpful to take a look at worker cooperatives and ecosystems in other places.

It is estimated that there were around 230 worker cooperatives in Quebec in 2010 with about 10,000 employees. Most of these co-ops are small businesses with fewer than 20 members.⁴⁰ It is believed that Quebec's worker cooperatives have benefited a lot from the local cooperative support ecosystem, which consists of government agencies, support organizations, networks of cooperatives, and other worker cooperatives.⁴¹

The provincial government has established a firm foundation for the cooperative ecosystem. It supports financial tools, products, and institutions that provide capital to cooperatives. It has passed a tax measure that gives individuals a deduction of 125% on provincial income tax for investments in cooperatives.⁴² Additionally, the government plays an important role in scaling cooperatives in specific sectors by directing procurement contracts to cooperatives.⁴³

Another feature of Quebec's worker cooperative support ecosystem is the provincial apex organization, the Conseil quebécois de la coopération et de la mutualité (Conseil) (translated as the Quebec Board of Cooperation and Mutuality). The Conseil cooperated with the government to establish the Partnership Agreement, which provides important financial support to co-op developers and facilitators such as regional development cooperatives (CDR) and sectoral federations. According to the Agreement, the government will pay a CDR or federation \$4,500 for each cooperative they create and an additional amount for each job created.⁴⁴ In addition, the Conseil negotiates about new programs and policies with the government on behalf of its members.⁴⁵

Local development centers (CLD) in Quebec funded by provincial and municipal governments offer technical assistance for worker cooperative businesses by providing business plans, marketing, financing plans and even financing.⁴⁶ Furthermore, since entrepreneurs must come to a CLD in order to get funds from other institutions, CLDs manage to increase the number of cooperatives under development by exposing the entrepreneurs to the cooperative structure as a potential option for their company.⁴⁷

Regional development cooperatives (CDRs) and federations also offer cooperatives all kinds of services. Each CDR covers a distinct geographic area of the province. Federations, in contrast, serve businesses located throughout the province. Both CDRs and federations are mainly funded by the government based on the number of cooperatives created, the number of jobs created and the actual services provided.⁴⁸

Challenges to the NYC Coop Movement

While New York City has the largest worker cooperative in the nation (CHCA), currently there are only 23 worker cooperatives in the city and the recent history of worker cooperatives at a significant level can be traced to the founding of the CHCA in 1985. The small scale leads to little public knowledge of cooperatives. Moreover, with New York City not having a long history and abundance of worker cooperatives, the support system (bank credit, trade associations, etc.) that exists in other cities such as San Francisco does not exist here.

The lack of available funding, both public and private, is also an issue for worker cooperatives. In the private funding arena, with items such as bank loans, worker cooperatives generally have trouble in three areas: lack of financials to support the loan application, insufficient collateral, and the requirement of a personal guarantee which goes against the worker cooperative principle on collectivizing risk. With regards to public funding, dedicated City support, along with public policies around tax exemption and other assistance are not present.

The lack of professional guidance and expertise is perhaps one of the largest obstacles facing the worker cooperative community; whose naturally grassroots inclination may be a hindrance in obtaining resources. Incubators are critical to the development of

worker cooperatives because they provide much needed guidance and technical assistance to start-up businesses. In Quebec, government-funded organizations such as cooperative federations manage to provide a full range of services to a large number of cooperative start-ups and technical assistance to cooperatives. Currently, there are only three worker cooperative incubators in New York City. Without a robust community of cooperative incubators in healthy competition with one another, the worker co-op community will remain underdeveloped. The current capacity of legal service providers to work on worker cooperative-specific issues is also limited, as their expertise and the expertise of their pro bono volunteers are in traditional corporate business structures.

At present, no apex organization like the Quebec Conseil exists in New York City. The development of such an organization is crucial to the success of a worker cooperative community because along with networking, research, and analysis, the organization can provide highly effective services such as the centralization of grant funding and assistance in the conversion of existing businesses into worker cooperatives.

Current worker cooperative owner/workers report a lack of full-time business consultants available to them through worker cooperative incubators. Like most small businesses, the benefits of a business consultant to develop worker cooperatives are numerous. Consultants offer a fresh outside perspective on a business model and strategy. They bring to the table the experience of numerous businesses and models, and can borrow from a wealth of best practices. Consultants bring to the table an unbiased evaluation of a business, and can be vital in identifying problems, and creating measurable, realistic goals.⁴⁹

Today there is no large cooperative movement in New York City, which can offer worker cooperatives comprehensive and systematic support. Although the SolidarityNYC Project seeks to educate, empower, and organize New Yorkers to support the solidarity economy through mapping, assessment and organizing, and education,⁵⁰ it is in progress and its influence on the local worker cooperatives is still unknown. Furthermore, although the state has laws which allow the formation of cooperatives, the City does not have a comprehensive development policy for cooperatives at the moment.⁵¹

CURRENT CITY SERVICES FOR ECONOMIC DEVELOPMENT

Aid to Businesses. New York City has long been defined by an entrepreneurial spirit and already makes assisting small businesses part of public policy through organizations like the New York City Economic Development Corporation (NYCEDC) and the New York City Department of Small Business Services (SBS). The services provided by these organizations span a wide range of areas. By providing advice, regulatory assistance, and funding tools specifically tailored to worker cooperatives, NYCEDC and SBS could play a larger role in growing democratic work places that provide fair wages.

Workforce Development. In addition to NYCEDC and SBS, according to New York City's government report on workforce development, there are nine city agencies offering 24 programs in education and literacy, job training and employment. These programs are supported by a variety of sources. The federal government is the largest investor, as it provided over \$250 million in fiscal year 2010. These programs are expected to help the City to create good jobs and promote entrepreneurship in the City.⁵²

Recommendations

This article aims to lay the groundwork for a thorough examination of worker cooperatives in New York City. To do this, we formulated a large group of questions about the potential of worker cooperatives, their present characteristics, their operational dilemmas and challenges, and the requirements for their survival and expansion. When taken together, these sections provide a broad overall picture of worker cooperatives here today, and point out that worker cooperatives offer a promising solution to some of the economic issues that challenge the city.

However, we cannot ignore the challenges which may hinder the development of worker cooperatives in New York. While worker cooperatives appear to be an ideal step towards economic recovery, they are still extremely small in number. This small scale leads to little public knowledge of cooperatives. In turn, this leads to the lack of sufficient technical and legal assistance, available funding, and dedicated city support.

The Quebec model has made it clear that government support is critical to the flourish of worker cooperatives. Its provincial government has created cooperative policy as job creation and economic development policy.⁵³ This has helped cooperatives thrive. Similarly, the large-scale development of worker cooperatives in New York City cannot be achieved without the support from local government. Yet, currently, a cooperative development policy is still non-existent here.⁵⁴ Therefore, we suggest that the New York adopt the following policies to support worker cooperatives:

1. The City should recognize worker cooperatives as valuable tools in creating jobs, promoting living wages, reducing income inequality, and encouraging democratic workplaces.

While the benefits of worker cooperatives are clear, they are widely unknown and underutilized in the ongoing and ever present fight against poverty and unemployment. FPWA urges city officials to issue a proclamation in support of worker cooperatives, bringing attention to a tool that can assist marginalized populations, such as women and immigrants, in not only gaining employment, but employment that is fair and wages that are livable.

Specifically, the Mayor and City Council should issue a proclamation to designate one week a year as Worker Cooperative Week in New York City. Representatives from the city's worker cooperatives should be invited to attend a formal meeting to receive a proclamation announcing the City's support and recognition of worker cooperative businesses and related organizations during

this week. Furthermore, the city should support the organizing of a series of events for this week, including an annual city conference on worker cooperatives.

2. NYC Economic Development Corporation (NYCEDC), the Department of Small Business Services (SBS), and City workforce funding should be utilized to support and grow worker cooperatives within the City.

In addition to the city's stated support and dissemination of information on the advantages of worker cooperatives, cooperatives should be included in the its major workforce and economic development plans moving forward. New York City has long been defined by an entrepreneurial spirit and already makes assisting small businesses part of public policy through the NYC Economic Development Corporation (NYCEDC) and the city's Department of Small Business Services (SBS). By providing advice, regulatory assistance, and funding tools specifically tailored to worker cooperatives, NYCEDC and SBS could play a larger role in growing the number of cooperatives here.

FPWA proposes that the NYCEDC take on worker cooperatives as a "functional horizontal" sector itself across different industries, similar to its focus on entrepreneurship. NYCEDC could provide assistance and advice on the identification of business creation opportunities for worker cooperatives, and the development of feasibility studies and business plans for worker cooperatives. To achieve this, NYCEDC should conduct a feasibility study on business markets to find which industries offer the best potential for the growth of worker cooperatives. NYCEDC could target worker cooperatives for those industries with its various entrepreneurial and capital loan programs. In addition, the NYCEDC currently provides grants and incentives to businesses so as to attract investment dollars. It can expand the criteria to include worker cooperatives. NYCEDC could also develop sub-contracting opportunities for worker cooperative businesses on the city's infrastructure development projects, such as construction projects.

The NYC SBS is another city agency that should focus on supporting worker cooperatives, tailoring their support of small businesses for the needs of these specific organizations. SBS already has a focus on the support of Minority- and Women-Owned small businesses. Support of worker cooperatives would fit seamlessly with these efforts. FPWA proposes that SBS could include the worker cooperative model as a part of the curriculum that SBS uses for training individuals looking to start or grow their own businesses. SBS can also help connect cooperatives, which typically have trouble obtaining traditional bank loans, with alternative lenders such as credit unions or non-profit organizations that provide investment capital. SBS should also promote procurement opportunities to prioritize existing and emerging worker-cooperatives.

3. Make worker cooperatives a preferred contractor for city agencies.

City contracts can provide a powerful boost to the worker cooperative economy, especially in the services sector, where

capital costs are low. If developers can work together with SBS to target upcoming contracts, two important feats will be achieved: 1) promised contracts can be used as leverage to finance startup worker cooperatives; and 2) "evergreen" contracts, where the terms are renegotiated every few years, can provide a steady stream of income to support worker cooperative jobs. On attaining contracts, SBS should provide training and development opportunities to worker cooperatives that would allow them to bid for city contracts, such as how they might respond to Request for Proposals (RFPs) and submit proposals.

4. Provide funding to worker cooperative developers.

In order to encourage the development of new cooperatives, incubation funding should be offered by the City. With start-up incubation funding for worker cooperatives, the city can at once tackle the current economic crisis with a democratic core investment and secure a brighter future for all New Yorkers with the fostering of a local ownership society. FPWA recommends that SBS should provide grant funding for the technical assistance providers to incubate new worker cooperatives and to increase the survival rate of worker cooperative businesses. Furthermore, funding for worker cooperative incubators should include a requirement to develop partnerships with employment or social service agencies in their area to facilitate skills training and other linkages.

In conjunction with incubation funding, the city should dedicate funds to facilitate the training of existing legal services providers in worker cooperative-specific legal issues, thus ensuring that the cooperatives are formed correctly and have the ongoing legal support they need to limit their liability, comply with city, state and federal regulations, and grow their assets. The city should partner in this effort with private law firms, thus engaging New York's vibrant pro bono community to ensure that newly-created worker cooperatives have solid legal foundations and are primed for growth.

5. Provide capital funding to worker cooperative business.

At present, the lack of funding is still a big problem for worker cooperatives in New York City. In order to change this situation, the city should provide capital for loan funds to support local worker cooperatives. In

specific, the city loan funds could be used for a variety of purposes, including: property and equipment acquisition, working capital, and business expansion. Additionally, the loans could be in the form of a line of credit, term loan, or a hybrid of the two.

Besides, the City Council could introduce legislation to reduce financial documentation required for worker cooperatives with

Figure 5. Allocation of CHCA's Total Revenue

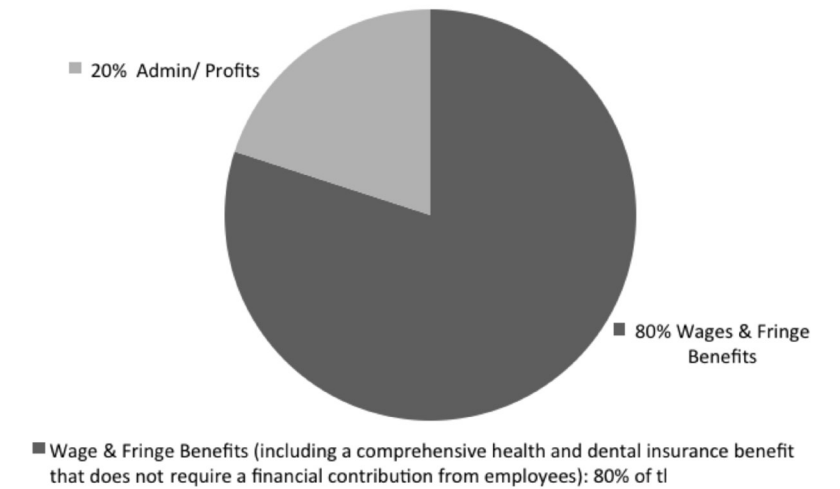


Fig. 5 Source: Julie Whitaker, Stu Schneider, and Margaret Bau, "Home Care Cooperatives: Worker Ownership in Focus" (Wisconsin Long Term Care Workforce Alliance, February 2005), http://www.phinational.org/sites/phinational.org/files/clearinghouse/PageByPage_REVISIED_5%5B1%5D.pdf

Figure 6. Solidarity Economy System in NYC

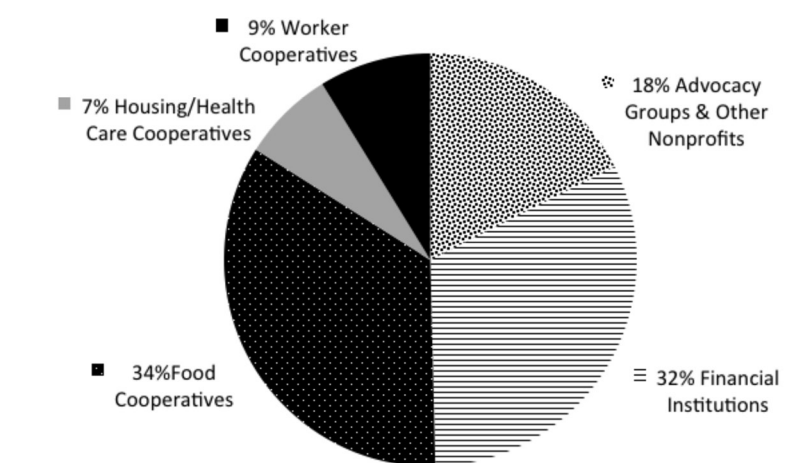


Fig. 6 Source: SolidarityNYC.

large number of worker owners to qualify for city loan funds or introduce legislation to establish business or contracting set-asides that are exclusively directed at worker cooperatives and other social economy businesses.

6. Connect workforce funding to worker cooperatives.

As the new Mayoral administration revamps its workforce development plans and policies, FPWA urges the city to include worker cooperatives as a useful tool to achieve broader goals in the workforce system. First, a city program should be created to help unemployed people operating in the informal economy to start formal worker cooperative businesses. Second, new city workforce development contracts should include provisions that permit job placement for unemployed persons in a worker cooperative as an approved placement opportunity. Third, new city workforce development contracts should provide funding for capacity building, industry skills training, and resource development for worker cooperatives which include persons that have been chronically unemployed. In regards to the various city agencies funding workforce development programs, these programs should partner with cooperative incubators to lend guidance and expertise to cooperatives, refer workers to cooperative incubators, or even become incubators themselves. Such a partnership can direct more workers and resources to the cooperative sector. Given the scale of workforce funding already being allocated to New York City, it would not be a far stretch to retool existing programs to make a large impact.

Noah Franklin is Senior Policy Analyst for Workforce Development, Federation of Protestant Welfare Agencies (FPWA), and Chirag Bhatt and Fangye Zhao are Labor Policy interns at FPWA. This article was written with the assistance of: Madel Joy Beaudouin, Paige Oostdyk, Daniella Robles and Krystal Tena; and edited by Bich Ha Pham, Wayne Ho and Jennifer Jones Austin. This paper benefited from the help, insights and expert knowledge of: Chris Michael; Joe Rinehart, Cheyenna Weber, Brendan Martin and Karen Haskins, Josh Zinner, Alexander Rizio, Carmen Huertas-Noble, Julia Jean-Francois, Vanessa Bransburg, Ted De Barbieri, Omar Freilla, and Rachael Tanner.

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