

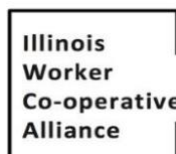
COOPERATION CHICAGO:

BUILDING CHICAGO'S WORKER COOPERATIVE ECOSYSTEM

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What is a worker cooperative?

A worker cooperative is “a business that is cooperatively-owned and cooperatively-controlled by its workers.” Worker cooperatives will often include the embodiment of commonly accepted principles, including: self-help, self-responsibility, democracy, equality, equity and solidarity, and education. This policy paper focuses on a broad definition of a worker cooperative business, with the following characteristics:

- A revenue generating enterprise
- Workers are the owners
- Workers have equal democratic control of the business, one-member one-vote (directly or indirectly)
- As owners, workers share in the profits of the business

Successful worker cooperatives are represented across the country and through a variety of industries, which have used the worker cooperative model as a path to sustainability and profitability while enhancing the financial stability of workers and communities. According to the *Democracy at Work Institute*, currently there are approximately 350 worker coop enterprises in the US, employing more than 7000 workers and generating more than \$365 million per year.

Figure 1. The Worker Cooperative Ecosystem



Worker cooperatives thrive not only where policy and government agencies are supportive, but also where there are supportive organizations that together form an “ecosystem” for worker cooperatives. A worker cooperative ecosystem includes worker cooperative advocates, incubators, financing organizations, technical support agencies, and other enabling groups. Cities where worker cooperatives exist in higher numbers (such as New York, Madison, WI, Cleveland, and the San Francisco Bay Area) have such ecosystems present to some degree – some of which were created organically and some of which were developed as a result of local policy. These cities have seen a direct and clear return on investment in the form of economic development. Currently, Chicago is NOT among these cities.

Worker cooperative development is an emerging strategy for inclusive and equitable economic development. In cities such as Austin, TX, More than sixty percent (60%) of worker cooperatives in operation today have formed since 2000. Furthermore, a recent report by the Imagined Economy Project, studying the effects of worker cooperative policies in ten cities, concluded that 1) city-led ecosystem development with intensive technical and business assistance yielded the fastest growth of worker cooperatives, and 2) ecosystem building is less costly to cities per job created, when compared to other approaches.

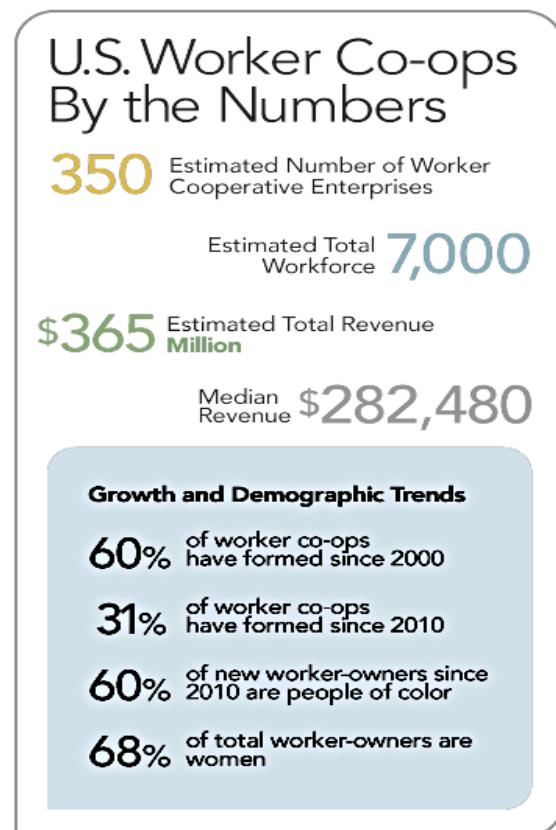


Figure 2. US Worker Co-ops By the Numbers, Democracy At Work Institute.

Executive Summary

This report examines the challenges and opportunities of worker cooperatives in the Chicagoland region. The paper discusses the need for worker cooperative development in Chicago, the current barriers cooperatives face to operating, and potential suggestions for local policy aimed at creating policies which would enable worker cooperatives to thrive. Supporting worker cooperative development could bring numerous advantages already proven in comparable cities - including growth of jobs, wages, and economic opportunity.

In surveying the needs of worker centers, worker cooperative members, technical assistance providers, policy makers, and advocates over the last year, IWCA has identified several gaps and obstacles of the worker cooperative ecosystem in the Chicagoland area.

As worker cooperatives create living-wage employment opportunities for low and moderate-income and marginalized workers, IWCA believes that fostering the growth of the worker cooperative ecosystem is the single most important thing that the City of Chicago, Cook County, and the State of Illinois can do to address worker exploitation and inequality, while promoting economic stability and community wealth-building.

Key Findings

Worker cooperative businesses are an emerging sector of the economy. More than sixty percent (60%) of worker cooperatives in operation today were formed since 2000. There are a number of worker cooperatives within the Chicagoland region, representing a variety of industries, including manufacturing, support services, retail, catering services, bike messenger services, and printing.

Worker cooperative development is a growing strategy to 1) create new quality jobs, 2) address underdevelopment and economic isolation, 3) anchor the local economy, 4) mitigate racial discrimination and worker exploitation, and 5) increase economic stability and self-sufficiency.

Nationally, roughly sixty-six percent (66%) of all current worker-owners are women. Since 2010, sixty percent (60%) of new worker-owners are people of color. Similar to national trends, a growing number of new worker-owners in Chicago are people of color. More than half of identified worker coops in the Chicagoland region are based-in or led by communities of color.

1) Access to capital, 2) legal and accounting complexity and ill-suited cooperative law, 3) lack of training and essential support services, and 4) a lack of public awareness are the primary challenges that worker cooperatives face in Chicago.

Key Recommendations

RECOMMENDATION 1) We recommend that worker cooperative members, cooperative incubators, technical assistance providers, philanthropic supporters, policy and municipal champions convene to develop a worker cooperative coalition and collective vision for worker cooperative development. We recommend that all potential worker cooperative stakeholders and ecosystem actors convene to develop goals, strategies, objectives and measurable outcomes for worker cooperative development in the Chicagoland region. This level of coordination is in line with best practices from around the country and will ensure an efficient use of limited resources, reduce competitive tendencies, and encourage collaborative partnerships.

RECOMMENDATION 2) The City of Chicago, Cook County, and the State of Illinois should invest in the worker cooperative ecosystem and development infrastructure. We recommend the city, county, and state provide resources to incubators, technical assistance providers, and microlenders to develop worker cooperative businesses, as well as support research into the economic impact of worker cooperatives in the region. These investments are key to scaling the worker cooperative ecosystem in the Chicagoland area, as well as building the capacity of existing cooperatives.

RECOMMENDATION 3) The City of Chicago and Cook County agencies should support worker cooperatives through public contracting and procurement of goods and services. We recommend that local government agencies and institutions, like schools, public hospitals, and public housing, prioritize procurement agreements with worker cooperative businesses in an effort to support local jobs. Such preferences can be formalized in procurement ordinances and policies.

RECOMMENDATION 4) Institutions and organizations should engage worker cooperative businesses in anchor-based development and capacity building. We recommend that private institutions, philanthropic organizations, and enterprises use their purchasing power to support existing worker cooperatives, as well as engage worker cooperative developers to identify market-gaps and in turn create new worker cooperative businesses.

RECOMMENDATION 5) The City of Chicago and Cook County should pass a resolution in support of worker cooperative businesses and development. We recommend that the City of Chicago and Cook County (Appendix 1) pass a resolution in support of worker cooperative businesses and worker cooperative development. Such a resolution would lend support to current efforts and further legitimize worker cooperative development in the region.

RECOMMENDATION 6) The State of Illinois should pass a Limited Cooperative Association statute. We recommend the State of Illinois pass a statute that would provide for a new type of business entity, the limited cooperative association (LCA), which has characteristics of both the traditional cooperative and the limited liability company (LLC). Such a statute would 1) allow for additional sources of capitalization for worker cooperatives, 2) expand options for governance structures of worker cooperative businesses, 3) explicitly include worker cooperative language, 4) enshrine cooperative values into the business form, and 5) better accommodate access to worker-ownership for low-moderate income entrepreneurs and immigrant communities in Illinois.