

Marisa Mia Ragozino

Title: *NYC's Worker-Cooperative Development Model: Rooted in cooperative principles?*

Capstone Project: Master's of Labor Studies

CUNY Murphy Institute of Worker Education

Fall 2017

Table of Contents

-Introduction.....	page 3
-Worker Cooperative Overview.....	pages 3-6
-Definitions	
-Solidarity Economy	
-Coop Theories	
-Worker Coop Development Models.....	pages 6-10
-U.S History	
-Development Models	
-Incubator Model Best Practices	
-Barriers to traditional business development strategies	
-Models of Evaluation.....	pages 10-13
-Traditional Business Measures	
-Cooperative Measurements	
-Research methodology.....	page 13-16
-Preliminary interviews	
-Field Research	
-Limitations	
-Findings.....	pages 16-25
-Preliminary Interviews:	
-Coop ecosystem, WCBDI Origins, Incubator Model Best Practices?	
-Cooperative Principles: WCBDI and the Initiative Partners	
-City Metrics: then and now	
-Field Research Interviews:	
-Summary	
-Cooperative Principles: Worker-cooperatives	
-Job Satisfaction and Social Impact	
-Analysis.....	pages 25-28
-Discussion:	
-Development Model	
-Social Impact	
-City Barriers	
-Conclusion:	
-Cooperative Principles and Incubator Best Practices Adherence	
-Future Metrics	
-Additional Suggestions for WCBDI	
-Acknowledgements.....	page 29
-Glossary.....	page 29
-Bibliography.....	page 30

Intro:

I came to this research because of an interest in Cooperative Home Care Associates (CHCA), the largest worker-cooperative in the United States located in the South Bronx. After investigating factors that contributed to their success, I found that the coop development model used back in the 80s to create CHCA is being replicated through a City Council initiative beginning in 2015. Funding non-profits and economic development organizations has been the primary model for coop development in New York City, as it is believed these organizations can provide the preliminary structures and ongoing support needed to incubate and launch successful, new worker-cooperatives. In the past 2 years, the City Council's Worker Cooperative Business Development Initiative (WCBDDI) has collected some preliminary data regarding their results, however, since it is still early to determine the overall impact of this initiative, this study will examine the coop development model being utilized in NYC to determine if it is rooted in cooperative principles and if it conforms to the incubator model's best practices. In addition, it will explore alternative metrics that will better evaluate the larger goals of worker cooperatives

The goal of my research is to place New York City's coop support network into various theoretical frameworks of worker-cooperatives and to find measures that will make visible the full impact of cooperative development sponsored by the WCBDDI.

Worker Cooperative Overview:

Definitions:

The concept of modern worker-cooperatives is generally attributed to the Rochdale Pioneers of 1844 in England, and many of the core principles they laid out are still reflected in the global cooperative movement today. Their 7 central tenets were; 1) voluntary and open membership, 2) democratic member-control on the basis of 1 person/1 vote, 3) member economic participation, 4) organizational autonomy, 5) promotion of education, 6) cooperation among cooperatives, and 7) concern for the community ("Co-operative Identity, Values, and Principles"). These principles are still very much the bedrock of cooperative development today.

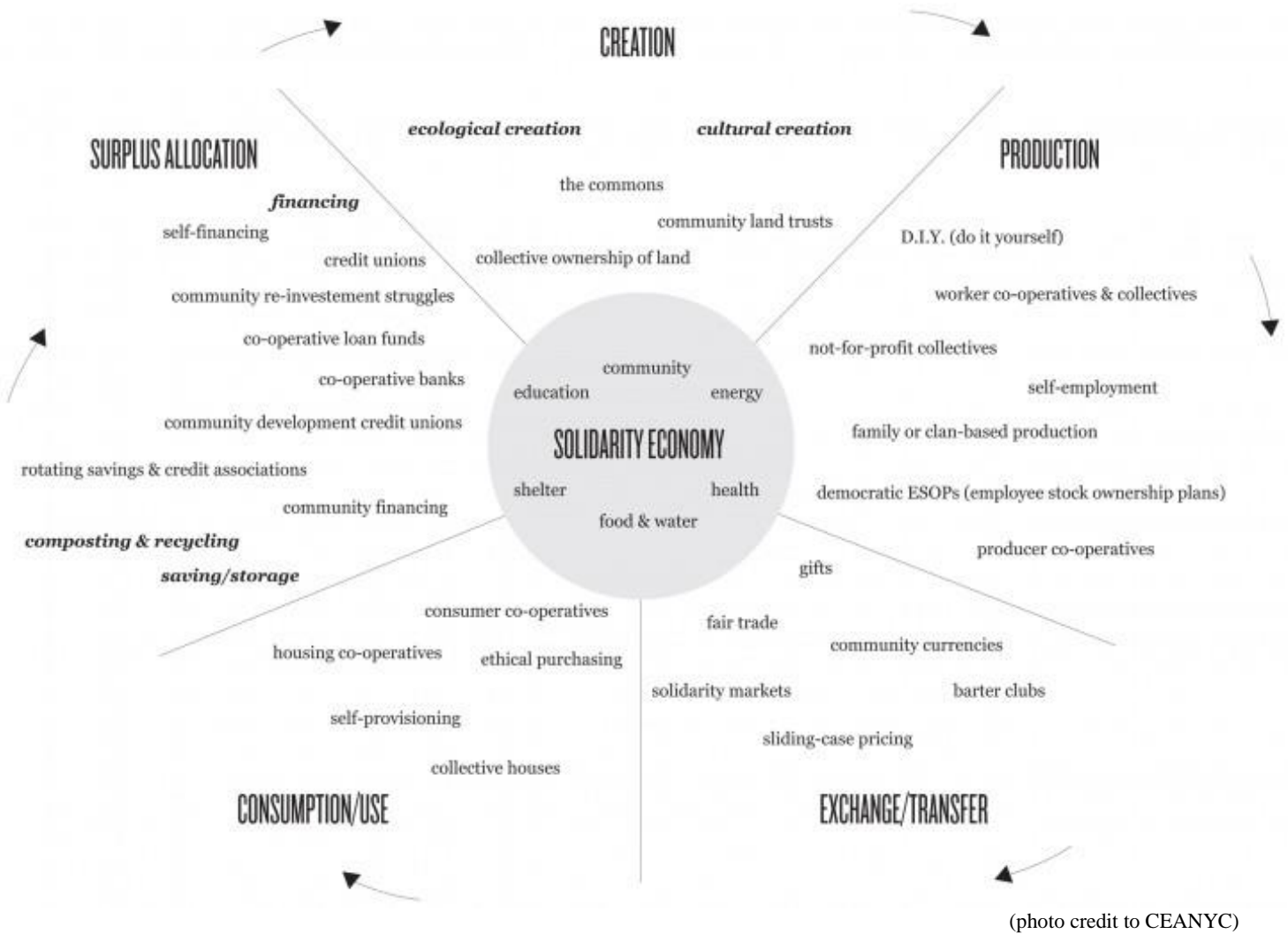
A worker cooperative can be defined in myriad ways; however, they are fundamentally a business that produces a product and/or service and is owned and democratically controlled by the people who work at that business on the basis of 1 person-1 vote. The U.S. Federation of Worker Cooperatives, similarly defines a worker-cooperative as, "business entities that are owned and controlled by their members, the people who work in them" and claims they follow two central tenets: "(1) worker-members invest in and own the business together, and it distributes surplus to them and (2) decision-making is democratic and adhering to the general principle of one member-one vote" ("Worker-Ownership"). These are very much in line with the Rochdale principles of member economic participation and democratic member-control.

Solidarity Economy:

Worker cooperatives also fit into a larger economic framework called the solidarity economy which synthesizes the myriad ways communities and individuals are incorporating and re-envisioning collective ownership. The solidarity economy includes all kinds of cooperatives including worker-cooperatives, retail/consumer-cooperatives, housing cooperatives as well as credit unions, land trusts, and community gardens. Worker-cooperatives and other features of the solidarity economy are more able to compete in a

capitalist economy through cooperative principle #6: inter-cooperation (Ludwig and Weber). For instance, a worker-cooperative could go to a credit union for start-up capital, and use their local food cooperative as the primary vendor for its products. A housing cooperative could prioritize shopping at the food coop for their weekly groceries and similarly bank with a credit union, closing the loop. The image below shows how this cyclical relationship of surplus allocation, production, exchange and consumption can work together to uplift the solidarity economy.

Figure 1:



Coop Theories:

Advocates of worker-cooperatives point to a more equitable workforce development strategy and the potential for wealth accumulation in marginalized communities as some of the benefits of worker-cooperatives. Many also argue that worker-cooperatives are more resilient than conventional capitalist ventures because they traditionally value stability and job security over stockholders' profit or unrestricted growth (Wolff 159). Benefits like higher wages and increased job security are what some theorists consider to be reformist attributes of worker-cooperatives and there is a debate within the Left around the revolutionary potential of worker-cooperatives.

Some thinkers believe that the solidarity economy and worker-cooperatives are on a more revolutionary path towards socialism, whereby the working class controls the means of production and thereby gain the skills and power to manage production themselves. Gar Alperowitz, a leading historian and political economist in the cooperative field, is a fierce advocate of worker-cooperatives. He uses the traditional definition of one-person/one-vote and identified worker-cooperatives as a "democratically oriented alternative to capitalism" ("The Cooperative Economy"). Cooperative values focus on democratic processes and increased solidarity, worker participation and skills development, but since they are businesses, they still very much exist/function within a dog-eat-dog capitalist framework. This being the case, socialist theorists have differing perspectives on the revolutionary role of worker-cooperatives.

Rosa Luxemburg is a critic of worker-coops, which she referred to dismissively as "small units of socialised production within capitalist exchange", in her book *Reform or Revolution* (Luxemburg). She subscribes to the "coop theory of degeneration" which proposes that the emphasis on exchange in a capitalist economy will force the producers to resort to the same exploitative conditions that exist in traditional production relationships and that eventually, cooperatives result in "pure capitalist enterprises or...by dissolving" (Luxemburg). Critics like Luxemburg believe that cooperatives are reformist, and are not an adequate lever to shift the mode of production to socialism, but are simply a reformist means to a more equitable distribution of wealth.

Rick Wolff, noted Marxist economist, writer and thinker in cooperative circles, addresses the theory of degeneration in his book, *Democracy at Work*. He concedes that while cooperatives have a tendency to become less democratic as the organization grows in size, he remains optimistic that worker-cooperatives could develop new forms of political democracy that function in larger environments (Wolff 161). He also argues that businesses could voluntarily choose to remain small. In fact, most coops in the US average only 10 employees, although whether this is by choice or failure to grow is unclear ("U.S. Worker Cooperatives: A State of the Sector"). Ultimately, he believes that as long as workers themselves are at the center of decision-making, they will opt away from mega-corporate structures, a common feature of capitalist-oriented expansion, towards something smaller and more localized (Wolff 161).

Wolff developed the term "worker-self directed enterprises" (WSDE) to describe the ideal worker-cooperative, which focuses on the organization of production through a heavily Marxist class analysis. He distinguishes worker-owned businesses from worker *self-directed* enterprises on the basis that worker-owned businesses often elect board members and leadership who are not workers themselves. In WSDE's, workers serve as the board of directors, making decisions about production through a shared, democratic decision-making process. WSDE's envision a broader participatory engagement from workers-owners who not only own shares in the business but actively work to make decisions regarding production and take on leadership roles themselves. He synthesizes his ideal version of worker-coops as a business where "the workers who cooperatively produce the surplus and those who cooperatively appropriate and distribute it are identical" (Wolff 122).

Overall, Wolff believes that cooperatives are not only a superior form of production but also a, "cure for capitalism's injustices, waste, and massive breakdowns" rejecting Luxemburg's revisionist accusations (1). His emphasis on worker-control rather than simply worker-ownership represents, "a social transition beyond capitalism" in his opinion (122). I will return to this analysis when I examine NYC coop development strategies.

Despite their differences of opinion on the revolutionary potential of worker-cooperatives, each of these theorists agree that worker-ownership and/or worker-control have the potential to fundamentally shift wealth and power to people who traditionally have had neither. Since they provide benefits such as more democratic control of workplace decisions, the ability to prioritize job retention over shareholder profits, and the possibility of wealth accumulation for marginalized communities, it is no wonder a progressive municipality like NYC would be interested in investing in the development and sustainability of worker-cooperatives (Kennelly and Odekon). However, there are many ways to go about this endeavor. An examination of different development models and the history of U.S. cooperatives may help clarify the City Council's WCBDI's approach.

Worker Coop Development Models:

U.S. History:

Compared to hotbeds of cooperation like Spain, Italy, and France, the U.S. cooperative sector has remained comparatively small. While the most recent U.S. Census for worker cooperatives will not be published until 2018, the United States Federation for Worker Cooperatives and Rick Wolff's Democracy at Work Institute estimates that there are currently 300-400 worker cooperatives that employ somewhere between 3,500-7,000 employees ("Creating Better Jobs"). Some writers have chalked these relatively underwhelming numbers up to our hyper individualistic worldview and the triumphalism of neo-liberal capitalistic forms of governing. John Goddard's insightful article, "The Exceptional Decline of the American Labor Movement", discusses how American values have impacted labor's proliferation. This analysis is useful for examining similar collective efforts in the U.S. such as worker-cooperatives. On the one hand, there is a very traditional ethos of self-help which worker-cooperatives would naturally align with; pulling oneself up by your boot straps, overcoming adversity, building something from the ground up, etc., (Goddard 85). However, there is also a particularly American emphasis on individualism and property rights which seem to undermine cooperative values of collectivity and shared ownership. Goddard explains that possessive individualism became intertwined with the "sanctity of property rights" and has resulted in "managerial autocracy in economic affairs" (84-85). This prevalent ideology is at odds with the collective spirit of worker-cooperatives.

While *worker*-cooperatives have remained relatively peripheral to the mainstream economy, there is a long American history of agricultural, consumer, and utility cooperatives that stretches back to the early 19th Century, many of which still exist today. Much of the U.S. tradition of cooperative development has been in response to periods of economic crises. Whether through populist reforms during the Great Depression (Kennelly and Odekon), coop development by labor formations like the Knights of Labor to support striking workers ("Overview: Worker Cooperatives"), or more recent municipal funding initiatives in response to the economic crisis of 2007, cooperative development has often been looked to as an answer for capital's excesses and failures. It has been a way for disenfranchised people to pool their resources and labor towards a collective effort, whether in the form of housing, utility, or worker coops.

Worker-Cooper Development Models:

The creation stories of modern worker-cooperatives vary quite sweepingly. Some are the product of factory takeovers where the workers occupy factories that are on the brink of closure. Others are funded through social development projects to reduce unemployment and poverty. Abell divides these origin stories into 4 models

(Lemons to Lemonade, Build a Better World, Pass it On, Start it Up) with the latter origin story being the most prevalent in the U.S. She refers to CHCA as a prime example of the Start it Up coop development model, with the non-profit, Community Service Society, stepping in to provide fiscal support, leadership development, and other technical assistance throughout the start-up phase (Abell 15-16). However, I believe Carla Dickstein's framework of coop development origins to be more insightful. She writes in her report, "The Promise and Problems of Worker Cooperatives", that coop development efforts can be divided into *top-down* or *bottom-up* approaches. She points to "cooperative development agencies" as examples of top-down development, where governments or private sponsors support the development of coops. In the United States, these agencies have focused on stimulating local economic development. NY City Council's Worker-Cooperative Business Development Initiative (WCBDI) could certainly be described as a top-down coop development agency because the funding and agenda is set by the government and the coops are developed by non-profit entities. Alternatively, Dickstein points to Mondragon, the largest cooperative initiative located in Spain, and the kibbutz system in Israel as bottom-up examples of coop development where a common culture of cooperation expanded to incorporate alternative forms of business development, including cooperatives. She defines a bottom-up development strategy as "those workers with the strongest stake in the business taking the initiative" (Dickstein 29). I believe this analysis of top-down/bottom-up origin stories to be more relevant to my research question, especially in regards to my concern with adherence to coop principles.

Today, worker cooperatives in the United States are relatively small operations with an average of 10 full-time employees, and they are primarily concentrated in the service sector of the economy due to the low capital requirements for entry (Kennelly and Odekon). Much of the recent efforts to expand employee-ownership have been through business conversions, Employee-Stock Ownership Plans, union coops, and in New York City, we see the most widespread form of worker-coop development, via the incubator model. Each of these coop development models are imbued with characteristics that embrace the bottom-up ethos of cooperatives and contradict that paradigm at the same time.

ESOP's:

Employee Stock-Ownership Plans are the most prominent form of large-scale worker ownership in the United States. This legal form of collective ownership wasn't developed until the mid-1970's and provides tax incentives for owners choosing to share the wealth generated by the company with the workers they employ, such as the ability to defer capital gains tax payments. This model of coop development can be described as top-down, because while workers are vested in the company through shares, they are largely denied individual voting rights common of most shareholder relationships (Abell 9-16). These are definitely not the WSDE's Wolff had imagined, since the workers don't control decision-making or hold leadership roles necessarily. However, the transformation from an individually owned business to an employee-owned business is able to avoid many of the start-up barriers faced by other coop development models, such as a lack of access to start-up capital and a deficit of industry-specific knowledge. With many baby-boomers reaching retirement age, ESOP's are considered a promising method for expanding the worker-owned market share, increasing potential for inter-cooperation and bringing this alternative economic model to scale. For instance, the campaign "50 by 50" by the Democracy Collaborative seeks to expand employee-ownership to 50 million workers by the year 2050 and ESOPs will surely play a big role in meeting this campaign goal ("Fifty by Fifty"). But without major legal reforms to ensure worker-stockholders have voting power on the basis of 1 worker-1 vote, the question remains about whether this will fulfill the goals of businesses that are both worker-owned AND controlled.

Conversions:

While conversions occur much less frequently in the United States, it is a good example of a bottom-up coop development approach. When a business is not doing well or threatening to close, leaving its employees without work, workers have occasionally purchased or forcefully taken over the business from their former employer. The conversion model acknowledges that workers with a pre-existing relationship with one another, intimate knowledge about the industry and a high stake in the businesses' success are best equipped to run that business in the face of a potential closure. The converted organization may seek help from an existing coop or coop infrastructure/support, but the intentions and efforts are supplied by the workers themselves (Jessica Gordon Nembhard, et. al).

Union Coops:

The Union Coop model has recently been re-popularized through a partnership between Mondragon and United Steel Workers in 2009, whereby unions fund the development of worker-cooperatives. There are currently 11 U.S.-based initiatives expanding this alternative model of workplace organizing from Los Angeles, to Cincinnati, to the Bronx with limited success thus far. Though it is too early to draw conclusions about real-life successes or failures, some of the theoretical benefits of the union-coop model is that unionization can help ease the start-up process, provide financial or in-kind support, equalize relational tensions between worker-owners and hired staff, as well as provide access to more affordable benefits like healthcare (Schlachter 125). Phil Amadon, one of the founders of Cincinnati Union Coop Initiative, a USW-Mondragon initiative, described the model as "eroding, rather than escaping capitalism" by linking cooperatives with the larger working-class struggle and modeling an alternative economic framework (138). Using member dues to expand worker power rather than to lobby or secure wage increases is a dramatic shift left from the "pure-and-simple" unionism ideology labor has subscribed to for the last few decades. While worker-driven and funded coop development could be considered bottom-up development, the 11 initiatives in the U.S. not only have union representation, but an "incubator" providing technical support (130). As we will see in the following section, incubator involvement muddies whether we can view union coops as a strictly bottom-up approach because incubators are not necessarily driven or staffed by worker-members themselves.

Incubator Model:

Clearly, the incubator model has become a central tenet in coop development and sustainability in the U.S. Many researchers credit CHCA's success to the original start-up funding from a non-profit called the Community Service Society and their ongoing administrative and executive leadership (Anne Inserra et al. 19, 26). Perhaps this legacy inspired City Council to emulate that model in their current WCBDI initiative. Today there are organizations much like the Community Service Society who are specifically focused on the development of new worker coops and the continuation and growth of existing worker coops. NYC Network Of Worker Cooperatives (NYC NOWC), the Center for Family Life (CFL), and Green Worker Cooperatives are a few of the recipients of the City Council's WCBDI initiative who were funded to fund, develop, and support workers cooperatives across the city ("NYC Small Business Services").

These and other coop incubators have also been called "coop academies" or more generally "coop developers", but for the purposes of this paper and for consistency, I will refer to them as "incubators". In NYC, this model is known for not only providing educational services, but also in assisting in identifying funding opportunities and providing other technical services that ensure the successful launch and proliferation of newly formed

cooperative businesses (Abell 16-17). The ideological premise for coop incubators is that newly formed worker cooperatives need not only start-up funding, but ongoing technical support and leadership development in order to be successful because, despite being experts in their field, many workers do not yet have the entrepreneurial skills to effectively run a business or manage relationships with traditional funders (27). The coop incubator model posits that the best way to develop successful and sustainable worker cooperatives is through partnerships with non-profits and other organizations that guide, develop, troubleshoot, and/or fund the worker coop (22-23).

There is an internal debate in coop development around the role of coop incubators. Some believe this support is crucial to the development and sustainability of nascent worker cooperatives. Others believe these intermediaries and their approach to coop development can be undemocratic, unsustainable, and disempowering (Lurie; Haber 22). Michael Haber, in an article about community economic development, argues that because of grant-related constraints, non-profits depoliticize social movements and limit community control over the programs that serve them (Haber 22). In my research, I will explore the bottom-up potential for coop incubators through analyzing democratic processes between themselves and the worker-coops they support and between the incubators and the WCBDI, a primary funding source for this work.

Incubator Model Best Practices:

Within the coop movement there are many theories about the best way to expand the coop economy (ESOPs, unions coops, sector-based, geographically-based, incubators) but since New York City primarily utilizes the incubator model, I'd like to further explore this model's best practices framework. The incubator model is thought to be able to develop and support nascent worker-cooperatives, thereby avoiding some of the most common barriers to success. This next section will explore some common best practices employed via the incubator model which emerge in the literature; including securing start-up funding, providing ongoing technical support, and identifying or developing quality leadership.

1) securing start-up funding

Despite the many benefits of worker-owned cooperatives, there are many barriers to their success and proliferation. For starters, many cooperatives have difficulty accumulating appropriate and adequate start-up capital that appreciates that the priorities and needs and goals of nascent worker-coops is not always immediate profit. Identifying what the literature calls, "patient capital", that can make a multi-year commitment to the endeavor, and help meet additional needs as the business expands is an essential part of the incubator model (Abell 23-24). Abell points to member financing as the most ideal form of patient capital, and found that coops founded with member financing to be the most likely to succeed followed by those founded with grant money (30). Member-financing also embraces a bottom-up orientation for cooperative development and allows worker-members to make decisions about their business with no strings attached.

2) providing ongoing technical support

While coop incubators are sometimes focused on the start-up phase of coop development, it is essential that they continue to provide support as needed to ensure the continuation of recently launched businesses. From leadership and governance assistance, to specialized media and marketing design, to cooperative decision-making workshops, the literature continually points to ongoing technical support as a major success factor in the success of incubator-model of coop development. Abell estimates a 5-year time commitment is needed

from coop-incubating organizations; from feasibility studies to complete independence of the business (Abell 30). In NYC, technical services have also included legal advice, English language classes, computer skills, and networking support ("Services").

3) identifying or developing quality leadership

Newly formed coops additionally suffer from a dearth of experienced management and leadership. Attracting talented entrepreneurs to a business where extracting profit is not the primary goal is a major challenge identified throughout the literature, and while workers may be experts in their given field, they generally don't possess the necessary business expertise to run a successful business themselves without substantial leadership development (Dickstein 25). The leadership, whether appointed, hired, or developed internally, must also be mindful of the more participatory nature of cooperatives and respect horizontal structures that serve as the foundation for worker-controlled enterprises (Dawson 4).

Barriers to Traditional Business Development Strategies:

When it comes to business development, worker coops are systematically disadvantaged for a number of reasons. Current business development strategies favor businesses of a more traditional nature. From legal structures validating and simplifying their horizontal ownership model, to the ability to conduct business on a scale comparable to larger business ventures, to their emphasis on labor as a fixed capital expenditure, worker cooperatives have an uphill battle before them to compete even within the small business sector. Some strategies that have been used to boost small businesses in NYC have been tax exemptions, discounted leases on city-owned property, and a policy of priority procurement for government contracts (Kennelly and Odekon). In my interviews with key coop stakeholders, I will investigate how these barriers apply to NYC coop development.

Popular conceptions of worker cooperatives also work to their disadvantage both regionally and politically. In order to overcome this hurdle, many worker-coop advocates suggest a major public relations campaign to help reverse negative stereotypes of worker-cooperatives as unprofitable or "hippie-like". As discussed earlier, the United States has a cultural underpinning rooted in individualism, and so institutional and community education and training is also recommended to promote a more cooperative way of thinking, acting, and conducting business (Abell 9,22). The Cooperative Economic Alliance of New York City (CEANYC) has begun this work with a series of short films documenting the various sectors of the solidarity economy; and local businesses including worker-cooperatives are featured. CEANYC is a New York-based volunteer-run organization that has worked to promote grassroots economic development through media advocacy and has published a report calling for municipal support of worker-cooperatives in NYC (Ludwig and Weber). While these videos are definitely a model to build from, there is still a long way to go to increase public and governmental understanding associated with collective modes of ownership.

Models of Evaluating Worker-Cooperatives:

When trying to evaluate the implications for success of the WCBDI, it's important to make a distinction between traditional expectations of business success and indicators of success that are more appropriate to the special nature of cooperative enterprises. For instance, while effective leadership is relevant across both sectors, the types of leaders required by worker-cooperatives and other social enterprises is inherently different

than that of a traditional business leader (Dawson 4). In order to explore these differences more closely, the following section will examine evaluation measures in both traditional and cooperative businesses.

Traditional Business Measures of Evaluation:

Many of the measures used to evaluate traditional businesses are not applicable to worker coops because their overall goals are simply incompatible. For example, while traditional businesses are concerned with profit and passing surplus value to shareholders and investors, worker-cooperatives may have alternative goals about raising wages, consciousness, or reinvesting in the business. While traditional businesses may desire growth at any cost, worker-cooperative may value retaining jobs in their community rather than outsourcing to cheaper labor markets. Productivity is another measure that is hard to compare between traditional businesses and coops because it doesn't account for quality differentiation or the value cooperative's place on job creation over productivity (Dickstein 19).

Some cooperative economists have grappled with how to evaluate the business-side of cooperatives. "Value added" has been used as an alternative evaluation tool that doesn't differentiate between various utilizations of profit, but simply measures increased wages, assets, profit, and investments as one lump sum (19). Similarly, rate of survival is another evaluation measure that translates across this divide. While many new businesses close within the first 5 years, worker-cooperatives have proven to be more resilient businesses that aren't inclined to close shop at the first sign of low-profits (Abell 11). Abell synthesizes various studies on coop resiliency by arguing that U.S.-based, employee-owned companies were approximately 1/3 less likely to fail when compared to all public companies, and that the five-year survival rate of Canadian cooperatives was 65-67% vs. 40-50% for traditional new businesses (13). More stable businesses mean more stable communities, a goal of many worker-cooperative development initiatives.

According to the literature, it seems many of the traditional measures of business success are inherently at odds with the goals and aspirations of worker-cooperatives. However, value-added and rates of survival show promise for comparative evaluations.

Cooperative Measures of Evaluation:

The ICA Group's website posits that, "as businesses driven by values not just profit, co-operatives share internationally agreed principles and act together to build a better world through co-operation" ("Co-operative Identity, Values, and Principles"). While worker-cooperatives are indeed for-profit businesses, they can also be measured in their own terms of cooperative success. With an emphasis on worker empowerment and participation, economic stability for their members, or in terms of social impact, cooperatives have their own goals and priorities that lay outside the realm of traditional business evaluations. The following section will examine the measures of social impact, job satisfaction, and worker-empowerment.

Social impact = Concern for Community

The Center for Social Impact at the University of Michigan defines social impact, as "a significant, positive change that addresses a pressing social challenge" ("About: What is Social Impact"). Worker-cooperative advocates argue that member-owners aren't the only ones who benefit from this non-traditional business model. Cooperatives have shown to have positive benefits for the communities within which they operate such as increased social well-being, equity, and social innovation (Abell 13-14). Steve Dawson, in a report about social enterprises' best practices, suggests the metric, "ways in which the initiative has leveraged change

beyond the enterprise" (Dawson 6). Social impact is yet another way that "value-added" can be interpreted outside of traditional business measures and is in line with cooperative principle #7: concern for community.

In an Italian study called, *Social Impact Indicators Identification*, researchers investigated potential social impact measures to be used in evaluating social enterprises. While they were focused on elderly care, some of the relevant metrics they utilized were; number of visits at social services, number of admission in an Emergency unit, degree of employment, level of direct economic aid, degree of personal resources to spend in the community, and degree of participation in social activities (Chiaf 39-41). These metrics seek to get at the root of an individual's participation in community life and need for government assistance. It's possible these and other metrics could be utilized to better evaluate the social impact of worker-cooperatives.

The researchers also examine some pitfalls to examining social impact such as the possibility of undervaluing the full impact as well as the inability for smaller organizations to expend limited resources measuring their impact. They also anticipate that indicators may shift as this sector grows, proving to be an obstacle for longitudinal studies (Chiaf 15). Despite these barriers, it is still important to investigate social impact measures in order to determine the long term impact of the WCBDI. Even if the actual worker-coops developed as part of this initiative fail, they may show a positive social impact in the long term such as state savings on public assistance programs, enhanced community involvement, increased social capital for marginalized communities, etc. Positive social impact could also be cited to justify future municipal funding and/or tax incentives and may provide a more complete evaluation of the overall business' success in its own terms.

Worker-empowerment = Path towards Socialism

Another way to think about social impact is via worker-empowerment. Abell argues that a spillover effect of worker-cooperatives emphasis on democratic decision-making is greater civic participation. As the level of worker participation in decision-making increases, worker-owners demand the same political and institutional transparency in politics as they receive at work (Abell 14).

Additionally, if the goal of many coop developers and theorists is to strive towards socialism, then we must view non-traditional, worker-empowerment measures like increased knowledge about solidarity, collectivism, politics, and economics, as arduously as we do traditional business measures. Richard Sullivan argues in his paper, "Why the Labor Movement is Not a Movement", that we should view the proliferation of worker's rights in a wider framework of social movements and gauge their strength not on the number of members but on "the commitment level of their members, popular support for their cause, the disruptive capacity of their organizations, [and] their ability to mobilize sympathizers" (Sullivan 54). Although he was speaking about labor union's problematic emphasis on density rates, these measures seem relevant to worker-cooperatives' alternative goals around disrupting capitalism through empowering workers at the mode of production. Even if the average cooperative is small, that doesn't necessarily equate to their power and potential impact.

Currently, the city's measures are very narrowly restricted to the facet of coops concerned with traditional business success factors and job creation rather than as part of a larger framework of creating alternative institutional structure that change basic property relations and empowers workers. In evaluating NYC coop development and the WCBDI, I will draw from these coop-specific indicators (social impact, worker-empowerment, job satisfaction) to better evaluate the initiative's impact.

Job Satisfaction = Economic stability

One of the main reasons coop development agencies like WCBDI engage in this sort of economic venture is to address societal issues like unemployment and poverty. Cooperatives have proven to be more resilient,

community-rooted endeavors, keeping capital in the communities where it is generated. But if people are not satisfied with these jobs, then they may not remain in them, and thus compromise the very economic stability cooperatives aim to secure (Abell 13). In Richard B. Freeman's article, "Job satisfaction as an economic variable", he examines the relationship between job satisfaction and the likelihood of an employee quitting their job. He found that, "the subjective level of job satisfaction is a significant determinant of the probability of quitting" (Freeman 137). Let's look at Cooperative Home Care Associate's "Quality Jobs/Quality Care" strategy as an example. CHCA was able to corner a portion of the market for caring for the elderly and disabled by providing quality care. As worker-owners became more satisfied with their wages and benefits, they remained at their jobs longer, and their skill increased along with the quality of care they were able to provide to clients (Anne Inserra, et. al.19-20). Job satisfaction in this case led to decreased employee turnover, a chronic problem in the home care industry (42-43). This is a perfect example of how cooperation led to benefits for both the consumer, who received an increased quality of care and the workers, who gained greater economic stability.

Research Methodology:

Research Question and Significance:

Is the New York City cooperative development model (1) rooted in cooperative principles, (2) does it conform with the incubator model's best practices; and (3) what alternative metrics could better evaluate the larger goals of worker cooperatives?

The goal of my research is to place New York City's coop support network into various theoretical frameworks of worker-cooperatives and to find measures that will make visible the full impact of cooperative development sponsored by the City Council's Worker-Cooperative Business Development Initiative (WCBDI).

Thesis:

The WCBDI is conforming to a top-down, incubator cooperative development model, utilizing its "best practices" framework. The traditional evaluative metrics used by WCBDI, however, do not measure the full impact or success of cooperative business or evaluate the initiative in the terms of coop principles. Evaluative metrics which seek to measure job satisfaction, worker-empowerment, and social impact will help clarify the overall impact of worker cooperatives here in NYC and at large.

Research Methodology:

To examine all aspects of this research question, I undertook a 2-step investigative process. The first step was to conduct preliminary interviews with key stakeholders and the second step was to perform structured qualitative interviews with worker-members themselves to test my proposed metrics. The hope is that qualitative analysis will provide greater feedback in regards to the particular phrasing for future metrics. Additionally, I have collected financial data regarding the WCBDI's financial allocations and other economic development initiatives in Fiscal Years 2015 and 2016.

Preliminary Interviews:

I conducted four of preliminary qualitative interviews with key stakeholders in the cooperative development sector in NYC in order to better understanding applicable frameworks and paradigms in the NYC coop support network including democratic processes and the best practices framework discussed earlier. Through these interviews I also sought a greater understanding of the history and goals of the initiative to determine how they

chose and implemented the specific coop development model being utilized. Questions were tailored to the party being interviewed in order to gauge the nature of the relationship between government agencies, initiative partners, and member-workers and to help determine existing democratic processes and what opportunities may exist for greater adherence to coop principles.

Preliminary interview questions also explored the formation of the current evaluation measures and the history of their evolution. I utilized this foundational knowledge to inform and envision alternate or additional measures focused on coop principles.

Field Research Interviews:

Next, I developed a qualitative interview tool that operationalizes the following evaluation measures; worker empowerment, job satisfaction and social impact. These measures are not currently being evaluated by the WCDBI and may better demonstrate potential successes and opportunities for the initiative moving forward.

Worker-empowerment seeks to determine how NYC worker-cooperatives are functioning internally. Indicators for this measure center on decision-making opportunities and leadership development and/or selection.

Job Satisfaction is examining the impact of the coop incubator development model's best practices framework and the individual worker's perception of these outcomes. Job satisfaction indicators will be asked on a scale of 1-4 on themes of wages, benefits, co-workers, hours, and leadership. Additional probing questions will determine the length and level of commitment to this endeavor. Metrics that gauge satisfaction and commitment are related to the coop evaluation metric of "rate of survival" and is correlated with job retention and greater economic stability, so it would benefit the WCDBI to understand worker-member perspectives of these aspects of cooperative employment.

Questions around social impact seek to test some new potential metrics for WCDBI that will evaluate the initiative's success in its own terms rather than through the lens of traditional business ventures. Indicators for this measure focus on civic participation including volunteering engagements and various forms of political advocacy. Indicators around voting were intentionally omitted in order not to discriminate against immigrant and undocumented worker-owners whose negative response may not have been a genuine reflection of how they operate in society as community members or political actors. It is my hope that WCDBI will be able to utilize some of these social impact measures to advocate for greater or more longterm funding of the coop development initiative. (See Table 1)

Table 1:

Value	Coop Principle (if applicable)	Indicator Question
Worker Empowerment		
1	Democratic Member Control	How are decisions made at your cooperative?
2	Voluntary and Open Membership	Are you a member owner? If not, why? Not a longterm job opportunity for me, financial commitment too high, not interested in decision-making responsibilities, never heard about it
3	Democratic Member Control	How are wages determined? Based on work role, seniority, etc?
4	Democratic Member Control	How was your leadership selected? from outside or developed from within?
5	Democratic Member Control	How would you describe your leaders' leadership style?
6	Democratic Member Control	Have you worked with any other community partners? (TWW, CFL) Can you please describe the nature of your relationship with the community partners over all?
7	Democratic Member Control	Who decided which services would be offered in a given year? (through member request, I don't know, pre-determined)
8	Promotion of Education	NYC NOWC offers the following services(technical, educational, workshops, conferences) Which, if any, have you attended and why?
9	Democratic Member Control	Are any board members also worker-members? Worker-owners?
Job Satisfaction		
10		How does this job compare to other jobs you've had?
11		Is this a longterm employment opportunity for you? Why or why not?
12		Level of satisfaction with hours
13		Level of satisfaction with leadership
14		Level of satisfaction with current wages
15		Level of satisfaction with benefits
16		Level of satisfaction with co-workers
17		How long have you worked at your organization? ____ months
Social Impact		
18	Concern for Community	To what extent do you feel like your cooperative influences local decision-making in places such as the city council, neighborhood forums, or the NYC NOWC trade association? Why?
19	Concern for Community	Can you tell me about the last time you participated in lobbying activities? (calling legislators, speaking with representatives in person)
20	Concern for Community	Can you tell me about the last time you attended a protest?
21	Concern for Community	Can you tell me about any community meetings you've attended recently where decisions are made? In general (community board meeting, town hall, block association, PTA meeting)
22	Concern for Community	Which organizations (if any) have you volunteered in the last 12 months (church, pet shelter, school, nursing/elderly home)
23		How has your public assistance benefits changed since you got this job?

Research Limitations-

Because of the limited scope of this project, findings are merely generalizations of common themes and relevant observations based on individual accounts. With limited time and access to coop developers and worker-members, qualitative interviews were not implemented according to proper sampling protocols, but rather through individual referrals and existing contacts. Therefore, results should be viewed as generalizations based on qualitative evidence with key stakeholders and worker-members.

Findings:

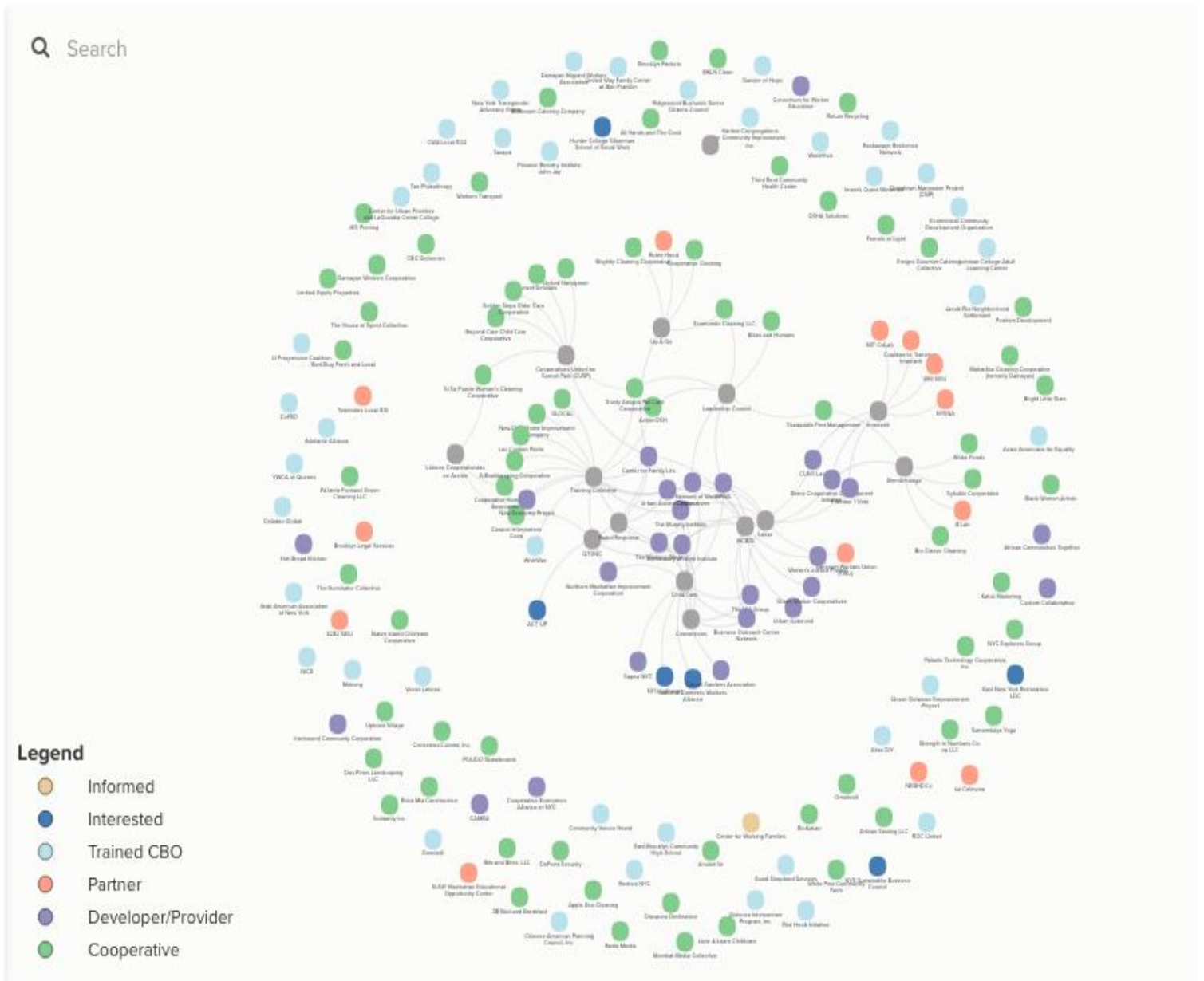
The following section will present my findings in the chronological order in which I came to access this knowledge. Beginning with the key stakeholder interview findings and moving into the worker-member interview findings, I will explore my research questions utilizing the theories laid out in the literature review.

Preliminary Interviews: key stakeholders' perspectives

Coop Ecosystem:

New York City has a relatively more robust coop network comparative to the rest of the United States, with a city-wide coalition, a regional coop federation, and one of the largest municipal funding programs dedicated to coop development in the nation. The Worker-Cooperative Support Network developed an interactive map (**Figure 2**) to help show the various actors in the NYC coop ecosystem and how they relate to one another. One of the organizations on this map, the NYC Network of Worker Cooperatives, or NYC NOWC, is tasked with helping develop greater collaboration amongst these entities and represents existing worker-cooperatives as the regional trade association, advocating for the sector and its workers. As **Tables 2 and 3** on the following pages detail, NYC NOWC was part of the original coalition that advocated for city funding of coop development and they have been a funding recipient since then to continue their work. Inter-cooperation is a fundamental coop principle; so funding NYC NOWC to do this important work is notable.

Figure 2:



<http://www.workercoop.nyc/projects/>

WCBDI Origins-

It is unclear exactly what the impetus for the City Council funding was. Some stakeholders point to the SURDNA Foundation's report, "Ours to Share", and the anti-poverty non-profit, FPWA, and their report "Worker-Cooperatives for New York City: a vision for addressing income inequality", as landmark documents that influenced particular councilmembers. Others pointed to DeBlasio's first mayoral campaign and the rising awareness and political advocacy around economic inequality in the city. Others still, credit a monthly community forum on poverty and coops as a solution to economic disparity in the city, sparking then City

Council Speaker, Christine Quinn's, interest. Despite the varied origin stories, all of the key informants I interviewed agreed that once the funding was secured, it was funneled through the NYC Department of Small Business Services (SBS) and then to existing coop developers, non-profits, and economic development organizations, called Initiative Partners. These partners vary in the types of services they provide, but they have remained largely consistent since the initiative's inception. The WCBDI is housed within the NYC Department of Small Business Services and has overseen the initiative to varying degrees since the funding began.

Incubator model's best practices?

It is clear by the nature of the organizations listed in **Table 1** that the WCBDI is allocating the vast majority of its funding towards the coop incubator model's best practices; securing start-up funding, developing leadership, and providing technical support. These 3 central tenets are well represented in the "primary function" of the initiative partners funded in years 1 and 2. The Working World, a cooperative investment organization, has received increased funding since the initiative's inception and represents patient start-up capital. As evidenced in the table, the majority of the funds have gone towards organizations providing technical assistance. In recent years this has involved tasks associated with preparing for business launch or conversion, legal assistance, marketing, financial planning, as well as leadership development. Leadership development is represented by the internal technical support metric tracking "governance assistance" and "strategic planning". Based on the conversations and data I've collected regarding the WCBDI's current metrics, I'm convinced that the city has indeed followed the incubator model's best practices by allocating funding in the arenas that coops experts agree stand the best chance to result in stable businesses. However, these best practices sometimes fall short when it comes to genuine *cooperative* success.

Table 2:

WCBDI Annual Expenditures: **Fiscal Year 2015**

Organization Name	Primary Function	Dollars Allocated
Bronx Cooperative Development Initiative	Economic Development	\$60,800
DAWI	Technical Support	\$104,500
FPWA	Technical Support	\$100,700
Green Worker Coops	Technical Support	\$156,750
ICA Group	Conversions	\$189,250
Make the Road New York		\$66,500
NYC NOWC	Technical support	\$15,000
Center for Family Life	Economic Development	\$139,659
The Working World	Financing	\$218,500
Urban Justice Center	Legal	\$55,100
CUNY Law School	Legal	\$35,000

Total: \$1.2 Million

Table 3:

WCBDI Annual Expenditures: **Fiscal Year 2016**

Organization Name	Primary Function	Dollars Allocated
Center for Family Life	Technical Support	\$234,000
Green Worker Cooperatives	Technical Support	\$234,000
Urban Upbound	Technical Support	\$84,500
Worker's Justice Project	Technical Support	\$66,000
Bronx Cooperative Development Initiative	Technical Support	\$84,000
Business Outreach Center Network	Technical Support	\$84,500
FPWA	Technical Support	\$155,000
NYC Network of Worker Cooperatives	Technical Support	\$148,000
CUNY Law	Legal	\$35,000
Make the Road New York	Technical Support	\$94,000
Urban Justice Center	Legal	\$94,000
Democracy at Work Institute	Conversions	\$155,000
The ICA Group	Conversions	\$234,000
The Working World	Finance	\$234,000
		Total: \$2.1 Million

*Are **Initiative Partners** adhering to Cooperative Principles?*

The WCBDI has strategically supported the incubator model of coop development with initiative partners functioning as intermediaries between the city and the actual worker-cooperatives. As discussed earlier, these initiative partners provide financial, legal, and technical support, which is both in line with the "best practices" framework as well as the coop principle of education and skills development. But are they practicing democratic control and/or allowing for coop autonomy and independence?

Two informants described the varying involvement of these developers as existing on a spectrum from "high touch" to "light touch". High touch developers utilize a top-down approach, taking on a greater degree of responsibility for the business; deciding the industry, recruiting and training members-owners, and serving as financial and practical back-up until the business is ready to become truly independent. Light touch developers allow more bottom-up coops to be created and focus on the start-up phase of coop development, providing training, marketing and other technical services, and then allowing the business to sink or float. It seems the organizations that WCBDI funded are distributed over this development spectrum, so no clear determinations can be made about this aspect of the initiative's bottom-up potential at this point.

Informants also pointed to many of the initiative partner's own internal hierarchical structure as being at odds with the democratic workplaces they are trying to envision and develop, so I probed informants from CFL and NYC NOWC for examples of how they navigated this dilemma.

Vanessa, former director of the Center for Family Life's coop development program, described their strategy of coop development as high-touch and admitted the power dynamics inherent to a high-touch incubator to be a "struggle". Their inability to anticipate and effectively communicate the trajectory of coop development

resulted in distrust between the non-profit and the first couple of coops they developed. Now, with more experience under their belts, CFL has been able to introduce some democratic processes that have increased understanding and participation on behalf of the coops they helped form. Originally coop members were merely advocates, offering testimonials and sharing their experience. Now, worker-owners have greater oversight over dedicated CFL staff and CFL has developed a contract that clearly lays out the phases of development and their role, with the intention of creating greater trust and understanding between the entities (Bransburg).

Pablo, from NYC NOWC, argues that as a trade association, they have an inherently different relationship with worker-coops than incubators like CFL because they are a member-driven organization. This means that NYC NOWC must be highly receptive to membership needs in order to ensure their security, unlike non-profits who have more diversified funding streams like grants. Even from this inherently bottom-up perspective, he was able to offer an example of how NYC NOWC has navigated the challenge of acting as an intermediary in a democratic-focused initiative. After engaging members through a "deep survey" in 2016, NYC NOWC heard member calls for greater participation in decision-making. They responded in a few different ways. Members now decide annual program offerings, set policy priorities, and can participate in the region's first ever Worker-Coop Leadership Council. Additionally, they have embraced a program based on principle 6 (inter-cooperation) of worker-cooperatives whereby NYC NOWC will hire coops to provide services to other coops (Benson-Silva). I witnessed an example of this at a Leadership Council meeting where Caricola, a local cooperative interpreter business, was hired to provide interpreting services. This was a direct policy response to members who wanted to ensure city funds made it into the hands of coops themselves.

Pablo described Green Worker Cooperative, a Bronx-based coop incubator as a medium-touch developer. While their intensive 5-month program aims to successfully develop new cooperative businesses, graduates felt that further support was needed past the business launch to ensure ongoing success. Green Worker embodies this medium-touch development style because their development of an ongoing support system was requested from the bottom-up and workers determine their business ventures independently.

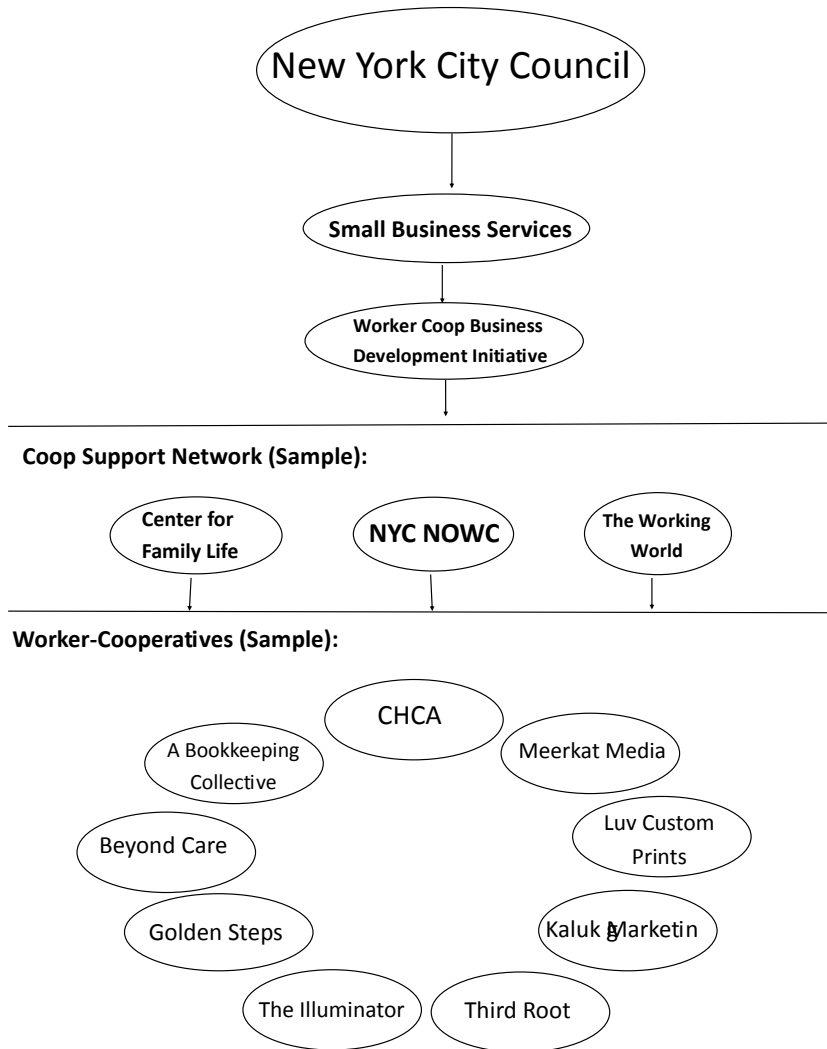
So, while the incubator model and high touch developers in particular may infringe upon the democratic control and autonomy of worker-cooperatives, the initiative partners I spoke with are trying to rectify this power imbalance. They have also focused on the proliferation cooperative principles 5 and 6; education/skills development and cooperation among cooperatives. NYC NOWC is demonstrating democratically oriented management and representation in this top-down model of coop development by holding regular membership meetings, being responsive to worker-owner requests and insights, and by intentionally developing mechanisms for bottom-up leadership.

Is the WCBDI adhering to coop principles?

While the city seems to be funding initiatives in line with the incubator-model's best practices, there are still some fundamental disconnects between city policies, coop development and adherence to coop principles. By funding mostly non-profits, cooperative theorists would agree that the city has endorsed a top-down approach to coop development. The funds literally move from the city council at the top, down a stream of intermediaries who siphon off chunks of the limited funding, and eventually end up in the hands of actual worker-coops, generally in the form of technical and support services like legal advice, marketing and strategy development, or trainings and conferences. (See **Figure 3**) This doesn't allow worker-coops to maintain coop principle #4: autonomy and independence. Their access to services and resources must go through these

partners and however amicable a relationship exists between initiative partners and SBS, the city still plays a role in determining which services "count" towards funding deliverables.

Figure 3:



-City Metrics: then and now

The city's criteria in evaluating this initiative provide good evidence that they are not focused on coop principles. Currently, the WCBDI is tracking 4 measures: worker coops created, services provided to businesses, entrepreneurs reached, and worker-owners created, which changed to "total-hires" in Year 2. As the metrics listed in **Table 4** demonstrate, the WCBDI is narrowly concerned with business success factors and

job creation, not coop principles. The larger goals of worker empowerment, job satisfaction, and social impact are lost in the current metrics. Through interviewing key stakeholders, I was able to better understand the history of these metrics, their evolution, and what gaps exist between these two varying goals of NYC worker cooperative stakeholders.

Table 4:

Measurement:	Year 1	Year2
1) Worker coops created	<u>21</u>	<u>27</u>
2) Services provided to businesses	<u>84</u>	<u>709</u>
3) Entrepreneurs reached	<u>938</u>	<u>2164</u>
4a) Worker-owners created	<u>141</u>	
4b) Total hires		<u>164</u>

Based on my interviews with key informants, it seems the initiative partners enjoy an amicable relationship with leadership at SBS. They pointed to the original flexibility in reporting requirements and the collaborative ethos of SBS leadership when compiling new metrics for the initiative. Originally, initiative partners simply submitted the scope of their work at the end of the fiscal year and this data was reported in the WCBDI Annual Report. In subsequent years, a new data-oriented system has been implemented along with a "strategic operating plan" (Vasandani). The hope is that this will result in more measurable data, which can be used to better evaluate the initiative's impact. However, none of the former or current metrics reflect cooperative principles.

Luckily, the mutual relationship between the WCBDI and the initiative partners has helped navigate these deliverables until now, and it has ensured coop developers are given credit for achievements and services rendered even if they don't fall exactly within the scope of the original city funding. For instance, one of the original deliverables was to develop (x)# of worker-cooperatives in a given year. After speaking with initiative partners about their desire to develop quality, sustainable coops, rather than churn out semi-formed, unsustainable businesses, they modified this metric to account for "soft launches" of businesses, such as securing a Tax ID # or a status of incorporation. Another example of metric modification was expanding "technical services provided to worker-cooperatives" to include "ALL business entities". This change was made to ensure services rendered to businesses considering conversions were counted under this initiative (Vasandani).

And while this positive relationship with City Council seems to imply a bottom-up approach, it hinges largely on the current program manager of the WCBDI who will soon be leaving the agency. It's unclear whether she will be replaced with equally collaborative leadership that understands both the goals of the cooperative movement as well as the delicate balance between ensuring city money is being well-spent, and over burdening already taxed developers with greater documentation responsibilities. Pablo referred to the city's receptive stance as "super accessible, super willing to hear feedback, to recalibrate, and to co-create more realistic metrics", but if this is the universal feeling, it is unclear why initiative partners haven't requested metrics that track cooperative-specific success (Benson-Silva).

In fact, one of the metric changes seems to be moving away from rather than towards coop-specific metrics. Recently, the metric "worker-owners created" became "total-hires". At face value, this change raises questions

about the democratic nature of these nascent coops and whether values of democratic-leadership are being implemented via workers successfully becoming member/owners imbued with decision-making power. However, after speaking with stakeholders, it seems initiative partners rallied for this change in order to reflect the expanding capacity of existing worker-cooperatives regardless if members choose to become owners. Pablo, from NYC NOWC, praised this metric because it provides a more longitudinal analysis, something he feels is sorely missing in the current metrics. Since they are already tracking whether new hires become worker-owners, perhaps a fair middle ground would be to include this data as, "% member-owner/total hires", in future Annual Reports to ensure coops aren't merely hiring low-wage workers, but recruiting future member-owners into the coop movement.

Through in-depth conversations between initiative partners and the city, I discovered that models of evaluating the WCBDI have varied since the initiative's inception. WCBDI's willingness to collaborate with initiative partners on past and current metrics leaves me to believe there is room to adopt more cooperative-specific metrics moving forward. Additionally, the voices of worker-owners seem to be missing from these conversations. Through speaking with worker-owners themselves I sought to hear these perspectives and test future potential metrics.

Field Research Interviews: Worker-Member perspectives

Summary:

I conducted interviews with 5 worker-members at the following New York-based worker-cooperatives: Jeff from Meerkat Media, Grayson from The Illuminator, Luis from Luv Custom Prints, Stephen from both Third Root and A Bookkeeping Cooperative, and Kate from Bikes and Humans in order to test potential metrics for worker empowerment, job satisfaction, and social impact. All of the cooperatives I interviewed were small, with less than the national average of 10 workers, most of whom were not able to make a living wage from their cooperative. However, interviewees were still extremely committed to building their businesses and to the cooperative movement at large. Respondents have been worker-owners for an average of 3.75/years, indicating this commitment. Luis pointed to the collaborative spirit of his cooperative business and Jeff and Grayson explained how working together has uplifted their reputations as designers in ways that they never could have achieved individually. Kate expressed the importance of building an alternative economy and empowering people as primary motivators for her. The survey tool I developed helped determine the limits and usefulness of particular indicators for evaluating NYC worker-cooperatives and their impact. The following section will describe these findings in terms of coop principle adherence, job satisfaction, and social impact/worker-empowerment.

Coop Principles:

Albeit this is an extremely limited sample, it seems worker-cooperatives in NYC are embracing many coop principles. They function in extraordinarily democratic ways. Most explicitly use some form of consensus-decision making around issues of finance, production, wages, and hours, indicating they are indeed self-directed enterprises with democratic control. Aside from minor consulting jobs, almost all of the cooperatives in this sample had 100% worker-owners with no non-owner hires, easing my concerns about the "total hire" metric. And since all of the workers I spoke with were owners and/or board members, the indicators around leadership were less significant. These workers *are* their bosses.

Many of the worker-owners expressed prioritizing collaboration with other cooperative endeavors either in the form of services rendered, pro bono work performed or consultant work they hired out. For instance, Luis mentioned a big t-shirt order they performed for the Park Slope Food Coop utilizing organic t-shirts from a

cooperative textile company called Opportunity Threads. Stephen mentioned utilizing a local cooperative, Kaluk Marketing, for some design work. Sourcing from cooperatives to produce final products for a cooperative market is a perfect example of inter-cooperation.

As far as their relationship with the coop support network, most worker-owners went to an initiative partner for education, training, and assistance developing policies or accessing resources and services. Luis felt that although their style was sometimes top-down, their networking capabilities were critical for securing some of their biggest contracts to date and felt overall, that coops and the support network shared responsibilities on a "50/50" basis. While acknowledging that the motives of the city and of developers/worker-owners differ, Kate felt that the WCBDI has struck a good balance between providing infrastructure and development support while allowing workers to set the agenda and lead the movement. She was also one of the two people I spoke with who served on the NYC NOWC Leadership Council.

Job Satisfaction:

Informants responded as primarily unsatisfied with hours/benefits. This is likely due to these jobs not being living wage jobs at this point for 3/5 of the workers I interviewed. On the other hand, informants reported high satisfaction with the more cooperative-centric aspects of work; leadership, hours and co-workers. While we shouldn't negate the economic viability of these businesses, the latter metrics are a more appropriate way to evaluate these particular jobs since profit and growth aren't necessarily primary motivators for worker-cooperatives or their owners.

The majority of informants considered their participation in cooperative business to be a long term endeavor. Jeff, one of two informants who can actually make a living off of his cooperative business, called it a "dream job" and couldn't imagine working any other way. All respondents had been involved with their worker-cooperative for at least 2 years and 2 respondents had worked 7+ years at their respective coops. Time committed is surely one indicator of job satisfaction. Overall, it seems the people interviewed are dedicated to the social project of worker cooperatives despite it not being a viable economic opportunity at this point. Perhaps SBS should take a note from this grounded perspective that as a longterm endeavor, immediate results may not be the goal.

Social Impact:

As for social impact, some of the metrics proved more fruitful than others. Question #11(Which organizations (if any) have you volunteered for in the last 12 months) didn't produce very robust responses even though respondents overwhelmingly answered affirmatively around participation in community meetings, which were essentially volunteer engagements. Question #20 with the breakdown of various interpersonal voluntary acts proved more useful in helping respondents brainstorm ways that they have supported their community. It was also helpful to ask what additional voluntary acts they've committed after the completion of the ones listed. Two respondents were able to think of an additional indicator: Grayson and Luis mentioned writing or verbally referring someone for a job, and Luis mentioned helping friends move into a new apartment. While qualitative interviews are more time and resource-intensive, it produces clearer data. I think it would be more useful in the future to help respondents explore activities and community meetings they have participated in and quantify the participation in the form of hours/month rather than as a yes/no question. For instance, Jeff, Grayson, and Stephen reported working on long term pro bono projects in their respective fields for local organizations, which would better be represented in the form of hours committed rather than affirmative/negative. Similarly, Luis responded no to organizational volunteering but responded affirmatively to almost every indicator in the last question around interpersonal acts of service, proving that additional probing questions help reveal worker impact in their community more effectively than any one question or metric.

Worker-owners expressed empowerment and concern for their community. All worker-owners reported having attended at least one protest in the last year as well as having volunteered time for an organization or as an interpersonal favor in the last twelve months indicating concern for community. If one of the goals of cooperatives is to create empowered workers who take on social issues, then NYC coop members seem to embody this via their varying advocacy and community assistance activities performed in the last year.

Questions indicating public benefits were unremarkable with most respondents showing no change or having never utilized public benefits. It is relevant to note that most of the worker-owners interviewed here hold higher degrees (BA, MFA, JD) than many cooperative workers who are primarily concentrated in the service sectors of homecare and childcare, so I will refrain from drawing conclusion on the utility of this metric in the NYC landscape.

Analysis:

Discussion:

Development Model:

Superficially, the coop development model being utilized by the city may seem top-down, but in speaking with worker-owners it seems they welcomed this strategy and the resulting support, resources, and networking opportunities it has provided. While some workers wanted greater opportunity to directly benefit from the initiative funding, others felt that cooperative sector would benefit from infrastructure development like networking and advocacy bodies, and legal services which is how the money is currently allocated. Perhaps the incubator development model is still appropriate at this nascent stage of coop resurgence. Perhaps if I had spoken with a worker-owner from a high touch incubator I'd be able to draw more conclusions regarding their particular relationship

As the sector grows, NYC NOWC's Principle 6 Program and their Leadership Council are good models for more bottom-up participation from worker-cooperatives themselves. Non-profit incubators should look to NYC NOWC's centering of worker-owners, their concerns and highly democratic workplaces to ensure their organization are similarly in line with cooperatives values of bottom-up worker-empowerment rather than merely rendering services from the top-down.

Social Impact:

The marked protest and lobbying activity of informants could be explained through the political underpinnings of the last year. With the election of Trump and subsequent policies, we have seen ever increasing resistance to the administration, even among civilians who don't typically participate in political actions. However, it is my understanding that the informants interviewed are regularly engaged with not only political protests, but volunteer opportunities that are political in nature, and that evaluating both of these metrics over an extended period of time rather than limiting participation from the last 12 months would offer a clearer picture of the extent of their dedication to such movements.

City Barriers:

While these findings fall somewhat outside the scope of this paper, many informants pointed to city policies that have impeded coop development. Traditional funding mechanisms discriminate against businesses owned

by multiple parties. Jasmine Vasandani, the program manager of the initiative, explained how SBS's current emphasis on offering city contracts to minority and women-owned businesses has presented a challenge for worker-cooperatives. While many NYC coops ought to qualify for this prioritized procurement policy, coops' horizontal ownership structure makes it hard to prove that they are 100% owned by any *one* demographic. And rather than just one owner, each member-owner, in the case of coops, must go through a laborious certification process and each must have citizenship documentation to qualify for this certification. This is simply not feasible for already over-taxed coops working to uplift the most marginalized communities in NYC, many of whom are undocumented immigrants. There is also the barrier of scale. Many nascent coops simply cannot meet the demands of city-wide contracts at this stage of development (Vasandani).

Another barrier with municipal funding is that, like all recipients of city funding, money is allocated to initiative partners retroactively. For NYC NOWC and other smaller organizations that received city funding under this initiative, this presented a major funding challenge because they were not able to front the money. In NYC NOWC's case, this barrier usurped a quarter of their first year's efforts. While they were eventually able to secure a rolling line of credit, the City Council inadvertently created another iteration of the burden they were trying to curtail: ensuring access to start-up capital (Benson-Silva).

Conclusions:

Adherence to Cooperative Principles and Incubator Model's Best Practices:

I think the better way to analyze this question is to ask which (if any) cooperative principles are being represented in the NYC coop support network? In terms of the WCBDI, they are not focused on the proliferation and adherence to any of these values. Their concerns, as evidenced by the metrics and origin stories, are primarily with job creation and the eradication of poverty. Coop advocates and initiative partners aren't necessarily against these goals, but they ought to be viewed as longterm, positive spillover effects rather than immediate guiding principles. The initiative partners I spoke with admitted previous shortcomings in ensuring democratic control, but have worked to create greater opportunities for bottom-up leadership. They also exhibited an emphasis on inter-cooperation, education, and voluntary membership. The worker-cooperatives I interviewed were deeply entrenched in almost all of the cooperative principles. From democratic ownership and control to inter-cooperation and concern for the community, the coops represented here adhere to these guidelines even though many of them failed to evolve into living wage jobs for their member-owners. In order to ensure cooperative values are represented on a municipal scale, I would suggest that WCBDI create a forum or attend existing NYC NOWC Leadership Council meetings 1-2 times per year to hear directly from worker-owners about challenges, successes, and to pursue the following suggested metrics.

Future Metrics:

Cooperatives are social enterprises after all, so their impact extends beyond issues of wages and growth. Despite the current metrics being determined in collaboration with initiative partners and SBS, they are not an adequate evaluation of cooperative success. Having tested a number of metrics, I would like to suggest the following measures of evaluation for the WCBDI to utilize moving forward. Of the indicators I tested, I would recommend the slightly modified metrics of: # of community meetings attended in the last 12 months, hours/month spent partaking in unpaid work or favors for community members or organizations, and # of protests attended in the last 12 months. These social impact metrics proved very useful in gauging **how** worker-owners have an increased impact on their communities without discriminating against undocumented residents the way metrics like voter turnout or public benefits usage might. They also demonstrate the

revolutionary potential of NYC worker-cooperatives and their members. I would also suggest publishing "% worker-owner/ total hires" in order to underscore that the vast majority of employees are indeed worker-owners. It is my understanding that this data is already being collected, but publishing this percentage will center the issue of democratic workplaces. They should also find a way to track and incentivize instances of inter-cooperation. While the products and/or services are not always the cheapest option, the solidarity economy and worker-cooperatives will only be uplifted through cooperation, and the city council should recognize and support this aspect of cooperative principles.

Additionally, Vanessa, from the Center for Family Life, conducted research in 2010 around the psycho-social impact of coop membership with indicators about self-esteem, isolation, leadership, and advocacy (Bransburg). While job satisfaction measures showed high satisfaction with co-workers, hours, and leadership, the correlating psycho-social benefits of this greater satisfaction should be explored more thoroughly, as community building through shared ownership may show positive correlations longitudinally. Kate agreed that "soft metrics" like happiness, job security, and worker-empowerment were important factors for cooperative worker-owners.

In speaking with Pablo from NYC NOWC, it became apparent that even when internal research is conducted, there often isn't enough time or resources to publish any sort of final report or evaluation with the data collected. In order to prevent burdening developers with further reporting requirements, I would suggest WCBDI allocate a portion of future funding to hire research consultants or use dedicated WCBDI staff to collect qualitative data from worker-owners. In fact, Rebecca Lurie, a cooperative workforce development practitioner, worked on a proposal to track job satisfaction of coop members in NYC, but was unsuccessful in achieving funds for this important work. Tracking impact will allow the city and developers to advocate for greater funding and legislation moving forward, and this work should be subsidized through the initiative.

The United States Federation of Worker-Cooperatives is additionally conducting a survey in late 2017 to examine some of these alternative measures in a more robust way. Their survey includes questions about workplace decision-making and governance, job satisfaction, and social impact and its results may prove useful to NYC coop development. These data sets are already being collected, so an attempt should be made to access this info and ensure NYC research efforts aren't reinventing the wheel.

Additional suggestions for WCBDI:

This municipal approach to coop development provides a unique opportunity to advocate for longterm economic development and possesses greater power than any singular incubator could ever possess. I implore the WCBDI to actively advocate for the removal of barriers for coop development rather than simply fund outside organizations to provide direct services to newly formed coops. Beginning with internal transformation to ensure coops qualify for prioritized procurement and expanding to legislative reform solidifying and validating horizontal forms of ownership, the city has the power and resources to truly progress this form of economic development.

In order to achieve this, the funding must be expanded on the scale of other economic development initiatives in order to overcome the barriers of start-up capital, infrastructure development and negative public perceptions. According to the Citizens Budget Commission, a nonpartisan group that researches state spending, in Fiscal Year 2016, total state spending on economic development subsidies hit a record \$8.6 billion (Edwards and Friedfel). Locally, the Budget Report for the New York City Economic Development Corporation lists \$588,749,790 in Municipal Subsidies and Grants for Fiscal Year 2015 alone ("Budget Report"). According to the NYC Comptroller's Comprehensive Annual Financial Report, Fiscal Year 2016 saw \$1.3 billion in residential construction subsidies (Moses). In this context, WCBDI's \$6-7 million over 3 years

seems inconsequential. Because tax expenditures represent foregone revenue rather than direct expenditures, they are less scrutinized in budgetary negotiations (Dague, Jamison et al.). However, worker-cooperatives and their focus on resilient, local, dignified jobs are certainly a worthy investment for NY State. And expanding reporting and social impact metrics should certainly prove useful in this endeavor to secure additional funding for coop development.

Acknowledgements:

Many thanks to the worker cooperative members who participated in this research and the following informants who were consistently available to answer my unending questions and follow ups: Rebecca Lurie, Pablo Benson-Silva, Jasmine Vasandani, Vanessa Bransburg

And a special thanks to Dr. Steve London and Michael Rymer of the Murphy Writing Center for pouring over countless revisions. My paper is stronger because of your integral input.

Glossary:

WCBDI: Worker-Cooperative Business Development Initiative

CHCA: Cooperative Home Care Associates

ESOP: Employee-Stock Ownership Program

NYC NOWC: New York City Network of Worker Cooperatives

CEANYC: Cooperative Economic Alliance of New York City

SBS: Small Business Services

CFL: Center for Family Life

USFWC: United State Federation of Worker-Cooperatives

Bibliography:

Abell, Hilary. "Worker cooperatives: Pathways to scale." *Democracy Collaborative*, 2014, democracycollaborative.org/content/worker-cooperatives-pathways-scale.

"About: What is Social Impact?" *University of Michigan Center for Social Impact*, socialimpact.umich.edu/about/what-is-social-impact/.

Benson-Silva, Pablo. Personal interview. 21 Nov. 2017.

"Budget Report for New York City Economic Development Corporation." Public Authorities Reporting Information System, June 30, 2015, www.nycedc.com/sites/default/files/filemanager/About_NYCEDC/Financial_and_Public_Documents/NYCEDC_FY15_Budget_Report.pdf.

Chiaf, Elisa. "Social Impact Indicators Identification." *University of Brescia*, www.actsocial.eu/wp-content/uploads/2015/10/II-ricerca-Socialis-English.pdf.

"Co-operative Identity, Values, and Principles." *International Co-operative Alliance*, <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>.

"Creating Better Jobs and a Fairer Economy with Worker-Cooperatives." *Democracy at Work Institute*, institute.coop/sites/default/files/BetterJobs.pdf.

Dague, Jamison, Tammy Gamerman, and Elizabeth Lynam. "Bigger Not Better: New York's Expanding Economic Development Programs." *Citizens Budget Commission*, February 19, 2015, cbcny.org/sites/default/files/REPORT_NYSEconDev_02192015.pdf.

Dawson, Steven L., "Social Enterprise: Proceed, with Caution." *The Pinkerton Papers* (No. 4) 2017. www.thepinkertonfoundation.org/wp-content/uploads/2017/02/Pinkerton-Papers-No4-Dawson-FINAL-WEB.pdf.

Dickstein, Carla. "The Promise and Problems of Worker Cooperatives." *CPL bibliography* 6.1, 1991, [journals.sagepub.com/remote.baruch.cuny.edu/doi/pdf/10.1177/088541229100600102](http://journals.sagepub.com/remote/baruch.cuny.edu/doi/pdf/10.1177/088541229100600102).

Edwards, Riley and Dave Friedfel. "Increasing Without Evidence: NYS Economic Development Spending Update." *Citizens Budget Commission*, Sept 26, 2016, cbcny.org/research/increasing-without-evidence.

"Fifty By Fifty: An America that's home to fifty million employee-owners by 2050." *Fifty By Fifty*, www.fiftybyfifty.org/what-we-do.html.

Freeman, Richard B. "Job satisfaction as an economic variable." 1977.

Godard, John. "The exceptional decline of the American labor movement." *ILR Review* 63.1, 2009.

Haber, Michael. "CED after# OWS: From Community Economic Development to Anti-Authoritarian Community Counter-Institutions." *Fordham Urban Law Journal* (43:2) 2016.

Insera, Anne, Maureen Conway, and John Rodat. "Cooperative Home Care Associates: A Case Study of a Sectoral Employment Development Approach. Sectoral Employment Development Learning Project Case Studies Series." *The Aspen Institute*, 2002.

Jessica Gordon Nembhard, Michael Johnson, Jim Johnson, Len Krimerman, and Ajowa Nzinga Ifateyo. "Worker Cooperative Development Models and Approaches: A Brief Overview." *Grassroots Economic Organizing (GEO) Newsletter* (2:8) 2011.

Kennelly, James J., and Mehmet Odekon. "Worker Cooperatives in the United States, Redux." *Journal of Labor and Society* (19.2) 2016.

Kreiner, Sherman. "Sectoral Strategies in CED: Critical factors in the success of CHCA & Childspace." *Making Waves* (14:3) 2003.

Ludwig, Sarah and Cheyenna Weber. "Summary of Findings." *Cooperative Economics Alliance of New York City*, April 2014, gocoopnyc.com/wp-content/uploads/2015/04/CEANYC-Final-Report.pdf.

Lurie, Rebecca. Personal Interview. 14 Sept. 2017.

Luxemburg, Rosa, "Reform or Revolution." *Rosa Luxemburg Internet Archive*, 1900, <https://www.marxists.org/archive/luxemburg/1900/reform-revolution/ch07.htm>

Moses, Paul. "Amazon will expect subsidies. NYC's record on attracting jobs through incentives is mixed: The Seattle company is not just looking for extra space." *Crain's New York*, October 15, 2017.

NYC Small Business Services, "Working Together: A Report on the First Year of the Worker Cooperative Business Development Initiative." 2015, www1.nyc.gov/assets/sbs/downloads/pdf/about/reports/worker_coop_report_fy15.pdf.

NYC Small Business Services, "Working Together: A Report on the Second Year of the Worker Cooperative Business Development Initiative." 2016, www.nyc.gov/html/sbs/downloads/pdf/working-together-fy16-local-law-22-report.pdf.

"Overview: Worker Cooperatives." *Democracy Collaborative*, www.community-wealth.org/content/worker-cooperatives.

Rinehart, Joe. "Building Resilient Sustainable Economies via the Cooperative Sector and Flexible Specialization: Lessons from the Emilia Romagna Region of Italy." *Appalachian State University*, 2009.

Sapovadia, Vrajlal K., and Akash Vajubhai Patel. "What Works for Workers' Cooperatives? An Empirical Research on Success & Failure of Indian Workers' Cooperatives." *Munich Personal RePEc Archive*, April 12, 2014, mpra.ub.uni-muenchen.de/55225/2/MPRA_paper_55225.pdf.

Scher, Abby. "Solidarity, PA." *Dissent* (62:1) 2015, www.dissentmagazine.org/article/reading-pa-solidarity-economy.

Schlachter, Laura Hanson. "Stronger Together? The USW-Mondragon Union Co-op Model." *Labor Studies Journal* (42.2) 2017, [journals.sagepub.com/remote.baruch.cuny.edu/doi/pdf/10.1177/0160449X17696989](http://journals.sagepub.com/remote/baruch.cuny.edu/doi/pdf/10.1177/0160449X17696989).

"Services." *New York City Network of Worker-Cooperatives*, nycworker.coop/services/.

Sullivan, Richard. "Why the labor movement is not a movement." *New Labor Forum*. (19:2) SAGE Publications, 2010.

"The Cooperative Economy: A Conversation with Gar Alperovitz" *Orion Magazine*, 2014, www.garalperovitz.com/2014/06/cooperative-economy-conversation-gar-alperovitz/.

"US Worker Cooperatives: A State of the Sector." *Democracy at Work Institute*, institute.coop/sites/default/files/resources/State_of_the_sector_0.pdf.

Vasandani, Jasmine. Personal interview. 2 Oct. 2017.

Wolff, Richard D. "Democracy at work: A cure for capitalism." *Haymarket books*, 2012.

"Worker Ownership." *United States Federation of Worker-Cooperatives*, www.usworker.coop/what-is-a-worker-cooperative/. Accessed 11/27/17.

"Workers to Owners: 2017 Annual Impact Report." *Democracy at Work Institute*, <https://institute.app.box.com/v/2017W2OAnnualImpactReport>.