Thoughts on building
the worker cooperative movement's capacity in the US

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The reflections below were inspired by reading the paper ***The Worker Co-operative Movements in Italy, Mondragon and France: Context, Success Factors and Lessons***, by Hazel Corcoran, Executive Director of the Canadian Worker Cooperative Federation (CWCF) and David Wilson, staff at the CWCF. I recommend it to you. Download it at:

http://canadianworker.coop/resources/documents/cooperative-enterprises-industry-and-services-prove-their-strong-resilience-cris

Or easier, google: "worker cooperative italy mondragon" and it will likely be the *second* result.

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1. Moving Towards Greater Self-Funding of...
- **Our Cooperatives, and**
- **Our Movement**

If the US had similar framework for funding worker cooperative development as that of Italy, France, and Mondragon, US worker cooperatives, with approximately $400 million in annual sales, would be *required by law* to invest *annually*:

- a total of at least $6 million in the cooperatives' own "indivisible reserves" (or "permanent capital"). These funds come from the co-op's annual surplus ("profits" or "retained earnings"), can never be cashed out by individual members, and so provide long-term investment capital that supports job creation and job security.

- an estimated $600,000 in shared cooperative capital funds (3% of surplus, using the Italian standard)[1]

- about $1.6 million to cooperative federations (0.4% of sales). The actual annual budget of the U.S. Federation of Worker Cooperatives (USFWC) is only about $40,0000. In France, the *average* dues paid by a *single* worker cooperative in 1994 was $12,400

As one Italian worker-owner put it, speaking of the indivisible reserves, "Part of our mission is intergenerational mutuality. What we see here is the fruit of generations of work. We receive

[1] To do back of the envelope calculations, I'm assuming an average surplus ("profit rate") of 5% of gross sales. I recognize that our legal structure that in the U.S. we do not have one recognized legal structure for worker cooperatives and that we cannot simply copy the European framework here. I am making these broad comparisons simply to help us reflect on the relatively paltry investment we are making in our cooperatives and shared movement-supporting structures.

wealth from past generations, and we create it for future generations of members. Our objective isn't just to generate jobs for this generation but also for future generations."[2]

And what do the cooperatives get from all of that investment in shared capital funds and federated capacity? In France, their movement's expression is "a SCOP [business with majority worker ownership] is never alone." In both France and Italy, there are many technical assistance, training, and consulting programs to assist new, growing, or troubled cooperatives and there are many financial services and capital investment funds available for cooperatives.

The basis for all of this investment is a *quid pro quo* the movements have won from governments: ***worker cooperatives are understood to be a social good because they create good, stable, worker-owned jobs and build communities.*** So in exchange for being required to invest heavily in their movement's own development, the cooperatives are granted lower tax rates.

2. That's nice for the Europeans, but could it ever happen in the U.S.?

We do have a mess of different legal standards since business incorporation is handled by each of our 50 states, and of course businesses are taxed by both states and the federal government. And it might be hard to imagine the government here requiring cooperatives to contribute to federations and cooperative development funds. But one program that might be instructive are the "commodity check-off programs", which require all the producers in, say, the beef industry to contribute to a fund that then does generic marketing to try to get people to buy more beef. Contrary to the impression that the "check-off" name gives, these programs are generally mandatory, and in 2005 the Supreme Court ruled that they are constitutional.

Another idea, that would not require new legislative action: Ben Mauer (of the Quilted cooperative and a member of the USFWC board) and others have recently been brainstorming about the idea of creating a worker cooperative certification that would protect the integrity of the term and the movement. What if we linked that vision with the the creation of a worker cooperative crowdfunding platform (or section within a crowdfunding platform)? The recently signed JOBS Act will allow for smaller firms to raise up to $1 million in capital via internet-based crowdfunding without filing complex disclosures to comply with securities laws. The new law requires that the platforms be managed by approved intermediaries; couldn't the USFWC become an intermediary that would create and sanction the use of the funding platform for cooperatives that had passed a rigorous review to confirm that they really are worker cooperatives?

Really exploring ideas like these and developing a practical policy framework that might adapt some of the key underlying concepts from European policy to the US context would be a huge project. I think we as a movement should mobilize funding for a research and policy

[2] As quoted in the Corcoran and Wilson paper.

development project that would really dig into all this and try to figure out what kinds of policies might be workable.

3. Some possible steps forward.

Here are a few ideas for starting modestly in the short-term to move towards a much better self-financed movement in the US:

- We start an educational conversation about these international comparisons so people start to learn how much co-ops are actually paying into their federations and capital funds, and reinvesting in their own cooperatives, in other countries and what the benefits are that cooperatives get from it.

- We propose creating a voluntary higher dues structure that is in line with the European standard (0.4% of gross revenues). We begin a conversation about really building a strong movement, what that might really look like in practice, and what tangibly could be done if we all committed voluntarily to the higher dues structure. This would be controversial but that would be the point... to stimulate discussion and organizing around questions like:

    - As our societies increasingly disintegrates around us, what are we really for?
    - What are we really doing to enact a vision of social, economic, and ecological transformation?
    - How serious are we about creating opportunities beyond ourselves who are already working in cooperatives?
    - What kinds of programs and services does the movement really need to be much more dynamic?

- We lay out a 10-year fundraising and program plan that in the early years depends heavily on some combination of government and foundation grants, individual donations, and fee-for-service consulting but sets goals for moving increasingly towards being self-funded over time through higher dues to federations and coop contributions and deposits in cooperative development funds. Our democratic values and political independence require, I think, that we not develop a long-term dependence on outside funders like foundations. But maybe we can use their grants to help “prime the pump”, to help us get beyond the chicken-and-the-egg conundrum of not having much money to develop programs on the one hand and not having a fully-developed series of initiatives that people can point to in order to understand the federations’ value.

I think if we had such a strategy, it would be compelling to funders; many foundations say they want to see how their grantees will move beyond being dependent on further grants but in most cases non-profit organizations have no realistic way to do so. We on the other hand, could develop a credible 10 year plan for using philanthropy temporarily but then outgrowing it.

Summary of European worker cooperative investment requirements

(as described in the Corcoran and Wilson paper)

In Italy:

min 30% profits mandated by law to go to indivisible reserve

3% profits to coop dev funds

0.4% gross revenues to federations -- and law mandates that coops join a federation!!!

in France:

SCOPS must put 15% of profits into indivisble reserves (in practice 40-45% is put in)

.42% of "reserves" must be given to combo of federations and capital tools, which take various forms including a venture capital fund for SCOPS

.42% of gross revenues must go to federations (avg. SCOP paid dues of

"a SCOP is never alone"

Mondragon:

approximately 45% of profits go into indivisible reserves

many other self-imposed "taxes" that support shared services within the Mondragon system

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