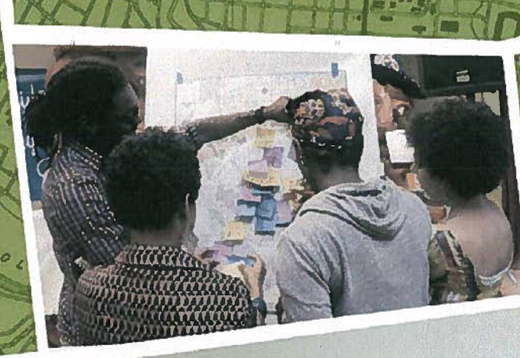
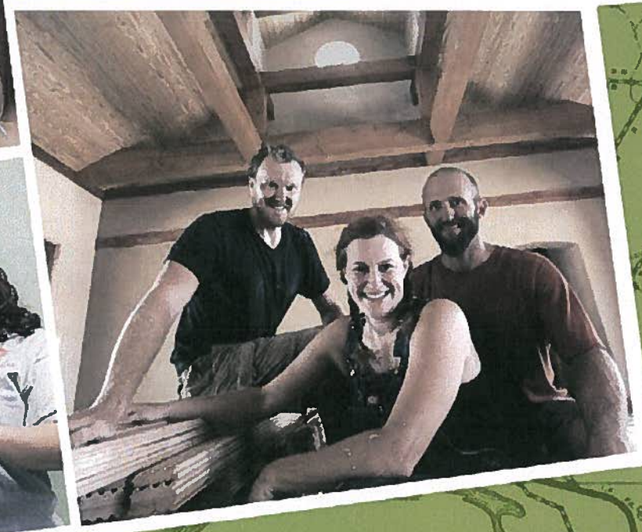
BEYOND BUSINESS AS USUAL

Putting cooperation to work in Austin, Texas

COOPERATION TEXAS







AUSTIN

ACKNOWLEDGEMENTS

This report is three years in the making, emerging from extensive conversations within the cooperative movement in Austin. First and foremost, this report would not have been possible without the core members of the Cooperation Texas research team, including George Cheney, Donald Jackson, Rich Heyman, and Carlos Pérez de Alejo. It would also not have been possible without generous funding from both the Surdna Foundation and the Nathan Cummings Foundation. These funds were critical in supporting staff and interns to gather and analyze data, engage and survey all relevant area organizations, and conduct a variety of interviews and discussions. We had a number of interns and volunteers who made significant contributions to the report, including Andres Bernal, Juana Guzman, Amy Price, Zach Quin Haller, Brad Romeo, Amelia Hetherington, Priyanka Thupili, and Ashley Hernandez. The cooperative community played a crucial role in making this report happen, especially Black Star Co-op, Wheatsville Food Co-op, Austin Cooperative Business Association, Dahlia Green Cleaning Services, Red Rabbit Cooperative Bakery, 4th Tap Brewing Co-op, Polycot Associates, Earthbound Builders Collective, ICC, and College Houses. We would also like to thank Melissa Hoover of the Democracy at Work Institute for writing the foreword, Jessica Gordon Nembhard for her guidance on measuring economic impacts, and Robert Jensen for his critical feedback. And last but not least, the staff and board of Cooperation Texas.

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I. FOREWORD

MELISSA HOOVER

Executive Director of the Democracy at Work Institute

When New York City Mayor Bill DeBlasio called worker cooperatives "inherently important allies and partners in the effort to fight growing income inequality," on the heels of allocating $1.2M and signing legislation to require the city's economic development arm to track municipal support of worker cooperatives in March 2015, he issued a clarion call to cities around the country to get serious about equitable economic development.

He was not alone. Not to be outdone by New York, the Mayor of Madison, Wisconsin – a city similar in many ways to Austin – then allocated $5 million of his capital budget to support worker cooperative development. In September 2014, the city of Denver closed on a $1.2 million loan to Re:Vision to support the development of a food cooperative (and related projects) in the city's Westwood neighborhood, a loan that the Office of Economic Development called "essentially a grant, so long as a community benefit of food access is provided to residents for at least 20 years."[1]

What is happening in America's cities? Faced with rising inequality, unprecedented displacement of people of color from urban cores, and federal and state governments deadlocked or in thrall to big money, cities across the country are flexing their local muscle to solve big problems. They are innovating. They are prioritizing truly local economies. They are using municipal resources to maximize broad-based community benefit in real and sustainable ways.

Beyond Business as Usual brings Austin, Texas to the table. A city rich in cultural assets, teeming with localist pride, riding the wave of a booming tech economy, fast-growing Austin sits on a precipice. It can pursue a path that deepens its tragic history of racial segregation and systematized economic exclusion. Or it can harness these strengths to create prosperity for all its residents, a broad-based prosperity rooted in values of equity and cooperation.

But how to do this? The authors of Beyond Business as Usual have a clear set of recommendations: start with what's strong and make it stronger. The density, longevity and diversity of cooperative business enterprises in Austin is enviable – and powerful. Take the purchasing power of these cooperatives, combine it with their commitment to cooperation among cooperatives, and use this as the cornerstone of a local economic development strategy. Add supportive policy and city funding to strengthen associations and technical assistance providers, bring some training resources to the table, and watch a cooperative economy take root, building and anchoring local wealth.

This is no idle speculation: the authors have proof of concept. The stable growth of longtime Austin cooperatives in the food, housing and credit union sectors is evidence that it's possible to grow thriving businesses centered on multiple bottom lines that include member benefit and concern for community. Cooperation Texas' enviable track record incubating successful worker cooperatives shows that this shared entrepreneurship form can be consciously leveraged for the benefit of a city's most vulnerable residents – low-wage service workers, recent immigrants, contractors and other precarious workers.

1. *http://community-wealth.org/content/city-halls-help-plant-seeds-community-co-ops*

Today worker cooperatives across the country – even across the world, as the authors point out – are formed to create access for those locked out not just of good jobs, but of any jobs. A new generation of worker cooperatives are using the cooperative business form not to exit the economy, but to enter it, and to do it on their own terms, driven by a set of cooperative values and principles that expand the purview of business to include worker and community benefit.
A healthy city includes all its residents in its growth and prosperity – the ones who clean its houses and cook its food alongside the ones who brew its beer and write its software. A growing body of research and experience points to the powerful positive impact of worker ownership in increasing productivity, job satisfaction and company performance[2], raising industry standards in low-wage work[3], even positively affecting public health[4].

Austin has a chance to be that healthy city, to build an ecosystem of support that allows all residents the opportunity to thrive. All of the actors in the city – from city government to the university to small business support organizations to financial institutions to community based organizations to the cooperative community itself – have a role to play in creating this ecosystem to support shared entrepreneurship.

The visionary authors of *Beyond Business as Usual* can see this potential for Austin to become a cooperative economic powerhouse. From my vantage point at a young and growing national organization supporting worker cooperatives, I can see it too. I see it in the five U.S. cities that have dedicated funding and staff to building community wealth through cooperative development. I see it in the dozen more that are exploring the idea. I see it in the eyes of former contract and low-wage workers who proudly own their own businesses, contributing to the vitality of the city's small business community. I see it in the dedicated work of Cooperation Texas and their many allies. I invite you to dig in to Beyond Business as Usual to fire your imagination and begin to envision growing an Austin economy powered by shared entrepreneurialism, deep values of localism and equity, and the $25 million in local revenue that Austin cooperatives generate every year.

2. *ESOP literature summary: http://www.nceo.org/articles/research-prevalence-effects-employee-ownership*
3. *Cooperative Home Care Associates: http://phinational.org/blogs/commentary-raise-floor-low-wage-workers*
4. *Emilia Romagna, Italy: http://www.oeockent.org/download/cooperatives/journal-of-cooperative-thought-and-practice-vol1-no1.pdf.pdf*

PREFACE

In the midst of ongoing social and economic insecurity, fueled by widespread unemployment, a rising cost of living, and program budget cuts, many people are seeking solutions that go beyond business as usual. From Cleveland, Ohio, to Richmond, California, cities across the country are developing worker-owned cooperatives as the basis of a growing "new economy" movement, and Austin is playing a leading role, becoming a "hotbed of the cooperative economy."[1]

Cooperatives have a long, rich history in Austin, playing an integral role in shaping the city's social, economic, and political landscape, yet there is still widespread confusion about the model, particularly about worker cooperatives. For more than 150 years, worker-owned cooperatives have been a powerful vehicle for addressing social, economic, and environmental problems, and have thrived in industries ranging from healthcare to high tech. As members of a cooperative, workers share an equal financial stake in the business, have a direct say over key decisions that affect their workplace, share the profits and losses equitably among themselves, and enjoy the dignity and security that comes with having more ownership and control over their lives — on and off the job.

Worker-owned businesses are growing in Austin, but despite their proven track record for providing dignified, stable jobs, they have remained relatively limited in scope and impact in relation to the metropolitan area's broader cooperative economy.

Worker-owned businesses are growing in Austin, but despite their proven track record for providing dignified, stable jobs, they have remained relatively limited in scope and impact in relation to the metropolitan area's broader cooperative economy. *Beyond Business as Usual* aims to draw on best practices from the most dynamic worker cooperative networks in North America and abroad, identify the economic needs and impact of existing local cooperatives, and apply lessons learned toward the creation of a more robust worker cooperative sector — and by extension, a stronger cooperative economy — in the City of Austin.

Beyond Business as Usual puts the current status and potential of worker cooperative development within the context of growing social and economic



Jessi Koch, a member of the Board of Directors at Cooperation Texas, tabling at the organization's fifth year anniversary celebration

inequality in Austin. The report pays close attention to how race and class have shaped the trajectory of the city's recent economic growth, and how worker co-ops can become a vehicle for a more equitable model of community economic development.

Growing out of a series of meetings between Cooperation Texas, the Austin Cooperative Business Association, and several professors from the University of Texas, this report is guided by the following goals:

- To measure the current economic impact of the various sectors of the local cooperative economy in Austin.
- To leverage unmet business needs and opportunities within existing cooperatives in Austin to start and strengthen worker-owned businesses.
- To build a robust infrastructure favorable to worker cooperative development, including increased access to capital, more public awareness, favorable local and state policies, and more professional service providers.
- To develop practical, achievable strategies to create worker cooperatives among low-income workers.
- To assess existing worker cooperative development strategies in North America and abroad, adapting best practices to local conditions in Austin.
- To document and evaluate this innovative development strategy with the aim of sharing it with worker cooperative groups in other cities and localities for possible replication and adaptation.

To achieve these goals, Cooperation Texas established a research team to conduct interviews, focus groups, surveys, as well as an extensive literature review, all guided by the following research questions:

1. What practical lessons for long-term success can be drawn from existing cooperative networks in North America and elsewhere?
2. What is the measurable economic impact of the various sectors of the cooperative economy in Austin, Texas, and their relationship to the broader economy?
3. Where are possibilities for creative but targeted expansion of the worker cooperative sector within the existing cooperative economy in Austin?
4. What are the main economic, political, and social-cultural barriers to growth for the worker cooperative sector in Austin and how can they be overcome?
5. What is the mid-to-long-term potential for the cooperative economy in Austin, especially considering factors related to scale and long-term success?

EXECUTIVE SUMMARY

Austin is growing rapidly, attracting a wave of new residents and widespread praise for its remarkable recovery from the Great Recession. In local and national rankings, Austin is frequently touted as one of the best cities in which to live, work, play, and invest. On the road to recovery, however, many have been left behind. Alongside the city's celebrated economic growth, Austin has witnessed growing social and economic inequality, inspiring renewed interest and activity in cooperative economic development — particularly worker-owned cooperatives — as an alternative to "business as usual."

Austin is growing rapidly, attracting a wave of new residents and widespread praise for its remarkable recovery from the Great Recession.

This report explores the history, current impact, and potential of the cooperative economy in Austin, drawing on lessons learned from the most successful cooperative economies in the US and abroad to create a comprehensive strategy for growing worker cooperatives within the city. Based on over a year of research, *Beyond Business as Usual* examines the nature and benefits of the cooperative model in and outside of Austin, identifying barriers and opportunities for worker co-op development.

Beyond Business as Usual also takes a close look at the growing economic divide in Austin and how worker cooperatives can play a role in addressing these conditions as part of a more equitable approach to community economic development. Through focus groups, interviews, surveys, a review of relevant literature, as well as the experience of Cooperation Texas, key findings from the report include:

- **Cooperatives have a long, rich history in Austin**, cutting across multiple generations, industries, and geographic locations in the city. Since the founding of the University Co-op in 1896, cooperatives have provided a wide range of goods and services to the city, including affordable housing, organic food, books, athletic wear, mortgage and car loans, auto repair, natural building, access to screen printing equipment, personal loans, web development, baking, residential green cleaning, and beer brewing.

- **Cooperatives generate significant economic activity in Austin**, accounting for 43 firms with 716,856 members, employing 2,402 people, generating over $1 billion in total revenue, and $7,7 billion in total assets.

- **Worker cooperatives are growing in Austin.** In the past 5 years, the city has witnessed the launch of five new worker cooperatives, with more in development, in industries ranging from residential cleaning to web development.

- **Worker cooperatives offer a range of social and economic benefits**, including dignified, local jobs, increased access to business ownership, resiliency during tough economic times, more opportunities for personal and professional growth for workers, all while keeping goods and services tied to the local economy and community. Worker cooperatives also offer a unique business model for building wealth and economic security in working class communities and communities of color.

- **The practice of "cooperation among cooperatives" is one of the core strengths of Austin's cooperative economy,** taking a variety of forms, from prioritizing business with other cooperatives to the recent formation of the Austin Cooperative Business Association.



Members of 4th Tap Brewing Co-op celebrate the legal formation of their cooperative.

- **Cooperatives face a number of barriers to growth**, including greater access to capital, lack of attorneys and accountants familiar with the cooperative model, limited training and education opportunities, as well as the persistent perception of cooperatives as exclusively white institutions.

To expand worker cooperatives in Austin, and by extension the cooperative economy as a whole, this report recommends:

1. **Anchoring worker cooperative development within the existing cooperative/local economy.** There is considerable potential for strategically leveraging the purchasing power of established Austin cooperatives, locally-owned businesses, and "anchor institutions" toward worker cooperative development, keeping jobs and dollars, goods and services, rooted in the local economy.

2. **Strengthening local co-op associations and development organizations.** A strong cooperative support infrastructure has been a key factor in creating successful cooperative economies in and outside the US. Creating a better support system for worker cooperative development in Austin would include city funding to support worker cooperative development, as well as increasing membership in the Austin Cooperative Business Association and the US Federation of Worker Cooperatives.

3. **Creating worker co-op-friendly public policy and tax incentives.** Worker cooperatives, and cooperatives in general, are a growing part of the small business community in Austin, yet have received little recognition or support from city officials or departments. The city could facilitate worker cooperative development by recognizing worker co-ops in the city's MBE/WBE Procurement Program, creating a fund to provide start-up capital to worker-owned businesses, and make worker co-ops a preferred contractor for the city.

4. **Converting existing businesses into worker cooperatives.** Austin has a growing senior population, with many business owners reaching retirement age. Converting local businesses into worker cooperatives would preserve local jobs and extend access to business ownership for a broader number of Austinites, thus building capacity among struggling communities in our area.

5. **Expanding education, training, and research programs for worker cooperatives.** Creating a more supportive environment for worker cooperatives to grow and thrive will require deepening public knowledge of and experience with worker cooperatives, particularly among workers, consumers, financial institutions, professional service providers, and city officials.

6. **Increasing sources of capital for worker cooperatives.** Limited access to capital is one of the main barriers facing the worker cooperative movement in and outside of Austin. In order to expand worker-ownership in Austin, we need to develop our financing infrastructure locally, prioritizing self-financing vehicles from within the cooperative sector as a whole.

CHAPTER 1. CO-OP 101
AN INTRODUCTION TO THE COOPERATIVE MODEL

In the wake of the Great Recession of 2008, public interest in worker-owned cooperatives has soared. From Jackson, Mississippi, to San Francisco, California, communities across the U.S. are embracing worker-owned enterprises as a critical response to ongoing social, economic, and environmental insecurity. The inspiring growth in worker co-op activity has generated substantial media coverage, including features in *The New York Times*, *Wall Street Journal*, *Fast Company*, *Time*, and *The Economist*, to name a few.[2] A growing number of city governments, including Richmond, California, New York City, and Cleveland, Ohio, have provided direct assistance to support the growth of worker cooperatives.[3] In Austin, the city has become home to five new worker-owned businesses in the past five years, with more in development, in industries ranging from residential cleaning to web development.

Despite growing visibility, however, there is still widespread confusion about worker cooperatives in particular and the cooperative business model in general. To gain a better understanding of worker cooperatives, this chapter will explain the cooperative model as a whole, with an emphasis on worker-ownership.

Cooperatives 101: Who owns it? Who controls it? Who benefits?

In many ways, a cooperative is not unlike most small businesses. Cooperatives sell a product or service to the public, incorporate with the state, pay taxes, and seek to make enough money to support the business and its owners. However, cooperatives are distinctive in three main regards: ownership structure, democratic control, and member benefit.

A cooperative is a business that is owned and governed by its members — the people who live, work, or shop at the co-op. Instead of being driven solely by profit, or *the* bottom-line, cooperatives are often guided by a "triple bottom line," measuring success not simply by the money they earn, but by the well-being of their members, their sustainability as a business, and their overall contribution to the communities and environment in which they operate. Cooperatives can be found in a wide range of industries across the country and around the world — from grocery stores in Austin to manufacturing plants in the Basque region of Spain.

MONDRAGÓN COOPERATIVE CORPORATION

The largest single system of worker-owned businesses in the world is the Mondragón Cooperative Corporation in the Basque Country, Spain. Founded in 1956 as a personal project of José Arizmendi, a Basque priest interested in both economic redevelopment and justice after lean years following the Spanish Civil War, the cooperative system has grown to over 85,000 employees and is now the seventh largest private firm in Spain. The system as a whole includes its own university, bank, housing, and an industrial core of cooperatives in construction, finance, technological, consumer, and social service. There are several lessons from this international





The founding members of Dahlia Green Cleaning Services, from left to right: Brenda Jiménez, Cyndi Jiménez, Eva Marroquín, Maria Muñoz.

success story for our efforts in Austin, especially in terms of community networks, infrastructure building and adaptation to changing market conditions. With all of our case examples in this report we will highlight connections to experiences and possibilities here in Austin.

As members of a cooperative, people have a direct say over key decisions that affect the business, typically on a "one member, one vote" basis, share profits and losses equitably among themselves, the co-op, and the community, and enjoy the dignity and security that comes with having a direct financial stake and a meaningful voice in what is ultimately *their* business.

Unlike conventional private enterprises, cooperatives as a whole are driven by a common set of values and principles

Unlike conventional private enterprises, cooperatives as a whole are driven by a common set of values and principles designed to ensure that the social side of business has an equal standing with the bottom line. For more than150 years, cooperatives around the globe have operated according to the "Cooperative identity, values and principles," developed by the International Cooperative Alliance (ICA), "an independent, non-governmental organization established in 1895 to unite, represent and serve cooperatives worldwide."

ICA Statement on the Cooperative Identity

DEFINITION

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Cooperatives are based on the values of **self-help**, **self-responsibility**, **democracy**, **equality**, **equity** and **solidarity**. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The cooperative principles are guidelines by which cooperatives put their values into practice.

Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

1. **Democratic Member Control:** Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

2. **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

3. **Autonomy and independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

4. **Education, Training and Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

5. **Co-operation Among Cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

6. **Concern for Community:** Cooperatives work for the sustainable development of their communities through policies approved by their members.

Although not yet an established principle for cooperatives, the values of environmental sustainability and stewardship have been increasingly embraced by cooperatives worldwide and were prominently discussed in conferences during the United Nations' International Year of the Cooperative in 2012.[4]

Over one billion people around the globe are members of cooperatives of various types.[5] According to recent estimates, cooperatives account for at least 250 million jobs internationally, representing nearly 9% of the world's employed population. In light of the "contribution of cooperatives to socio-economic development, particularly their impact on poverty reduction, employment generation and social integration,"[6] the United Nations General Assembly declared 2012 the International Year of Cooperatives under the theme, "Cooperative Enterprises Build a Better World."

In the United States alone, there are nearly 30,000 cooperative businesses. These businesses provide close to 1 million jobs, representing $25 billion in wages, holding more than $3 trillion in assets, and generating over $650 billion in revenue.[7] The U.S. is home to some of the largest and most recognizable co-ops in the world, including Ocean Spray, Land O' Lakes, and Nationwide Mutual Insurance.

Over the years, countless people have turned to the cooperative model as a way to address a host of community needs, including access to quality health care, affordable housing, healthy food, good jobs, and secure financial services. To satisfy these needs, people have formed or joined four different types of cooperatives, each jointly owned and democratically controlled by their members, for the benefit of their members, yet distinct in terms of who constitutes the membership.

Consumer Cooperatives

A consumer cooperative is a business that is owned and democratically governed by its customers, for the benefit of its customers and the wider community. Consumer co-ops are by far the largest sector of the cooperative economy in the US, representing over 90% of the total number of firms.[8] Across the country, there are a variety of companies owned and governed by their customers, including credit unions, utility companies, grocery stores, insurance companies, outdoor equipment companies, and art studios.

To become a member/owner of the co-op, consumers buy an equity share at an equal amount determined by the membership itself. As members with an equal stake in the business, one of the main ways that consumers exercise democratic control in the co-op is by electing their fellow consumer-members to serve on the board of directors, which determines the strategic direction of the company. Unlike a corporation, where profits are distributed to owners based on their level of investment, consumer cooperatives distribute their profits — or what is called surplus — to their members, based on how often they *use* the co-op, or the surplus is invested back into the business to provide more benefits to their members, such as better interest rates in the case of a credit union or discounts on groceries in the case of a food co-op.

CONSUMER CO-OP CASE STUDY: WHEATSVILLE FOOD CO-OP

Wheatsville Food Co-op is a consumer-owned cooperative grocery store, serving the Austin community since 1976. Now with two locations in central and south Austin, Wheatsville is the only retail food co-op in Texas and has more than 16,000 members.

To become a member of Wheatsville, consumers make a one-time investment of $70, which makes them eligible to vote in annual elections, run for a seat on the board of directors, receive discounts on goods at the store, and a portion of surplus during profitable years according to how much they have spent at the co-op. During annual elections, members not only vote for who amongst them will serve on the board, but for which local non-profits will receive donations from Wheatsville, and any other ballot initiatives put forth by members.

To keep its members informed, Wheatsville distributes a bi-monthly newspaper called "The Wheatsville Breeze," featuring upcoming events, new and popular goods at the store, recipes, and other activities related to the cooperative economy.

Part of Wheatsville's long-term vision, determined by the board of directors, is to support the growth of the cooperative economy in Austin. Wheatsville prioritizes doing business with other cooperatives, locally and otherwise, and is a member of the Austin Cooperative Business Association and the National Cooperative Business Association. The co-op is also involved in the community. Wheatsville staff volunteers for local organizations and the co-op contributes a percentage of sales on Wednesday's to ten local non-profits throughout the year.

Producer Cooperatives

A producer cooperative is a business that is owned and controlled by independent producers, for the benefit of its producers and the wider community. Producer cooperatives are typically formed by independent farmers, artists, fishermen and other groups who pool their resources to process, market, and distribute their products through the co-op. As members of the co-op, independent producers can achieve economies of scale, reduce the cost of production, access a broader market, increase their bargaining power, and improve the quality of their products and services.

To become an owner of the co-op, producers buy an equity share at an equal amount determined by the membership, which enables them to vote on who among the members will serve on the board of directors, and potentially receive a portion of the surplus during profitable years according to how much they produce for the co-op.

PRODUCER CO-OP CASE STUDY: AUSTIN SCREEN PRINTING COOPERATIVE

Founded in 2010, the Artists Screen Printing Cooperative (ASPCO) is a screen printing studio and workspace owned and democratically-controlled by producers — the artists and designers who use the co-op to collaborate on specific projects and/or create original works. Housed in a 1600 sq. foot studio in Austin, Texas, ASPCO was created "to provide members in the screen printing community an affordable way to create their artwork while maintaining control over the process, as well as a place to collaborate with others."

Artists and designers can join ASPCO by choosing from three tiers of membership: Artist Members, Associate Members, and Monthly Members. According to ASPCO's website, "Artist Members make up the highest tier, with the most rights and responsibilities, being made up of Members who use the Co-op facilities the most. Associate Members have fewer responsibilities and use the facilities less. Monthly Members access the facilities on a periodic basis." As members of the co-op, artists and designers get to elect the Board of Directors on a "one member, one vote" basis. The Board is composed of six members and is responsible for determining co-op policies and managing the daily operations of the business.

By pooling together their resources, members of ASPCO are able to enjoy the benefits of having access to a sizable studio with professional equipment, discounts on studio workshops, opportunities to sell their products at ASPCO studio events, collaborate with other artists, exposure to a broader market than they would be able to achieve on their own, and the potential to share in the surplus during profitable years. ASPCO also offers screen printing classes, artist talks, and gallery exhibits to the general public.



Worker Cooperatives

A worker cooperative is a business that is equally owned and democratically governed by its workers, for the benefit of its workers and the wider community. Worker cooperatives exist in virtually every industry imaginable across the country and around the world, including service, technology, manufacturing, engineering, construction, food, agriculture, the arts, and law. As members of a co-op, workers tend to earn higher wages, build more wealth, enjoy better working conditions, practice democracy in the workplace, and deepen their personal and professional skills.

To become a member of a worker cooperative, workers typically go through a probationary period ranging anywhere from six months to several years, depending on the nature and size of the business, and buy an equity share at an equal amount determined by the membership. Once they become a member, workers become fully integrated into the decision-making process, usually according to the principle of "one worker, one vote," and have the potential to share in the surplus, which is distributed based on hours worked, seniority, or other criteria established by the members themselves.

WORKER COOPERATIVE CASE STUDY: DAHLIA GREEN CLEANING SERVICES

Founded in June 2012 by four women with common economic needs, Dahlia Green Cleaning Services is the first worker-owned green cleaning cooperative in Austin, Texas. Having experienced a range of abuses in the cleaning industry, including low-wages and the use of toxic chemicals, the founding members of Dahlia set out to create a more just and sustainable business model for themselves, their families, and their community.

Any worker can become an owner of Dahlia, as long as they are willing to meet the requirements of membership. To become a member at Dahlia, workers must invest $400, work at the cooperative for at least six months, and be approved by the majority of current members. As members of the co-op, workers are part of the board of directors, where they have a voice and a vote on major business decisions, earn $15/hour, and share in the surplus during profitable years according to hours worked. Members also receive training in green cleaning and the worker cooperative model.

Since its inception, Dahlia has been active in the cooperative movement and in the Austin community. Members of Dahlia have participated in cooperative conferences at the local and regional level; are members of University Federal Credit Union; clean the offices of College Houses, a student housing cooperative in Austin; and play an active role in supporting workers rights as members of the Workers Defense Project, an Austin-based workers' center. Dahlia's commitment to the Austin community is clear: "Our mission is to create jobs with fair wages and equal opportunities, for the benefit of our members and our families. We are committed to providing a quality service that ensures the welfare of our customers and the environment."

Dahlia
Green Cleaning Services

Multi-Stakeholder Cooperative

A multi-stakeholder cooperative is a business that is owned and/or democratically governed by two or more "stakeholders," or membership classes, including workers, consumers, producers, volunteers, or community allies. Most multi-stakeholder cooperatives can be found in Europe and Canada, although there is growing interest in the model in the U.S.[9] Formed to achieve a social purpose, multi-stakeholder cooperatives are more common in industries such as health care, social services, and child care. Balancing the interests of multiple parties, multi-stakeholder cooperatives elevate the principle of "concern for community," weaving together the voices, needs, and aspirations of the people most directly affected by the cooperatives' daily operations.

Formed to achieve a social purpose, multi-stakeholder cooperatives are more common in industries such as health care, social services, and child care.

The process for becoming a member of a multi-stakeholder cooperative varies depending on the class of membership. Multi-stakeholder cooperatives must make clear distinctions between the rights and responsibilities of the different membership classes in terms of the composition of the board of directors, the management structure, and member benefits — particularly how the surplus is distributed.

MULTI-STAKEHOLDER CASE STUDY: BLACK STAR CO-OP PUB & BREWERY

Black Star Co-op Pub & Brewery opened its doors to the public in September 2010 as the first consumer-owned and worker self-managed brewpub in the United States. Based in Austin, Texas, Black Star brews its own beer onsite, prioritizes other craft breweries on their tap wall, and serves locally sourced and sustainably produced "Texas Pub Fare."

Ownership of the cooperative is limited to its consumers, who invest $150 to become a member, but the board of directors is composed of both workers and consumers. The consumer-owners, who together form the "Members Assembly", elect a nine seat Board of Directors, which reserves three seats for workers. The Board of Directors, composed of both workers and consumers, is responsible for overseeing the "Workers Assembly," which collectively manages the daily operations of the co-op.

The Workers' Assembly is divided into four autonomous work teams — Beer Team, Kitchen Team, Pub Team, and Business Team — with each responsible for their particular area of the business. Each team elects a leader to facilitate communication, performance, and overall operational issues that affect their team. However, issues that affect all workers, such as remuneration and structure, are decided on by the Workers' Assembly as a whole. The Workers' Assembly also elects a liaison to the Board of Directors to ensure accountability between the governance of the co-op and daily operations. Black Star currently employs 27 workers, 18 of whom are voting members of the Workers' Assembly. In order to become a voting member of the Workers' Assembly, new employees must complete a one-year apprenticeship period.



Since its founding, Black Star has become a nationally-recognized brew pub with more than 3,000 members. The success of the co-op has inspired others to form cooperatively-owned brewpubs around the country, from Grand Rapids, Michigan, to San Jose, California. Black Star is the first brew pub to become certified LEED Gold by the U.S. Green Building Council, and in 2013 the co-op was included in the *ROC UNITED Diners' Guide to Ethical Eating* for its commitment to fair labor practices.

Outside the brew pub, Black Star plays an active role in the Austin community and the cooperative movement. Each year, members vote on four local non-profits they would like Black Star to support, which can take a variety of forms, from volunteering to hosting fundraisers. As a democratic workplace, Black Star is a member of the US Federation of Worker Cooperatives, and the Austin Cooperative Business Association.

Conclusion

The cooperative business model offers a unique pathway toward sustainable economic development, with increasing relevance in light of the ongoing crises in our economy and the environment. Rather than being accountable to outside shareholders, whose primary interest lies in maximizing profit, cooperatives are community-oriented businesses designed to satisfy the needs of their members — the people who own and control the business. Because co-ops are owned by members of the local community, they create stable jobs, as well as a variety of goods and services, that are rooted in the local community. Because of their orientation towards the larger society and to an increasing extent the environment, cooperatives are especially well suited for transforming our current economy toward a more just and sustainable future.[10]

CHAPTER 2.
WHO'S RECOVERY? INEQUALITY AND WORKER COOPERATIVES

After the country's worst economic crisis since the Great Depression, Austin has experienced a remarkable economic recovery relative to other major cities.[11] In local and national rankings, Texas' capital is consistently celebrated as an exceptional place to live, work, play, and invest.[12] The city's economic growth, along with its liberal reputation and renowned music scene, has attracted a massive influx of new residents in recent years, positioning Austin as the fastest growing large city in the country.[13] But there are those who have been left behind during the city's growth. This chapter will explore the growing social and economic divide in the City of Austin and how worker cooperatives can play a significant role in addressing these conditions as part of a more equitable approach to community economic development.

The growing divide in Austin, Texas

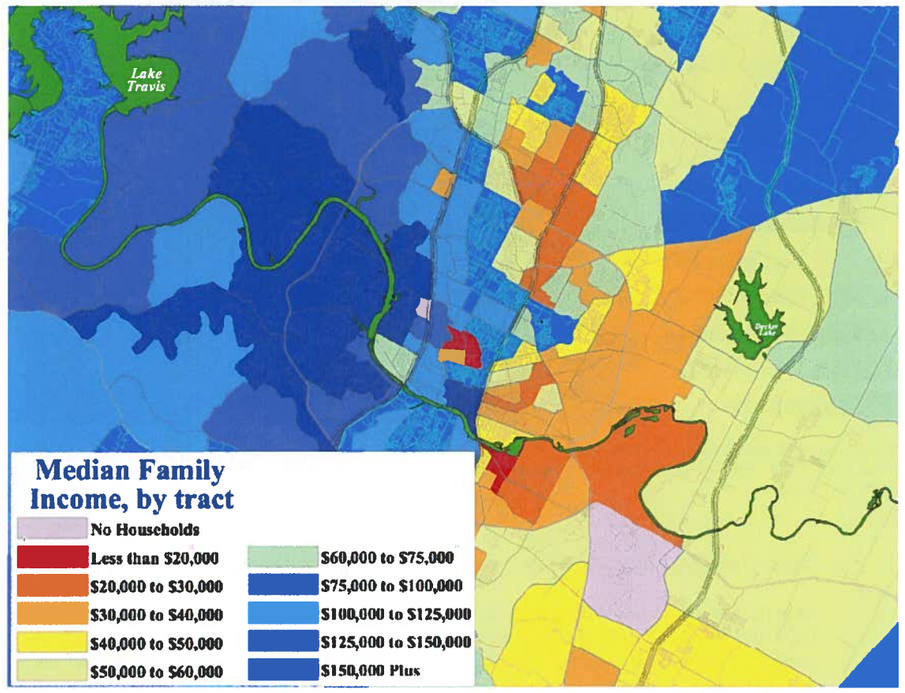
Austin's explosive growth in recent years has been coupled with growing inequality. In a recent study by Richard Florida of U.S. cities with the highest levels of income segregation "where the rich live with the rich, and the poor live with the poor," Austin ranked 10th among large metro areas. Segregation in Texas' capital, by no means limited to disparities in income, is deeply rooted in the city's history of segregation and dramatically defined by I-35, with a distinctly affluent west side of the highway and a comparatively poor east side. Florida's study found that the bulk of Austin residents making above $100,000 tend to live among other high-earning households in suburban neighborhoods west of downtown, while those residents living in households with less than $34,000 in annual earnings tend to be concentrated in low-income neighborhoods east of the interstate.

The geographic concentration of poverty and unemployment in Austin matches current trends in income segregation. Although overall unemployment has declined consistently since the onset of the Great Recession — from a peak of 6.9% in 2010 to 4.3% in 2014 — there are areas of east Austin where unemployment remains well above 10%.[14] The majority of people living in poverty in the city are also concentrated east of I-35, and their numbers have grown over the years. According to a recent report by the Brookings Institution, Austin has the second-largest percentage increase in poverty among the biggest 100 U.S. cities, with an over 70% increase in a little over a decade.[15]

Austin's tech-driven economic boom has generated the fastest job growth of all large metros in the country, yet the benefits have been uneven at best. While the city topped all large metros in its rate of high-wage job growth — at an impressive 11% from 2009-2013 — Austin also stands out as a leader in low-wage job growth during the same period, second only to Houston.[16] The city's increasing number of new arrivals has boosted demand for service-oriented jobs, particularly leisure and hospitality services, which generally pay low wages, offer few if any benefits, and require less skills than the "creative class" jobs that are helping fuel the boom in this more precarious service work.

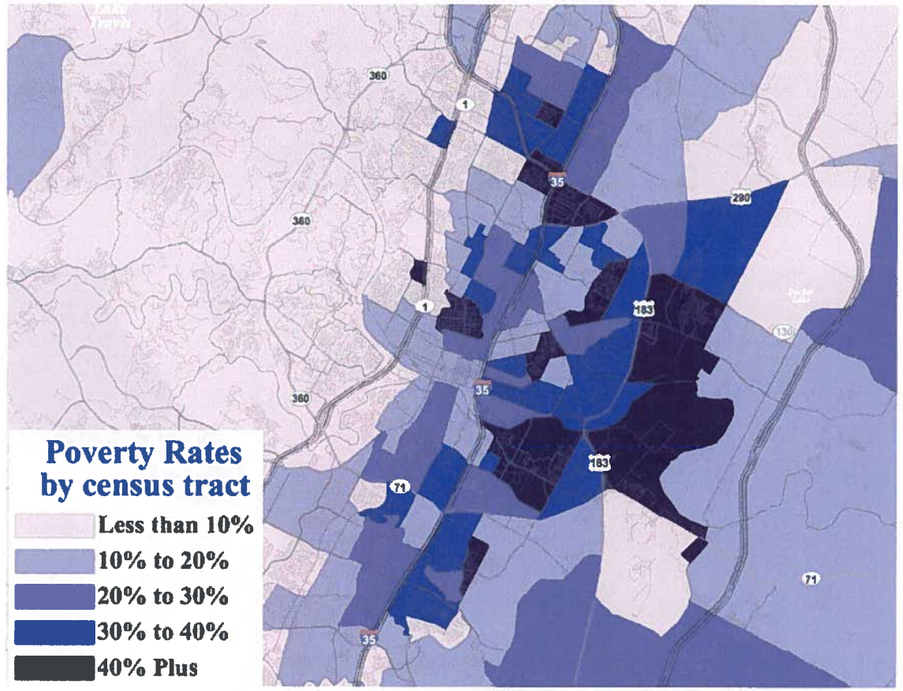


Participants discuss race, wealth,and worker-ownership at Cooperation Texas workshop.



Source: City of Austin. Citation: Planning and Development Review Department, "Median Family Income, Austin-Round Rock MSA, census tracts," City of Austin, 2014, http://www.austintexas.gov/sites/default/files/files/Planning/Demographics/MSA_ACS_2013_tracts_MFI.pdf.

The city's celebrated growth has also contributed to a dramatic rise in the cost of living, forcing many working class residents to move to surrounding suburbs.[17] Driven in part by Austin's reputation for environmentally friendly living, its thriving live music scene, and its dynamic tech economy, public and private capital has poured into the city, developing luxury condos, high-end restaurants, and other amenities that have transformed the physical and cultural landscape according to the needs and desires of those who can afford to stay within the city limits. As property values and taxes increase, and the shadow of gentrification spreads across Austin, working class residents being displaced to nearby suburbs enjoy fewer public services, fewer job opportunities, and travel longer to get to and from work in a city with increasingly congested traffic. As a result, the number of people living in poverty in surrounding suburbs has also risen. Between 2000 and 2011, poverty rose 143% in Austin's suburbs, nearly double the percent increase in poverty that took place within the city.[18]



Source: City of Austin. Citation: Planning and Development Review Department, "Poverty Rates, Austin-Round Rock MSA, census tracts," City of Austin, 2014, http://www.austintexas.gov/sites/default/files/files/Planning/Demographics/MSA_ACS_2013_tracts_Poverty.pdf.

The Color of Inequality

As is the case with many cities across the country, the growing economic gap in Austin is intimately associated with race, disproportionately affecting African-American and Latino residents. The current geographic division between a predominately white, well-to-do west side, and a decidedly less white, less affluent east side, is anchored in the racist policies of the past and their persistent legacy into the present.

In 1928, the City of Austin adopted its now infamous "Master Plan," proposing the creation of a "Negro District" on the East Side, where black schools, parks, and other public services were subsequently concentrated. Prior to 1928, African Americans lived throughout the city. By 1930, however, nearly 80% of African American residents in Austin lived in the "Negro District," where, less than a decade after its creation, residents were systematically excluded from government-backed mortgage loans through a process of redlining, a practice of designating neighborhoods of color, particularly black neighborhoods, as unstable real-estate markets unfit for investment. "As most Americans gained equity in new homes or upgraded the value of their existing houses," notes Dan Zehr, economics reporter for the *Austin American-Statesman*, "the black population saw a racial wedge driven deeper between Anglo affluence and African-American poverty."[19] The city's Master Plan continues to inform patters of segregation to this day.

Despite notable efforts on the part of African-American's to desegregate the city from the mid-1950's to the late 1970s, the black community in Austin remained largely concentrated in that so-called "Negro District." Beginning in the 1990s, however, Austin's technology boom helped initiate a wave of gentrification east of the interstate that continues to push long-term African-American

residents toward the surrounding suburbs. In fact, one of the stark consequences of intensifying gentrification is the city's declining African-American population.

From 2000 to 2010, Austin experienced a general population growth of 20.4%, yet while the city as a whole grew its African American population experienced a notable decline of 5.4%. According to Eric Tang, author of *Outlier: The Case of Austin's Declining African-American Population*, Austin "is the only city among the ten fastest growing cities where general population growth and African-American growth point in opposite directions." Tang argues that the flight of African-Americans from Austin city limits is rooted in a complex system of structural inequality, including not only gentrification and segregation, as mentioned above, but excessive policing in African-American communities, disparities in public education, and lack of employment opportunities.[20]

Figure 1: Ten Fastest Growing Major Cities in the United States, 2000-2010

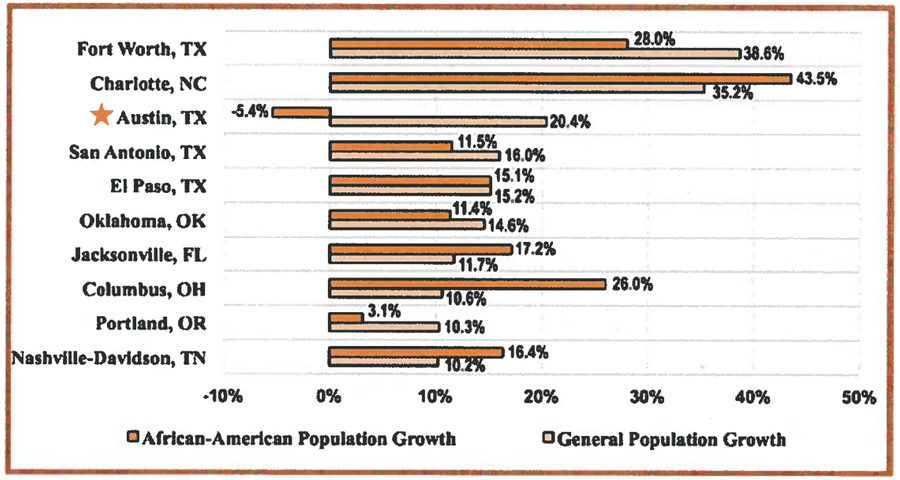


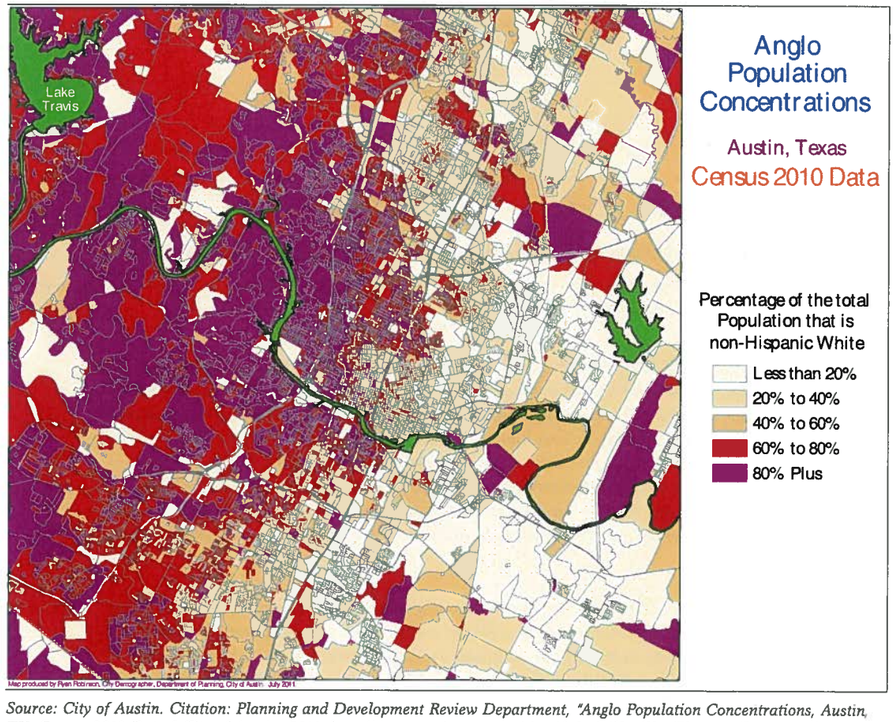
Chart from Outlier: The Case of Austin's Declining African-American Population

Poverty, income inequality, and segregation has also had a significant impact on Latino/a residents in Austin, particularly working-class immigrants from Mexico and Central America. Many undocumented workers from Latin America have taken jobs in the city's growing service sector and in construction, putting in long hours for little and sometimes no pay. Given their immigration status, undocumented workers are often taken advantage of by unscrupulous employers who have committed countless acts of wage theft and other labor-related abuses.[21] A cursory look at demographic maps from the City of Austin shows a significant overlap between areas of concentrated poverty and unemployment and where concentrations of Latino/as are living in the city.

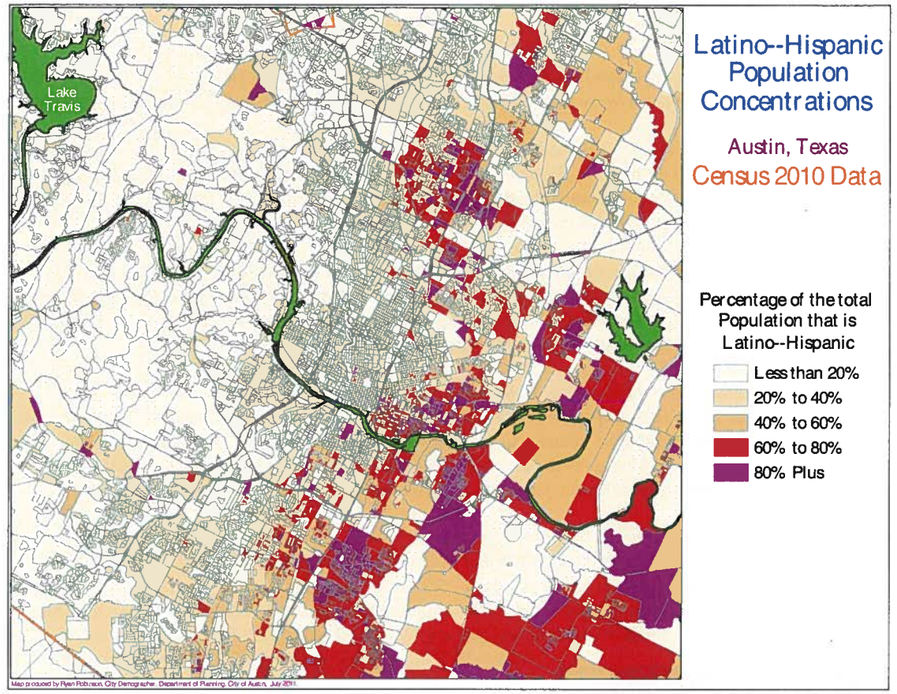
Undocumented Latino/a workers are also at risk of being targeted for deportations. Austin has one of the highest rates of deportation in the country, a byproduct of a deepening presence of Immigration and Customs Enforcement (ICE) agents in the Travis County Jail, along with the adoption of the recently rebranded Secure Communities, a program designed to check the immigration status of everyone booked into the jail. Deportations often tear families apart, compounding an already untenable level of social and economic insecurity.[22]

Racial inequality in housing, income, and segregation are gaining ground in public discussion in Austin, but little attention has been given to racial disparities in business ownership and performance. In their study on "Race and Entrepreneurial Success" in the U.S., authors Robert W. Fairlie and Alicia M. Robb found that African-Americans and Latinos are not only significantly less likely to own a business than are whites and Asian Americans, but "On average, black- and Latino-owned businesses have lower sales, hire fewer employees, and have smaller payrolls than white-owned businesses."[23] In a recent study of black-owned businesses in Texas by the Bureau of Business Research at the University of Texas at Austin, researchers found that while the number of black-owned businesses in the state is growing, firms remain small, facing considerable barriers to growth and profitability. In fact, 95% of black-owned businesses in Texas have no paid employees other than the owner.[24] Although the number of Hispanic-owned businesses are on the rise in Austin, the vast majority of local businesses are non-Hispanic white-owned. In 2007, black-owned businesses accounted for only 3.9% of the 80,582 firms in Austin, compared to 13.1% owned by Latino/as.[25]

Businesses owned by people of color, or what are often called minority business enterprises (MBE), play a critical role in fostering social and economic security in communities of color and the economy as a whole. Studies have shown that MBEs tend to hire more people of color than white-owned businesses, have a deeper understanding of the social and economic needs within communities of color, and serve as an important source for generating wealth for communities that are often precluded from more traditional avenues for asset-building, such as homeownership.[26]



Source: City of Austin. Citation: Planning and Development Review Department, "Anglo Population Concentrations, Austin, TX, Census 2010 Data," City of Austin, 2011, http://www.austintexas.gov/sites/default/files/files/Planning/Demographics/anglos_2010_core_per.pdf.



For businesses that are not only minority-owned, but worker-owned and democratically operated, many of these benefits can be amplified.

Racial Inequality & Worker Cooperatives

In recent years, many strategies for combating economic inequality and closing the racial wealth gap have focused on "asset-building" as a pathway toward economic security in communities of color. From business to home ownership, most asset-building approaches are based on creating opportunities for individual ownership as a way to build wealth over time. But in response to the increasingly unequal distribution of wealth and power in the U.S., a growing number of advocates are calling for a broad-based approach that moves beyond individual savings and investments toward a community-oriented strategy informed by social and economic justice and grounded by worker-owned, democratically operated enterprises.

Worker-owned cooperatives offer a unique business model for building wealth and economic security in working class communities and communities of color. One of the main barriers in the way of greater business ownership for people of color is access to capital and debt financing. In a worker cooperative, ownership and control of the business are shared equitably among the workers. This enables individuals with limited capital to pool their assets, making business ownership more accessible for low-wage workers and people of color. Through shared ownership, worker cooperatives also extend the asset-building benefits of individual business ownership to the workforce as a whole, creating a broader pool of wealth for the workers, their families, and the community. According to the Democracy at Work Institute, a national organization dedicated to building the field of worker cooperative development, "by placing workers' needs before

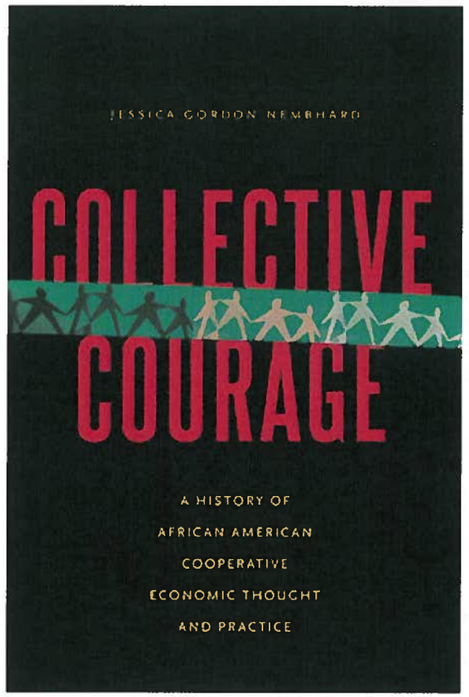
investors' profits, successful worker cooperatives democratize wealth rather than concentrate it."[27] In other words, shared ownership creates broad-based prosperity anchored in the local economy.

Because the business is owned collectively by people who live, spend, and work locally, worker cooperatives are less likely to abandon the community during tough economic times or pollute the environment. In fact, the stated mission of many worker cooperatives is to create local jobs at a living wage that are good for the workers and the environment.

As owners of the co-op, workers would also be exposed to a broader range of personal and professional development opportunities. In addition to training workers in industry-specific skills, worker cooperatives also offer greater participation in management and governance decisions, and other responsibilities mostly closed off to employees in conventional firms.

In traditionally low-wage sectors of the economy, where employment opportunities are on the rise in Austin, worker cooperatives also tend to provide better pay and benefits than conventional small businesses in similar industries. For low-wage workers facing a rising cost of living in Austin, particularly African-American and Latino/a workers, worker-owned enterprises carry significant promise for allowing people to remain within the city limits.

Adopting a more equitable approach to community economic development in Austin, one that prioritizes those most directly affected by social and inequality, is becoming increasingly necessary as demographics in the city shift. "The City of Austin has now crossed the threshold of becoming a Majority-Minority city," notes city demographer Ryan Robinson. "The city's Anglo share of the total population has dropped below 50%...and will stay there for the foreseeable future."[28] Worker cooperatives, and other types of cooperatives, can play a critical role in reducing the widening social and economic gap in Austin, but only to the extent that equity is placed at the center of current and future development efforts. As political economist Jessica Gordon Nembhard has argued, democratic enterprises



"contribute to reducing the gap between rich and poor by more equitably distributing opportunities, assets (including wealth and income), and the benefits of business ownership, governance, and entrepreneurial leadership skills among all groups in the community, irrespective of their race, ethnicity, gender, national origin, culture, and socioeconomic status."[29]

Professor Gordon Nembhard's recent book, *Collective Courage: A History of African-American Cooperative Economic Thought and Practice*, outlines the long, rich history of African-American involvement in the broader cooperative movement in and outside of Texas, including prominent historical figures such as A. Philip Randolph, Ella Baker, WEB Du Bois, and Fannie Lou Hammer, as well as contemporary organizations such as the Federation of Southern Cooperatives.[30]

Still, as a number of our focus-group participants noted, some cooperatives in Austin, especially consumer co-ops, remain predominantly white in participation and membership. Indeed, this is an issue nationally, in the food sector as well as for many worker cooperatives. The comparative affluence of many members in consumer co-ops and to some extent worker co-ops that also provide food and craft products, contributes to "a sense of elitism," as one of our focus-group members

explained. Unequal access and participation are concerns driving this report and wider efforts in Austin by Cooperation Texas and the Austin Cooperative Business Association.

Conclusion

Austin is growing at a dizzying pace, bringing dramatic changes to the city's social, political, and economic landscape. Unfortunately, the benefits of change have largely accrued to those who can afford to stay comfortably within city limits. The celebrated story of Austin's economic growth ignores those who have been left behind on the road to recovery, especially working class African-American and Latino residents.

Austin is growing at a dizzying pace, bringing dramatic changes to the city's social, political, and economic landscape.

The persistent legacy of inequality in Austin, reflected in the city's recent ranking as the most economically segregated large metro in the country, stains the pristine imagine of a burgeoning economy with an "unmatched quality of life – for all kinds of people."[31] Austin's growing economic divide demands a more equitable approach to community economic development, driven by the values of democracy, sustainability, and cooperation, and aimed at creating opportunities for those most directly impacted by social and economic inequality to exercise more ownership and control over their lives. Because of their potential for democratizing wealth rather than concentrating it, worker cooperatives offer a hopeful vision for bringing democracy into the realm of economic development.

CHAPTER 3.
COOPERATION IN TEXAS' CAPITAL: AUSTIN'S COOPERATIVE ECONOMY

In January 2013, the Austin Cooperative Think Tank, an all-volunteer group of local cooperative members in Central Texas, hosted the first annual Austin Co-op Summit at the University of Texas at Austin. Held in partnership with the National Cooperative Business Association (NCBA), the summit brought together the various sectors of Austin's cooperative economy, from credit unions to worker cooperatives, for the first time in decades.

"The Summit turned out to be a fateful event," recalls Brian Donovan, then Executive Director of the Inter-Cooperative Council (ICC), an Austin-based non-profit organization governed by student housing cooperatives. "NCBAs new CEO Mike Beall was there and in the closing session he suggested it was about time for the Think Tank to be staffed up for full-time work growing the cooperative economy in our region." The following year, representatives from the Think Tank signed a formal agreement with the NCBA to launch the Austin Cooperative Business Association (ACBA) with Brian Donovan as its first Executive Director.

Cooperatives have a long, rich history in Austin

The formation of ACBA was historic, marking the first time the NCBA had forged a formal partnership with a local cooperative business association — a reflection of the inspiring growth of the cooperative movement in Austin. Indeed, following the announcement of the partnership, the *Austin American-Statesman* noted that Austin was "becoming a 'hotbed of the cooperative economy,'" home to a host of well-established cooperatives and a growing number of start-ups. As of June 2014, the cooperative economy within the City of Austin accounts for 43 firms with 716,856 members, employing 2,402 people, generating $1,053,444,561 in total revenue, and $7,718,605,616 in total assets, reflected by type of co-op in Table 1 below. This chapter will examine the history and current impact of the cooperative economy within the City of Austin, analyzing its strengths and weakness, as well as opportunities for expanding worker cooperatives, and the co-op sector as a whole.

Table 1: Economic Characteristics of Cooperatives Based in Austin, Texas

Types	Number of Firms	Total Equity	Total Revenue	Average Revenue	Total Employment	Average Employment	Number of Members
Worker-Owned	4	28,500	769,404	192,351	23	5.8	16
Consumer-Owned	2	4,684,182	38,406,926	19,203,463	281	140.5	18,287
Producer	2	5,851*	655,038,020	327,519,010	14	7.0	332
Housing	17	3,000,000	5,200,000	305,88	10.5	0.6	646
Credit Unions	18	7,710,887,083**	354,030,211	19,668,345	2,073	115.2	697,575
TOTAL	43	$7,718,605,616	$1,053,444,561	$24,498,711	2,402	56	716,856

**Does not include assets or equity estimates for Greater Austin Merchants Association*

***Credit union value is total assets as reported to National Credit Union Administration*



Roxanne Hogan, a worker-owner at Red Rabbit Cooperative Bakery, puts donuts into the fryer. (photo credit: Ian MacLellan).

Overview

Cooperatives have a long, rich history in Austin. From the founding of The University Cooperative Society in 1896 — now known as The University Co-op — to the network of cooperatives and collectives founded in the 1970s under the banner of the "Austin Community Project," cooperatives have played an integral role in shaping the local economy, community, and culture of Central Texas.[32] For more than 100 years, cooperatives have provided a wide range of products and services to the Austin community, including housing, organic food, books, athletic wear, mortgage and car loans, auto repair, natural building, access to screen printing equipment, personal loans, web development, baking, residential green cleaning, and beer brewing.



Today, most activity in the cooperative economy takes place around food, housing, and financial services. Some of the largest and most well-established cooperatives in these areas, including Wheatsville, College Houses, and ICC, emerged from the social justice and counter-culture movements of the 1960s and 1970s, while the city's credit unions typically trace their roots back to providing financial services to a particular segment of the Austin community, such as teachers and public-sector employees.

In recent years, the emergence of a new wave of worker cooperatives and democratic workplaces[33] has injected renewed energy and activity in the cooperative movement in Austin. Black Star Co-op, Dahlia Green Cleaning Services, Red Rabbit Cooperative Bakery, Earthbound Builders Collective, Polycot Associates, and 4th Tap Brewing Co-op have all launched within the past five years, with others in development. During the same period, the city has played host to worker cooperative film series, author talks, workshops, and presentations at schools, churches, and other community-based organizations across Austin.

Increasing organization and activity in the cooperative movement has begun to attract attention from the City of Austin. In March 2012, then-Mayor Lee Leffingwell recognized the unique contributions of Austin cooperatives to the local economy through a Mayoral Proclamation, following the historic declaration by the United Nations Secretary-General Ban Ki-Moon that made 2012 the International Year of Cooperatives. In June 2014, Austin City Council unanimously passed a resolution in support of "the development and growth of cooperative businesses."[34] Following the resolution, Council included $60,000 in the 2015 budget to support the development and promotion of cooperatives, a significant step toward expanding the social and economic benefits of the model throughout the city.

Social and Economic Impact of Austin Cooperatives

Credit unions represent the largest segment of the cooperative economy in Austin. Owned by nearly 700,000 local members, there are 18 credit unions in the city, employing more than 2,000 people and providing a variety of financial services to Austin residents, including but not limited to low-interest auto, home, and personal loans, financial literacy and consulting, as well as business loans.

Beyond their financial services, credit unions also give back to the community in a number of ways. For example, Amplify Credit Union, which has been a part of the Austin community since 1967, has a program called "Amplify Cares," which donates time and money to local organizations such as SafePlace, a non-profit dedicated to ending sexual abuse and domestic violence. Through the program, Amplify employees receive 40 paid hours to volunteer at a non-profit of their choice. Amplify also became the first local credit union to underwrite a business loan to a worker-owned cooperative, 4th Tap Brewing Co-op, a significant precedent that points to the potential of increasing collaboration between credit unions and other co-ops.

COOPERATION AMONG COOPERATIVES IN AUSTIN

One of the main strengths of the Austin cooperative movement has been putting the principle of "cooperation among cooperatives" into practice in a variety of forms:

- Gaia Host Collective, a worker-owned web hosting cooperative, hosts the website and email for Cooperation Texas, Dahlia Green Cleaning Services, 4th Tap Brewing Co-op, and other local cooperatives.
- Cooperation Texas, Black Star, 4th Tap Brewing Co-op, Polycot Associates and Red Rabbit are all members of the US Federation of Worker Cooperatives.
- Wheatsville is the largest customer for Red Rabbit, has promoted Dahlia Green Cleaning Services through its member newspaper, *The Wheatsville Breeze*, and has donated food to events at Cooperation Texas.
- College Houses has a contract with Dahlia to clean their office and has sponsored workers to take Cooperation Texas trainings.
- Cooperation Texas, Dahlia, Earthbound, Black Star, College Houses, ACBA, 4th Tap and others are members of local credit unions.
- Wheatsville and College Houses acted as guarantors on a loan from the Northcountry Cooperative Development Fund to help Red Rabbit expand.

- Black Star became one of the first large contracts for Red Rabbit, using their bread for all their sandwiches.
- Wheatsville invested in Black Star.
- The majority of local cooperatives use the .coop domain.
- Representatives from Black Star and College Houses serve on the board of directors for both Cooperation Texas and the ACBA.
- For the past three years, local cooperatives have come together to organize the annual Austin Co-op Summit.

The ongoing practice of cooperation among cooperatives will help lay the groundwork for leveraging existing cooperative assets toward the development and support of the worker cooperative sector in Austin, creating a locally integrated cooperative network.

In a recent article by the *Credit Union Times*, Myriam DiGiovanni notes that "The best kept secret about credit unions might be the opportunities that exist in partnering with other local cooperatives."[35] As it stands, the vast majority of Austin cooperatives belong to a credit union. Cornerstone Credit Union League, which represents credit unions in Texas, Arkansas, and Oklahoma, is one of the founding members of the ACBA, and credit unions have participated in the annual Austin Co-op Summit. Taking advantage of these opportunities in the spirit of cooperation among cooperatives would have considerable impacts for the cooperative economy as a whole.



One of the most active and visible members of the cooperative community is Wheatsville Food Co-op. Founded in 1976 with a modest staff and active volunteers, Wheatsville now has two locations and more than 16,000 members. From the outset, Wheatsville has played a central role in developing the cooperative economy in Austin. In fact, part of the co-op's strategic direction is "creating co-op economy."[36] Wheatsville is a founding member of the ACBA, has hosted and co-sponsored a variety co-op events, prioritizes sourcing locally from cooperatives and locally owned businesses, regularly features Austin-based cooperatives in its member newspaper, *The Wheatsville Breeze*, served as a guarantor on a loan to help Red Rabbit expand, and made a considerable investment in Black Star Co-op to get the brewery off the ground.

Black Star has also played a critical role in supporting the growth of the cooperative economy in Austin. After raising nearly $500,000 from its consumer-members, Black Star opened its doors to the public in September 2010 as the "world's first consumer-owned and worker self-managed brewpub."[37] In addition to its exceptional house brews and locally sourced pub-fare, Black Star has distinguished itself on environmental sustainability and for its just labor practices — workers receive a living wage, benefits, and participate democratically in decisions that affect the co-op. Black Star is also a founding member of the ACBA, has representatives on the board of directors for the US Federation of Worker Cooperatives and Cooperation Texas, is a member of a local credit union, and supports local non-profits.

Black Star's success has inspired people across the US. There are now at least five cities around the country that have either established or are in the process of launching a cooperative brewery,

each drawing from Black Star's experience. Some of Black Star's staff are former members of the housing cooperatives in Austin, the bulk of which are student-based, associated with either College Houses or ICC.

The first College House was founded in 1964 as a project of the student government at UT. Since then, College Houses has grown tremendously, collectively managing seven houses with more than 400 members. The organization is governed democratically by elected representatives from each of the affiliated housing co-ops, with each member exercising one vote. As members of the housing co-op, residents participate in decisions that affect their living conditions, share in the responsibility of managing their house, where they learn important life skills, enjoy a considerably lower cost of living compared to other students, and the economic security that comes from owning and controlling one's home.

ICC boasts similar benefits for its nearly 200 student-members, which are spread out over nine houses in west campus. According to its website, "ICC welcomes students from the University of Texas, Austin Community College, St. Edwards University, and all other local schools, regardless of classification or field of study." Daily operations at both ICC and College Houses are managed by a full-time staff, many of whom are active leaders in the broader cooperative movement in Austin.



In addition to ICC and College Houses, there is a small but growing number of independent housing cooperatives that include both students and non-students. Although only one of the independent housing co-ops, La Reunion, is included in this study, a closer look at residential housing cooperatives in Austin is needed. Given the increasing cost of living in the city, Limited-Equity housing cooperatives, which provide affordable housing owned and democratically governed by their residents, stand to play a critical role in any effort to stave off displacement in Austin and provide long-term affordable housing rooted in community.

There is also a small but growing number of worker-owned cooperatives in Austin. In May 2011, Gayathri Marasinghe, Cathy Ruiz, and Jackie Osowski founded Red Rabbit Cooperative Bakery, a worker-owned vegan bakery specializing in donuts. After years of working in the food industry, particularly as commercial bakers, the three founders came together out of a shared desire to not only make quality vegan baked goods, but to exercise more ownership and control over their workplace, and their lives. "We were tired of having people who have never done our job tell us how to do our job," recalls Ruiz. Red Rabbit received training through Cooperation Texas' Cooperative Business Institute Academy to start their co-op and continues to play an active role in the organization and the wider cooperative movement. Red Rabbit now has five worker-owners, with several more workers in the process of becoming members. The co-op produces a variety of vegan baked goods for grocery stores, coffee shops, and delivery, and is in the process of opening its own retail location. When Red Rabbit started, Wheatsville became its largest customer, which remains true to this day.

Since the founding of Red Rabbit, three more worker cooperatives have launched in Austin, with more in development. Dahlia followed Red Rabbit, becoming the first worker-owned green cleaning cooperative in Austin. More recently, Jon Lebkowsky, former owner of Polycot Associates, a small web development company, sold the business to his employees and joined them as a worker-owner. Working with Cooperation Texas and the Democracy at Work Network — a national cross-training network of worker-owners and cooperative developers — Polycot became the first business to convert to a worker cooperative in Austin, becoming part of a

growing number of businesses that are turning their company over to those who know it best, their workers.[38] After years of working together as independent contractors, Sara Schmidt, Aaron Ralls, and Brad King founded the latest worker cooperative in Austin, Earthbound Builders Collective, providing environmentally responsible construction services using all-natural materials. Later this year, Austin will also become home to 4th Tap Brewing Co-op, the first worker-owned brewing cooperative in the country, and soon to become the largest worker co-op in the city.



Although worker cooperatives are the smallest segment of the cooperative economy in Austin, their impact on the community outweighs their size. Worker cooperatives in the city account for 26 jobs and over $700,000 in total revenue, but they also provide concrete examples of a more just and sustainable workplace, with each new co-op inspiring others. As mentioned above, members of Dahlia receive $15 an hour — well above market rate for residential cleaners — use non-toxic cleaning materials, have a voice and vote in major company decisions, and share in the profits. Unlike other types of cooperatives in the city, worker cooperatives in Austin have a multi-sector presence, including service, technology, manufacturing, and construction, demonstrating the flexibility and appeal of the model across industries. Worker cooperatives in Austin have also generated considerable media coverage, raising the public profile of the cooperative economy as a whole, including features in *¡Ahora Sí!*, *Austin Chronicle*, *Austin American-Statesman*, *Edible Austin*, *The Texas Observer*, and *The Daily Texan*.

Producer-owned cooperatives, most commonly found in agricultural production in and outside the US, are present in arts and retail in Austin. The Greater Austin Merchants Association (GAMA) is the oldest and largest producer cooperative in the city, representing over 300 member businesses, composed of convenience stores and gasoline stations. Through GAMA, members receive bulk purchasing power, and share industry knowledge and experience, business counseling and



support. According to GAMA, its "members generate approximately $17.5 million annually in sales tax for Central Texas." ASPCO is the newest producer co-op in the city, owned by artists and designers who share access to a screen printing workspace and studio to reduce costs, collaborate, and promote their art. ASPCO also offers a variety of screen printing classes at the studio.

Multiplier Impact of Austin cooperatives

The overall economic activity generated by Austin cooperatives has a significant "multiplier impact" on the broader local economy. For example, the jobs provided by Austin cooperatives help support over 6,000 jobs locally. Meanwhile, the economic output of local cooperatives generates over $2,000,000,000 circulating throughout the local economy.

Table 2. Multiplier Impacts of Austin Cooperatives

Types	Local Employment			Local Output		
	Jobs	Effective Multiplier	Total Impacts	Output	Effective Multiplier	Total Impacts
Worker-Owned	23	1.82	42	$769,404	1.85	$1,421,509
Consumer-Owned	278	1.47	410	$38,406,926	1.72	$66,223,353
Producer	14	2.32	32	$655,038,020	1.64	$1,074,525,828
Housing	10.5	1.42	15	$5,200,000	1.45	$7,557,160
Credit Unions	2,073	2.67	5,541	$527,319,182	1.67	$878,250,098
						$2,027,977,947

The economic effects of industries and businesses consist of their direct, indirect, and induced impacts. The relationship between these three segments is expressed in the chart below.

	JOBS	OUTPUT
DIRECT	The workers employed by a target industry.	The dollar value of output by a target industry.
INDIRECT	The workers employed in industries that provide goods and services that supply the target industry.	The dollar value of goods and services needed to produce output in a target industry.
INDUCED	The workers employed when workers in a target industry and its suppliers spend their wages.	The dollar value of goods and services purchased by workers in a target industry and its suppliers.

To determine total economic effects, direct, indirect, and induced impacts are added together. The direct jobs and output effects were determined by surveying local cooperatives. While a few co-ops did not participate in this survey, most of the cooperatives in Austin provided figures for their total employment and output values for the study period. Jobs figures were requested for the end of the second quarter in 2014. Revenue figures were from 2013 and the first two quarters of 2014. Values for two co-ops (GAMA and Webhosting.coop) were taken from public information on their websites. Values for Austin credit unions were taken from public reporting data to the National Credit Union Administration.

Next, the indirect and induced impacts of Austin cooperatives were calculated through the use of RIMS II multipliers. The federal Bureau of Economic Analysis (BEA) uses records of economic activity throughout the whole economy to determine multiplier relationships between industries. These multipliers are then refined to the county level, to determine local impacts. For example, in Travis County grocery stores have an employment multiplier of 1.481. This means that for every grocery store job created in Travis County, 0.481 other jobs are catalyzed in the county by industries supplying the grocery store or by the personal spending of grocery store and supplier workers.

Using multipliers for Travis County from the BEA, the indirect and induced impacts of each co-op were calculated. These were added to direct impacts to determine the total economic impact of co-ops in Austin.

Industry Concentrations

Austin cooperatives operate in a range of economic sectors, including construction, service, arts and media, agriculture, housing, technology, financial, and retail, demonstrating the versatility of the co-op model and its growing visibility in the city.

AUSTIN COOPERATIVES BY SECTOR (%)

SECTOR	NUMBER OF CO-OPS	PERCENT OF TOTAL
Service	1	2.3%
Arts & Media	1	2.3%
Housing	17	38.6%
Technology	1	2.3%
Financial	18	40.9%
Retail	3	6.8%
Manufacturing	1	2.3%
Construction	1	2.3%
TOTAL	43	100%

Distribution of Austin Cooperatives

Austin cooperatives are located throughout the city. However, they tend to be concentrated on the west side of the interstate running north and south.

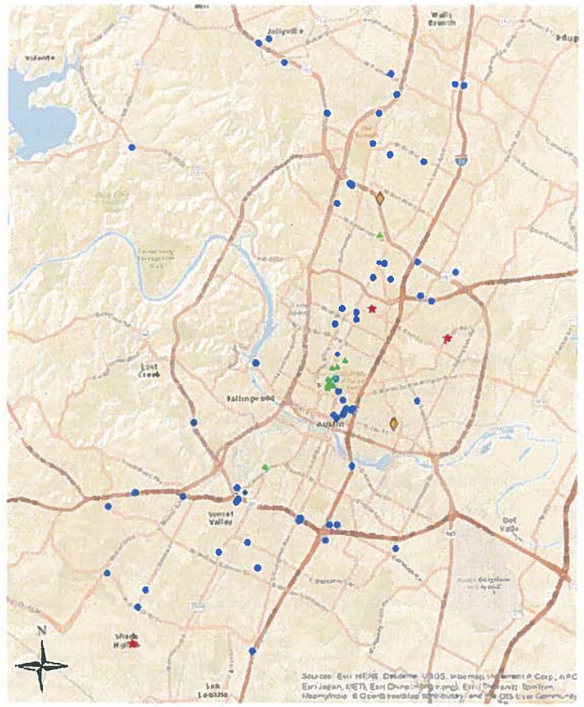
COOPERATIVE ASSOCIATIONS AND SUPPORT ORGANIZATIONS

There are a number of local cooperative associations and support organizations in Austin, providing a range of assistance to every sector of the co-op movement:

- **Cooperation Texas**, a worker cooperative development center, provides education, training, and technical assistance to Texas workers seeking to start or strengthen worker-owned cooperatives, as well as business owners seeking to sell their company to their workers.
- **Austin Cooperative Business Association**, a cross-sector cooperative association providing education, training, advocacy, and networking opportunities to member cooperatives in Central Texas.
- **ICC**, a non-profit student housing co-op organization, offering low-cost housing for college students in Austin, as well as advocacy, education, and networking opportunities.
- **College Houses**, a non-profit student housing co-op organization, offering low-cost housing for college students in Austin, as well as advocacy, education, and networking opportunities.
- **Cornerstone Credit Union League**, represents more than 500 member credit unions in Texas, Arkansas, and Oklahoma, and provides education and training, advocacy, asset/liability management, research, and other support services.

- **Texas Rural Cooperative Center**, offers support services to small agricultural cooperatives in Central Texas.
- **Austin Chapter of Credit Unions (ACCU)**, a local affiliate of Cornerstone, the ACCU hosts social and educational events to foster unity between local credit unions and credit union professionals and volunteers, offering education, leadership development, and networking opportunities.
- **Community Housing Expansion of Austin (CHEA)**, a non-profit, cooperatively owned housing organization, composed of the housing co-ops Sasona and La Reunion. CHEA helps create and sustain affordable, residential housing cooperatives in Austin.

Although there is a significant ecosystem of support for the cooperative movement in Austin, the majority of these organizations remain under-resourced, with fewer than five people on staff, and the leadership is almost exclusively white in an increasingly diverse city. Developing an extensive infrastructure for cooperative development and support has been one of the key success factors for growing cooperative economies in Europe and Latin America at the local, regional, and national level.[39]



Challenges

In our focus groups, members of existing cooperatives—and especially in the worker cooperative group — consistently pointed to the needs for greater access to start-up capital (regardless of form or source), access to knowledge from attorneys and accountants, and significant up-front screening for cooperative values, as well as training for new members. The participants pointed to the useful training sessions conducted by Cooperation Texas but also called for ongoing training that their small businesses are ill-equipped to provide in-house or even to pay for on their own. Given the scarcity of knowledge and experience with worker cooperatives, additional training in how to successfully operate a democratic workplace is needed. It was also observed by a majority of these participants that some of the professional services could be better shared and that a forum for exchanging ideas about structure, governance and decision making, among other topics, would help to solidify their own businesses and strengthen ties with other cooperatives.

Participants from other focus groups, regardless of racial/ethnic identification, expressed concern that cooperatives in Austin are perceived as exclusively white institutions. In light of the growing social and economic divide addressed in the previous chapter, the perception that co-ops are for white people is a major impediment to creating a more equitable cooperative economy in a city that is now "Majority-Minority." To the extent that the cooperative movement is concerned with playing a role in confronting racial inequality in the city, it must place racial equity, rather than mere inclusion, at the center — systematically addressing power, policies, and practices within cooperatives.

AUSTIN COOPERATIVES: STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS (SWOT)

The following SWOT analysis of the cooperative movement in Austin is based on interviews, focus groups, and surveys conducted for this study, as well as the experience of Cooperation Texas.

STRENGTHS

- Multi-sector presence of cooperatives
- Strong commitment to cooperation among cooperatives
- Well-established cooperatives with significant knowledge, experience, and financial assets.
- Engaged membership

WEAKNESSES

- Associations and support organizations remain small and under-resourced.
- Leadership remains largely white, middle-class, and college educated.
- Lack of a coherent strategy for growing cooperatives.
- Limited business experience among co-op members and developers.
- Limited collaboration with credit unions.

OPPORTUNITIES

- Growing public interest in sustainable economic development.
- Leveraging the purchasing power of established cooperatives.
- The City of Austin increasingly interested in the co-op model.
- Converting existing businesses into worker cooperatives.
- New worker cooperatives in development.
- Expanding infrastructure for cooperative development and support.
- Creating self-financing mechanisms within the cooperative movement.
- Cooperative enabling public policy.
- Fostering a culture and practice of cooperation among cooperatives.

THREATS

- Limited public knowledge of and experience with cooperatives.
- Enduring public perception of cooperatives as white institutions.
- Capital increasingly concentrated in fewer hands.
- Social and economic inequality.
- Labor market pressures to increase internal wage gaps.
- Lack of secure sources of financing.
- Limited number of professional service providers for cooperatives.

Conclusion

Cooperatives have a longstanding history in Austin, cutting across multiple generations, industries, and geographic locations. The city's cooperative economy has experienced considerable growth in the past five years, generating over $1 billion in total revenue, creating over 2,400 jobs, and providing a wide range of goods and services for the Austin community. The expanding presence of cooperatives in Austin is due in part to a strong commitment to cooperation among cooperatives, support from co-op associations and development organizations, as well as a dedicated membership. However, to build on our success and extend the benefits of the cooperative model in Austin, there are number of barriers that need to be addressed.

Relative to other cities, Austin has a significant number of cooperative associations and support organizations, but we lack the size and diversity needed to take the co-op model to a larger scale in Central Texas. These organizations offer valuable programs and services in the areas of education, training, technical assistance, political advocacy, and social and professional networking, but are constrained by small budgets and staff. Increased funding and support for cooperative associations and development organizations will go a long way toward advancing cooperatives in Austin, as will a concerted effort to diversify leadership and create more culturally relevant programming, services, and educational materials.

As a rapidly emerging sector within the cooperative economy in Austin, worker cooperatives have proven to be an effective tool for creating dignified local jobs, improving the quality of life for their workers and the community, and democratizing wealth. At a time of increasing economic inequality in the city, worker-owned enterprises stand poised to play a critical role in closing the wealth gap in Austin. What is needed is a strategic vision for growth in the worker cooperative sector, drawn from best practices in and outside of Austin, to expand the promise of worker-ownership to new communities.

CHAPTER 4.
WORKER COOPERATIVES AND COMMUNITY ECONOMIC DEVELOPMENT

The growing popularity and relevance of worker cooperatives stems not only from the disastrous impact of the economic crisis, but from the concrete social, economic, and environmental benefits experienced by co-op members and communities in and outside of Austin. This chapter will highlight the nature and benefits of worker cooperatives as a tool for community economic development, evaluate some of the most successful worker cooperative development approaches in and outside of the U.S., and apply lessons learned toward the development of a thriving worker cooperative sector in the City of Austin.

Cooperation at work

As a business that is owned and operated by its workers, one of the main purposes of a worker co-op is to provide good jobs for its members. Because members of the local community own the co-op, the jobs they create are anchored in the local community — reducing capital flight, strengthening the municipal tax base, keeping dollars circulating locally for longer, and ultimately contributing to a more stable and sustainable economy.

education and training are core aspects of the co-op identity

Community economic development strategies rooted in worker-ownership and democratic control (one member, one vote) create opportunities for community wealth building, with considerable impact in low-income communities and communities of color. Through shared ownership, worker cooperatives extend the asset-building benefits of business ownership, offering each member an equal share in the company, along with the right to decide how the fruits of their labor get distributed. In other words, worker cooperatives tend to offer the following benefits to their members and the wider community in which they operate:

- **Dignified local jobs:** As a business model primarily driven by the desire to satisfy the needs and aspirations of its worker-members, it's no surprise that worker cooperatives tend to create dignified local jobs, where workers not only earn better pay and benefits, but also have a say over key decisions that affect the business and the ability to participate in profit-sharing. In Texas, for example, the hourly mean wage for residential housecleaners is $8.96[40], whereas members of Dahlia Green Cleaning Services earn $15 an hour, in addition to owning and controlling the co-op democratically, using non-toxic cleaning materials, and sharing the profits according to hours worked in the co-op. "Everyone wins together," says Maria Muñoz, a member of Dahlia. "There isn't just one person who creates wealth for themselves. All the benefits are divided equally for everyone."

- **Stronger local economies and communities:** Like other locally-owned businesses, worker cooperatives are committed to the community in which they operate. In fact, this commitment is enshrined in the seventh cooperative principle, "concern for community." Red Rabbit Cooperative Bakery employs seven people, does the bulk of its business with local coffee shops and grocery stores, participates in local farmers markets, banks at a local credit union, donates baked goods to local causes, and sources its ingredients locally whenever possible. Members of Red Rabbit also volunteer regularly for local non-profit organizations. In other words, money spent at a worker cooperative tends to keep jobs and dollars anchored in the local economy, creating community wealth.



Chris Hamje, co-founder of 4th Tap Brewing Co-op, demonstrates what a good amount of head is when pouring a beer.

- **Increased access to business ownership:** For years, experts have looked to asset-building strategies as a way to address ongoing poverty, primarily through investment in business and home ownership. However, these efforts tend to focus on individual investment and asset-building. As mentioned earlier, one of the main barriers to business ownership for low-income workers and people of color is access to capital. Through a worker cooperative, individuals with limited capital can pool their assets together with other workers, making business ownership more accessible, and multiplying the impact of asset-building through shared ownership of the enterprise, creating community wealth.

- **Expanded opportunities for personal and professional growth:** Although many companies offer training opportunities to their employees, worker cooperatives typically offer a wider range of opportunities than companies in comparable industries. In fact, education and training are core aspects of the co-op identity, spelled out in the fifth cooperative principle, "Education, Training, and Information". Because worker-members of the co-op are responsible for both daily operations and major decisions that affect the business, the success of the enterprise is dependent on well-trained and well-informed workers on the shop floor and the board room.

- **Resilient in times of crisis:** There is mounting evidence that worker cooperatives can be more resilient than traditional firms in times of crisis. Recent studies on the performance of worker cooperatives in the wake of the Great Recession have shown, in some cases, a significantly better recovery speed, a net increase in employment, and an overall maintenance in the level of jobs and enterprises. For example, between 2007-2011 it is estimated that employment in Italian cooperatives increased by 8%, compared to a decrease of 2.3% in all types of enterprises.[41]

Despite their many benefits, worker cooperatives remain the smallest segment of the cooperative economy in the U.S. The U.S. Federation of Worker Cooperatives (USFWC), a national membership-based organization established in 2004, estimates that there are roughly 300-400 worker-owned cooperatives and democratic workplaces in the United States, employing more than 5,000 people and generating more than $500 million in annual revenues. Over 50% of these cooperatives are concentrated in the retail and service sectors, particularly in the areas of home health care, cleaning, cafes and restaurants, bakeries and grocery stores.[42]

Although worker cooperatives tend to be small in scale in the US, there are number of notable exceptions operating in a range of industries across the country. Equal Exchange, for example, located in West Bridgewater, Massachusetts, is a well-established national distributer and retailer of fair trade, organic goods with more than 100 workers-owners. Founded in 1986, Equal Exchange has been a leader in the fair-trade movement. Best known for its coffee, the company also specializes in fair trade tea, sugar, bananas, avocados, cocoa, and chocolate bars. Equal Exchange goods are produced exclusively by small farmer cooperatives in Latin America, Asia, and Africa, creating long-term trade partnerships that foster the well-being of workers, consumers, and farmers. Equal Exchange is both a principled and profitable business, creating a robust cooperative supply chain and posting annual sales above $50 million.

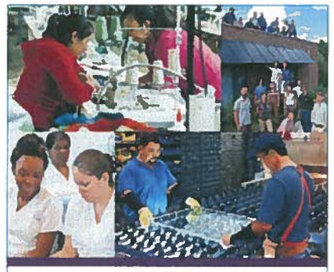
US Worker Cooperatives with 50-plus Members (2013)			
NAME	LOCATION	NUMBER OF EMPLOYEES	NUMBER OF WORKER-OWNERS
Cooperative Home Care Associates	Bronx, NY	2,300	1,110
Rainbow Grocery	San Francisco, CA	240	225
Union Cab	Madison, WI	230	230
Alexandria Union Cab Co.	Alexandria, VA	230	230
Home Care Associates	Philadelphia, PA	225	55
Association of Arizmendi Cooperatives (7 co-ops: 6 bakeries, 1 support organization)	San Francisco Bay Area	160	160
Equal Exchange	Canton, MA	140	105
Alvarado St. Bakery	Petaluma, CA	100	90
Home Green Home Cleaning Co-op Network (5 co-ops)*	San Francisco Bay Area	100	90
Namasté Solar	Boulder and Denver, CO	85	50
Evergreen Cooperatives (3 co-ops)*	Cleveland, OH	77	30
Cooperative Care	Wautoma, WI	56	36
Isthmus Engineering	Madison, WI	53	31
Childspace Daycare Centers (4 co-ops: 3 centers, 1 support organization)	Philadelphia, PA	50	18

Source: Hillary Abel, Worker Cooperatives: Pathways to Scale

The potential of worker cooperatives to transform local economies has prompted many advocates, community economic developers, and worker-owners to ask, "How do we take worker cooperatives to scale in the US?" This report is particularly interested in addressing this question in the context of Austin, Texas. To this end, we will examine a variety of worker cooperative development efforts in and outside the US, draw on best practices that fit the unique social, economic, and political context of Austin, and apply lessons learned toward the creation of a more dynamic worker cooperative development approach for Central Texas.

Developing Worker Cooperatives in Austin and Beyond

In a recent report published by the Democracy Collaborative, "Worker Cooperatives: Pathways to Scale," author Hillary Abel highlights five, sometimes overlapping, strategies for developing worker cooperatives in the United States. Each approach is examined with concrete examples below, along with an evaluation of their relevance to Austin.



1. **Industry transformation strategy.** This hybrid approach combines the creation of a model cooperative with policy advocacy, consulting, and organizing for "high-road" employment practices to transform job quality in a specific industry.
2. **Single industry replication.** This franchise-like strategy leverages industry and co-op development expertise to create multiple networked co-ops in a single industry.
3. **Place-based clusters strategy.** This method develops multiple co-ops in diverse industries within a single geographic area, with the goal of creating good jobs while strengthening the local economy and community.
4. **Institutional engagement.** A common feature of the place-based clusters, this strategy leverages the support and purchasing power of anchor institutions to build co-ops that create local jobs.
5. **Educational incubator or co-op academy strategy.** This approach brings together cohorts of teams in a community-based classroom environment to learn cooperative and business skills, with the goal of launching new worker co-ops after graduating.

—Hilary Abell, "Worker Cooperatives: Pathways to Scale".

Industry transformation strategy

In the United States, the most notable example of an industry transformation strategy is Cooperative Home Care Associates (CHCA), a worker-owned home health care co-op located in the Bronx, New York. Founded in 1985, CHCA is by far the largest worker cooperative in the country, employing 2,300 people, primarily African-American women and Latinas. Employees earn $16 an hour, nearly twice market rate, along with family health insurance and guaranteed hours above industry norms. In addition to being a worker cooperative, CHCA is also a unionized workplace, affiliated with the Service Employees International Union Local 1199. In an industry with notoriously high turnover, where annual rates can range from 60% to 100% from state to state[43], turnover at CHCA stands at 15%.[44] Over the years, CHCA has also leveraged its experience

to help others start home health care cooperatives, including Home Care Associates in Philadelphia.

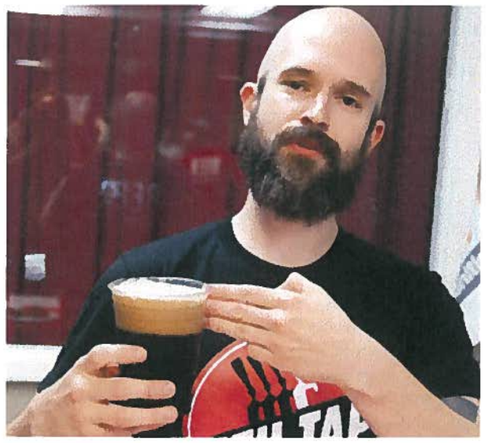
In 1992, CHCA founded Paraprofessional Healthcare Institute (PHI), an affiliated non-profit organization focused on policy advocacy, workforce development, and coaching and consulting for eldercare and disability service providers. PHI works closely with CHCA, supporting the cooperative and leveraging its success to influence the home health care industry as a whole. By pooling together their resources and committing to home health care, the combined strength of PHI and CHCA, along with other partners, has created a firm foundation of industry-specific knowledge, practice, and policies that have gone a long way toward transforming the industry.[45]

The success of CHCA is undeniable, demonstrating the many benefits that come from a strategic focus on a particular industry. For Austin, this strategy carries significant lessons for expanding the impact of worker cooperatives within the craft beer industry. In light of the upcoming launch of 4th Tap Brewing Co-op, the first worker-owned brewery in Texas, and the growing success of Black Star Co-op, there is considerable potential for both cooperative development and raising industry standards, including co-op supply chains, distribution, and policy advocacy. In fact, recent changes to Texas beer laws, the product of a successful campaign led by Texas craft brewers, show the potential for change within the industry.

However, given the current context in Austin, where multiple worker cooperatives operate within a variety of industries, there appears to be limited potential for an industry-specific development strategy, aside from the beer industry, in the short-to-mid-term.

Single industry replication

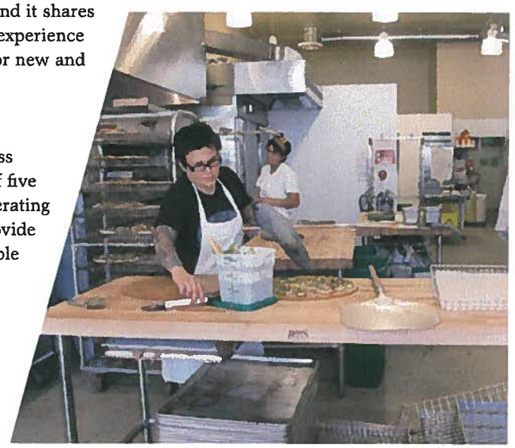
Replicating cooperatives within a particular industry is primarily associated with the San Francisco Bay Area, where the Arizmendi Association of Cooperatives (AAC) and Prospera (formerly WAGES) have created two separate networks of worker cooperatives in the baking and cleaning industry respectively.



Since the late 1990's, the AAC has developed a network of six award-winning "Arizmendi" bakeries in the Bay Area, each named after the Spanish priest who founded the Mondragón Cooperative Corporation in the Basque region of Spain. Modeled after the popular Cheese Board Collective, a veteran worker co-op established in 1967, the bakeries employ over 150 worker-owners and pay above market wages. Each bakery functions independently, but all belong to the AAC, making it a "co-op of co-ops," owned, governed and funded by its bakery members.

From the outset, the AAC has initiated the startup of new bakeries and provided ongoing technical assistance and training to its members. With each new bakery, the AAC conducts market research to identify the location, negotiates with landlords and financial institutions, and recruits and trains workers. Joe Marraffino, a former worker-owner at Arizmendi, notes that each new bakery "adapts the same business plan that existing member bakeries have used, it offers a tested product line using the same recipes, it has a similar name and

co-advertises to nearby markets, it uses proven governance structures, and it shares the cost of support services with other members."[46] By leveraging their experience with a proven business model, the AAC has significantly reduced risk for new and established bakeries in their network.



Unlike AAC, Prospera is a non-profit 501(c)3 organization dedicated to empowering low-income Latina immigrants through cooperative business ownership. Prospera is best known for creating a successful network of five worker-owned green cleaning businesses throughout the Bay Area. Operating within a typically low-wage industry, collectively these cooperatives provide 100 jobs with above-market wages, better working conditions, and notable opportunities for professional development.

Prospera's incubation process calls for long-term, intensive engagement with the co-op. Prior to launching the business, Prospera works on a business plan, secures funding for the co-op and for the development effort, develops partnerships, and recruits and trains founding members. Once the co-op opens, Prospera works closely with the members, providing ongoing training and support, for approximately three years. During this time, the organization controls a majority of seats on the co-op board to ensure good governance, provide ongoing support, and keep the focus on the mission of creating healthy, dignified jobs. As the co-op matures, Prospera gradually cedes control of the business to its members.

As in the case of CHCA, both Prospera and Arizmendi benefit from a strategic focus on a single industry. Over the years, both organizations have developed industry-specific knowledge and expertise that has mitigated risk and collectively created over 200 dignified jobs in the Bay Area, inspiring others around the country.

In both cases, however, each network is based on the success of a well-established co-op. In Austin, we have five worker cooperatives, all in different industries. Red Rabbit, the oldest worker cooperative in the city, has been in operation for less than five years, and, despite modest growth, does not appear prepared for replication in the short-to-mid term. Thus, given the diversity and youth of the worker cooperative sector in the city, a more robust place-based cluster strategy appears to be a more viable path toward creating and sustaining worker cooperatives in Austin, Texas.

Place-based clusters strategy

Across the country, a number of organizations are pursuing a place-based clusters strategy, each carrying important lessons for development efforts in Austin, Texas. However, the vast majority of the place-based experiments in the US have emerged within the last five to ten years. Given the nascent stage of these projects in the US, we will also look at more established and dynamic place-based strategies abroad.

In the US, one of the most prominent and ambitious place-based development projects is the Evergreen Cooperatives Initiative in Cleveland, Ohio, or what has become known as the "Cleveland Model." Founded in 2008, the Evergreen Initiative seeks to create living wage jobs in six low-income neighborhoods in an area known as the Greater University Circle (GUC). The GUC is home to 43,000 residents, primarily African-American, with an unemployment rate above 20%, a median household income of $18,500, and a deep level of racial segregation. In response

to these conditions, Evergreen has created three worker cooperatives in separate industries, each tied to a broader "anchor institution strategy."

The Cleveland Model leverages the purchasing power of locally rooted non-profit institutions, such as hospitals and universities, to create jobs at worker-owned enterprises anchored in the local economy and community. To date, Evergreen has launched the following cooperatives, with many more planned: Evergreen Cooperative Laundry, an industrial-sized green laundry business; Evergreen Energy Solutions, a solar installation and energy efficiency company; and Green City Growers, a commercial greenhouse. In total, these cooperatives provide close to 80 jobs.[47] With major funding from the Cleveland Foundation and other sources, Evergreen has partnered with a variety of local anchor institutions to achieve its goals, including hospitals, nursing homes, hotels, and restaurants. Evergreen provides technical assistance, strategic direction, and funding to help these cooperatives succeed.

Leveraging the purchasing power of local cooperatives to expand worker-ownership in Austin builds on the principle of cooperation among cooperatives, a key practice at the heart of some of the most dynamic cooperative economies abroad.

Despite its many achievements, and its glowing media presence, the Cleveland Model has had its share of challenges and setbacks. Namely, many of the assumptions built into the business plans of the existing cooperatives — in terms of job creation, equity-building for the workforce, and procurement from local anchor institutions — turned out to be overstated. Until recently, the Evergreen Cooperatives also went through a number of managers at the co-ops to get a better handle on operations from industry experts.[48]

That being said, the ongoing experiment at Evergreen carries significant lessons for taking worker cooperatives to scale in Austin. As the capital of Texas, the city is home to a wide range of anchor institutions, including major universities, hospitals, city and state government, and a vast public school system, to name a few. In addition to these more traditional anchor institutions, Austin is also home to a growing cooperative sector, particularly in the areas of housing, food, and finance.

Our research indicates that there is untapped potential for leveraging the purchasing power of existing cooperatives in Austin. In a series of interviews conducted by our research team via email and in-person with local cooperatives — including Wheatsville Food Co-op, College Houses, ICC, Red Rabbit Cooperative Bakery, and Black Star — each co-op expressed a commitment to contracting with a worker cooperative over conventional businesses providing comparable services.

During the interviews, when asked where they spend a significant amount of money each year, a clear trend emerged amongst the co-ops in the areas of HVAC service and general equipment maintenance. This trend highlights the untapped potential of an "institutional engagement" approach rooted in the cooperative economy. Leveraging the purchasing power of local cooperatives to expand worker-ownership in Austin builds on the principle of cooperation among cooperatives, a key practice at the heart of some of the most dynamic cooperative economies abroad, particularly in Italy.

In Emilia Romagna, a small region of Northern Italy, the principle of cooperation among cooperatives is deeply woven into a vast, interconnected network of cooperatives. Emerging from World War II as one of the poorest regions in Europe, Emilia Romagna now boasts one of the highest living standards in the European Union and one of the lowest unemployment rates. With a population of nearly 4.5 million, nearly two out of every three citizens are members of at least one of the over 8,000 cooperatives in the region, two-thirds of which are worker-owned. As part of a long-standing practice and ethic in the region, cooperatives prioritize doing business

with one another and have also come together to form their own financial institutions, insurance companies, as well as joint research, training and development centers. By law, all cooperatives in Italy are required to be a member of a federation, which helps facilitate cross-sector solidarity and provides a range of valuable services to members in the areas of education, training, taxes, accounting, and financing. The strength of the federations has also provided undeniable political clout to the cooperative sector, which enjoys a distinctly favorable policy climate.

In Italy, support for cooperatives is enshrined in the constitution. According to Article 45, "The Republic recognizes the social function of cooperation characterized by mutual aid and not private profit. The law promotes and favors the growth of these structures using the most appropriate means and guarantees that their character and purpose will be inspected accordingly."[49] The Basevi Law of 1947 created a unique tax system for Italian cooperatives that encouraged self-financing through "indivisible reserves." In other words, as long as 30% of their annual net profit is allocated to indivisible reserves, Italian cooperatives are exempt from tax. If the co-op is sold by its members or ceases to be a going concern, the indivisible reserve is donated to a federation or another cooperative.

Since the Basevi Law, the Italian government has created additional legislation to facilitate the development of cooperatives in Emilia Romagna and throughout the country. In 1985, the state enacted the Marcora Act, a law designed to facilitate the conversion of private businesses into worker cooperatives. Through the Marcora Act, the government created a fund to match up to three times the amount of worker investment into a conversion of an existing business to a worker cooperative. This way, instead of private firms being sold to outside investors and shipped overseas, jobs are preserved locally and ownership is shared among the people who have an intimate understanding of the business' operations. In 1992, a change in co-op law required all cooperatives, regardless of type, to contribute 3% of their profits to co-op development funds managed by the various federations. These funds are used to start new cooperatives and grow existing ones.

In addition to policy, the Italian government has also played a critical role in the success of the cooperative economy in Emilia Romagna through its network of regional economic development agencies. These publicly funded small business service centers have facilitated the development of strong industry clusters, offering a wide range of services to groups of small businesses in related industries to create economies of scale. These services include education and training, research and development, marketing and distribution, workplace safety, and more.

Many of the key factors that contributed to the success of Emilia Romagna are present in other regions with worker cooperative density. In a study by the Canadian Worker Cooperative Federation, the authors highlight why the worker cooperative sector is significantly larger in Quebec than the rest of the country: "Since the early 1980's, Quebec has had strong co-op development infrastructure that include technical assistance, sources of capital and tax credits for member investment in worker cooperatives which has supported growth of worker co-ops at about double the rate as in the rest of Canada."[50]

Cooperatives of various types have a long and rich history in Canada, dating back at least to the early 19th century. Industries included in the Canadian cooperative sector range from fisheries and agriculture to health care and advertising. Today there are over 150,000 Canadians directly employed in cooperatives, with 17 million in the country as members. The combined assets of all cooperatives in Canada, including credit unions, total $275 billion Canadian.

There are also several important Canadian associations of cooperatives, such as the Canadian Cooperative Association, Cooperatives and Mutuals Canada, and the Canadian Worker Cooperative Federation. The activities of these organizations include subsidizing new co-op start

ups, conducting and assembling applied research, coordinating policy advocacy at both provincial and national levels, and supporting cooperative development in other, poorer parts of the world. One of the key lessons from these associations, and indeed the Canadian cooperative experience, is the value of coordination among a variety of cooperative and allied institutions, especially to concentrate advocacy efforts by speaking with a unified voice to policy makers.

Canada, and in particular Quebec, have been heavily involved in financial cooperatives. In Quebec, the very first cooperatives were mutual insurance companies formed through collective ownership of their members in the mid-19th century. In the province of Quebec alone there are 1,446 co-ops with over 6,000 jobs and approximately 800 million in annual sales. Of particular importance is the Desjardin financial group, which is not only one of the largest financial institutions in Canada but is also regularly ranked as one of the strongest, safest banks for investment in North America and the world. Founded in 1900, Desjardins is an integrated cooperative network, owned and administered by members, along with a network of complementary financial institutions also controlled by members.

The role of secure funding sources for cooperative start ups and conversions has been discussed elsewhere in this report, and it is repeatedly emphasized in cooperative conferences in U.S., as well as focus groups for this project. But, there is another way in which the Canadian experience is relevant here: that is, the power of developing large-scale financial networks that include business as well as individual members. This is why experts around the world, including those interested in sustainable community economic development and ways to address financial inequality, look to Desjardin and other associated firms in Canada.[51]

The experiences of Canada and Emilia Romagna point to the benefits of a multifaceted place-based approach grounded by the principle of cooperation among cooperatives. In Austin, cooperation among cooperatives is one of the most visibly active principles in the worker cooperative movement, reflected in personal and commercial relationships with other cooperatives, membership in the Austin Cooperative Business Association and the US Federation of Worker Cooperatives, as well as cross-promotion, education and training. However, unlike Emilia Romagna, the cooperative movement in Austin has experienced limited support from local or state government, has limited access to secure sources of financing, and no public policies directly supporting the growth of worker cooperatives in particular or cooperatives in general. In order for worker cooperatives to grow in Austin, key barriers need to be strategically addressed in existing development efforts.

Educational Incubator or co-op academy strategy

Since 2009, Cooperation Texas has employed a "place-based clusters strategy" coupled with an "educational incubator or co-op academy strategy." Through this dual approach, the organization has developed a modest infrastructure to advance worker-owned cooperatives in Texas, particularly in the City of Austin. Together with a small staff, a committed board of directors, and a small group of volunteers and interns, we have:

- Developed worker-owned cooperatives in the areas of residential cleaning, baking, brewing, web development, and natural building.
- Supported worker-owned cooperatives through local, regional, and national co-op associations, as well as through direct technical assistance, consultation and training.
- Promoted worker-owned cooperatives through workshops, presentations, educational events and materials at schools, churches and other community-based organizations in and outside of Texas.

Cooperation Texas is the only worker cooperative development center in Texas. We provide education, training, and technical assistance to Texas workers seeking to start or strengthen worker-owned cooperatives, as well as business owners who want to sell their enterprise to their workers. Rather than focus on a particular industry, we support worker cooperative development in all sectors of the economy. Despite being a state-wide organization, however, the bulk of the work at Cooperation Texas takes place in Austin.



All the cooperatives developed by Cooperation Texas have gone through the organization's Cooperative Business Institute (CBI). The CBI is a comprehensive training program designed to equip participants with the skills and resources needed to start and manage a worker-owned cooperative. Trainings, consultations, and workshops in the CBI cover topics ranging from the history, principles and values of cooperatives to the legal, organizational and business essentials specific to worker-owned enterprises.

Prior to participating in the CBI, prospective clients come to the organization with their own business concept, which is assessed through an intake and consultation process. Assuming the concept is viable and the group behind it has the skills and commitment needed to advance their project, Cooperation Texas will draft a contract with the group to establish a mutually agreed upon scope of work.

The vast majority of existing worker cooperatives in Austin are graduates from the CBI Academy. Composed of 15 classes, the CBI Academy is a start-up course that walks a team of workers through the process of launching their cooperative, from business concept to business plan. After completing the Academy, workers receive ongoing education, training and support from Cooperation Texas to mitigate the various risks associated with starting a new business.

Once the business has stabilized, a member of the co-op is also invited to join the Board of Directors at Cooperation Texas in order to hold the organization accountable to the needs and vision of worker-members from the community. Ongoing education, as well as the presence of worker-members on the board, fosters a culture of commitment to and participation in the broader cooperative movement in and outside of Austin.



Through Education for Cooperation, an outreach and education program, Cooperation Texas works with a variety of stakeholders to level the playing field for worker-owned cooperatives. While all small businesses face significant challenges, particularly during the start-up phase, worker co-ops face additional barriers as a result of limited knowledge of and experience with the worker cooperative model among workers, consumers, financial institutions, government officials, and professional service providers. Education for Cooperation aims to create a more hospitable environment for worker cooperatives to thrive by:

- **Organizing social and educational events in English and Spanish** on the nature and benefits of worker-owned cooperatives with churches, schools, and other community-based organizations, creating public support, knowledge and future participants in the cooperative movement.
- **Developing strategic partnerships with financial institutions and individual investors** to increase access to capital for workers seeking to start or grow their cooperative.
- **Collaborating with professional service providers** to build worker capacity in the areas of law, marketing, and accounting.
- **Creating innovative educational materials in English and Spanish** on various aspects of worker-owned cooperatives.
- **Promoting the worker cooperative model** through strategic communications.

Despite these efforts, the majority of worker cooperatives in Austin remain small in scale, under-resourced, and often lack the business experience and access to capital needed to grow. A more comprehensive place-based strategy would go a long way toward addressing the shortcomings of current worker cooperative development efforts in Austin. This would include:

- **Strategic institutional engagement**, leveraging the purchasing power of existing local cooperatives and businesses, as well as other "anchor institutions."
- **A robust worker cooperative support system**, including federations, local associations, and research and development centers, for the purpose of expanding education, training, technical assistance, policy advocacy, strategies for community economic development, and to foster a culture of cooperation and shared purpose between worker cooperatives.
- **Secure sources of financing**, both from within the cooperative movement and from outside, including Community Development Financial Institutions (CDFI), credit unions, and crowdfunding sources that allow co-ops to raise funds from the public online.
- **Conversion of existing businesses into worker cooperatives**, to maintain local jobs and community-based businesses that would otherwise close or sell to outside interests.
- **Political advocacy**, to create worker cooperative enabling policies at the city and state level.

Incorporating these changes into the current context of worker cooperative development will require increasing collaboration between cooperative members and their allies, from community-based organizations to academics, as well as additional funding to ensure long-term success.

Conclusion

Growing disappointment with the limitations of traditional economic development approaches has drawn increasing numbers of people to the worker cooperative model. In addition to being a values-driven business, putting worker and community needs on an equal footing with profit, worker cooperatives have an established track record of creating and maintaining dignified jobs; strengthening local economies; expanding opportunities for business ownership and personal and professional growth; and resiliency in times of crisis.

Development efforts in and outside the U.S. point to a number of important lessons for taking worker cooperatives to scale in Austin. Focusing on a single industry has many benefits, clearly demonstrated in the case of CHCA, yet there are limited opportunities for pursuing this strategy in Central Texas. Given the nascent stage of existing worker cooperatives in the city, there is also little potential for a replication approach to succeed in the short-to-mid term. However, Emilia Romagna, Quebec, and the Evergreen Cooperatives in Cleveland underscore the potential for expanding current development efforts to include policy advocacy, strategic institutional engagement, conversions, a stronger cooperative support infrastructure, and secure sources of financing into a more dynamic place-based clusters strategy.

CHAPTER 5.

RECOMMENDATIONS: PUTTING COOPERATION TO WORK IN AUSTIN, TEXAS

Austin's explosive growth spurt has brought significant changes to the city, but the benefits of change have not been spread evenly. The growing gap in social and economic inequality demands a more equitable approach to community economic development, one that gives Austinites more ownership and control over their lives — in and outside the workplace.

Austin is home to a wide range of co-op associations and support organizations, providing vital programs and services for the cooperative movement locally.

Austin's cooperative economy is growing along with the city, but there is still a lot of untapped potential, particularly in the worker cooperative sector. In other places, worker cooperatives have played a vital role in creating a more just, sustainable, and community-oriented economy, where people enjoy the benefits of having a direct financial stake and a voice over decisions that affect their livelihood. To realize the full potential of worker cooperatives in Austin, the following six steps are recommended:

1. ANCHOR WORKER CO-OP DEVELOPMENT WITHIN THE EXISTING COOPERATIVE/LOCAL ECONOMY

Cooperation among cooperatives has been one of the core principles behind the successful development of Austin's cooperative economy. So far, however, this principle has mostly been put into practice on an ad hoc basis, driven by the needs of the moment. For example, when Red Rabbit got started its first two large contracts came from Wheatsville and Black Star. Red Rabbit received these contracts mostly out of solidarity, in the spirit of prioritizing business with other cooperatives, not necessarily out of a concrete need for vegan baked goods. While this practice should continue as part of fostering a culture of solidarity amongst cooperatives, a more proactive approach is needed to take worker cooperatives, and the broader co-op economy, to scale in Austin. With over 40 local cooperatives generating over $1 billion in total revenue, there is considerable potential for leveraging the purchasing power of established Austin cooperatives toward worker cooperative development. This would include:

- Identifying shared business needs and opportunities amongst the various cooperatives
- Developing worker-owned cooperatives to meet the specific needs of local cooperatives.
- Increasing business between established cooperatives.

These steps could also apply to other locally-owned, non-co-op businesses. One of the main goals of the Austin Independent Business Alliance (AIBA) is to "to shift more purchasing to Austin locally-owned businesses and to achieve a greater degree of self-reliance by providing local goods and services currently imported from outside of Central Texas."[52] Leveraging the purchasing power of existing locally-owned businesses, and other "anchor institutions," toward the development of worker cooperatives would carry benefits for the local economy and community as a whole.



The founding members of Polycot Associates celebrate the conversion of their business into a worker co-op.

2. STRENGTHEN LOCAL CO-OP ASSOCIATIONS AND DEVELOPMENT ORGANIZATIONS

Austin is home to a wide range of co-op associations and support organizations, providing vital programs and services for the cooperative movement locally. Unfortunately, the majority of these organizations lack the resources needed to take the cooperative economy to a larger scale, particularly worker cooperatives, which have the least amount of resources and experience compared to the broader cooperative community. Across the country, city support for worker cooperative development is on the rise. In Cleveland, for example, the municipal economic development agency provided financing for the first Evergreen Cooperatives. In New York City, the municipal government recently committed $1.2 million to assist worker cooperative development efforts. Creating a stronger support system for worker cooperative development in Austin would include:

- City funding to support worker cooperative development, prioritizing low-wage workers, through grants and low-interest loans.
- Increased membership in the Austin Cooperative Business Association and the US Federation of Worker Cooperatives.
- Developing more educational materials in English and Spanish.
- Promotion of worker cooperative federations, associations, and development organizations on the city's Small Business Development Program webpage and outreach materials.
- Increased local and national grant funding for worker cooperative development.

A strong cooperative support infrastructure has been a key factor in developing successful cooperative economies from Emilia Romagna to Quebec. Nationally, there is increasing organizational support for worker cooperatives through both the US Federation of Worker Cooperatives and the Democracy at Work Institute. Strengthening the existing cooperative infrastructure in Austin would facilitate the development of new and existing worker-owned businesses by extending access to critical education, training, technical assistance, and policy advocacy.

3. CREATE WORKER CO-OP FRIENDLY PUBLIC POLICY AND TAX INCENTIVES

The City of Austin spends millions of dollars in incentives and direct contracts to large corporations, and has a number of policies and programs aimed at supporting locally-owned businesses. However, despite the longstanding social and economic benefits of cooperatives in Austin, there are currently no specific policies in place at the municipal level that enable cooperative economic development in general, or worker cooperative development in particular. The following city policies would facilitate the development of worker cooperative businesses in Austin:

- Recognize worker cooperatives in the city's minority-owned and women-owned enterprises (MBE/WBE) Procurement Program.
- Make worker cooperatives a preferred contractor for city agencies.
- Support and grow worker cooperatives through the city's Economic Development Department and Small Business Development program.
- Connect workforce funding to worker cooperative development.
- Create a fund to provide start-up capital to worker cooperative businesses.

Austin is consistently ranked as one of the best cities for small business development, due in part to significant support from city government. Worker cooperatives, and cooperatives in general, are a growing part of the small business community in Austin, yet have received little recognition or support from city officials or departments. By investing in worker cooperatives as a tool for community economic development, the city is supporting the creation of quality jobs that increase access to business ownership, professional development, as well as pay and benefits above market rates — especially in low-wage industries — and help close the economic divide.

Austin is home to a wide range of co-op associations and support organizations, providing vital programs and services for the cooperative movement locally.

4. CONVERT EXISTING BUSINESSES TO WORKER COOPERATIVES

Austin has a growing senior population, sometimes referred to as the "silver tsunami,"[53] with many business owners reaching the point of retirement. Few business owners, however, are aware of the benefits of selling their company to their employees through conversion to a worker cooperative. According to Jon Lebkowsky, who converted his Austin-based tech business, Polycot Consulting, into Polycot Associates, "It was a great fit: we were already highly collaborative as web developers, and we felt that our collaboration could extend into ownership and management, while also propagating our values into our work environment and structuring the possibility for others who might come after us."[54]

The following would enable the conversion of existing businesses into worker cooperatives in Austin:

- Host seminars for small business owners about the advantages of selling their business to their employees.
- Create a matching fund for workers investing in the conversion of their workplace into a worker cooperative.
- Promote conversion to worker cooperatives through the city's Small Business Development program.
- Provide public workshops on the financial, legal, and organizational dimensions of conversions.

Converting businesses into worker cooperatives keeps jobs and dollars, goods and services, anchored in the local community, rather than selling to outside investors who tend to extract wealth from the community.

5. EXPAND TRAINING, EDUCATION, AND RESEARCH PROGRAMS FOR WORKER COOPERATIVES

Although public interest in worker-ownership is rising, both in and outside of Austin, there remains widespread gaps in knowledge about the cooperative model and its benefits among workers, consumers, financial institutions, professional service providers and city officials.

Creating a more supportive environment for worker cooperatives to grow and thrive will require deepening public knowledge of and experience with worker cooperatives, including:

- Classes on the worker cooperative model at the city's Small Business Program and local universities.
- Scholarships for low-income workers seeking to participate in training programs related to worker cooperatives.
- A peer training program for existing worker-owners to share knowledge and experience.
- Academic support for applied research on the nature and benefits of worker-owned cooperatives in and outside of Austin.
- Local marketing campaigns dedicated to promoting the benefits of worker cooperatives.
- Creative educational materials in English and Spanish on worker cooperatives.
- Creating a center for the study of cooperatives at a local university.

Developing stronger education, training, and research programs for worker cooperatives will go a long way toward leveling the playing field for a more equitable approach to community economic development in Austin.

6. INCREASE SOURCES OF CAPITAL FOR WORKER COOPERATIVES

Limited access to capital is one of the main barriers facing the worker cooperative movement in and outside of Austin. According to Abel, "To achieve scale, much larger quantities of capital will need to be available to co-op developers and to worker co-ops, along with the technical assistance to prepare them to access and utilize funding effectively."[55] So far, Austin worker cooperatives have used crowd funding, member equity, grants, grassroots fundraising, preferred stock options, and traditional debt-financing through cooperative and non-cooperative lenders to start or expand their co-op. To address the capital problem, a wide range of options are needed, including:

- Local cooperatives committing a percentage of surplus to a joint fund for local cooperative development.
- A Certificate of Deposit at a local credit union dedicated to investing in local cooperative development.
- Grant funding from private foundations and city government.
- Individual investments through Direct Public Offerings and non-voting stock options.
- Low-interest loans from local CDFI's.
- Matching grants for low-income workers seeking to invest in worker cooperatives.

Nationally, there are a growing number of financial institutions familiar with and supportive of worker cooperatives, including The Working World, National Cooperative Bank, Northcountry Cooperative Development Fund, and others. However, in order to expand worker-ownership in Austin, we need to develop our financing infrastructure locally, prioritizing self-financing vehicles from within the cooperative sector as a whole.

Conclusion

For the first time since the 1970s, Austin is witnessing a resurgence of interest and activity around worker cooperatives, and co-ops in general. Within the last five years alone, the city has seen the expansion of established cooperatives, the emergence of a growing worker co-op sector, the historic formation of the Austin Cooperative Business Association, the launch of an annual Austin Co-op Summit, as well as increasing recognition from city government. "It's a good time for cooperative associations and organizations to be loud and enter the public dialogue," noted one of our focus group participants. "It's a unique place and time where people are listening." In spite of increasing visibility and impact, however, there is still widespread ignorance of the nature and benefits of the cooperative model in general, and worker cooperatives in particular. The six steps outlined above will be needed to expand the promise of the worker cooperative sector in Austin, along with a long-term commitment — driven by the principle of cooperation among cooperatives — to growing the cooperative economy as a whole.

ABOUT COOPERATION TEXAS

Founded in October 2009 in response to growing economic inequality, Cooperation Texas is a worker cooperative development center based in Austin, Texas. Our mission is to create sustainable jobs through the development, support and promotion of worker-owned cooperatives in Texas. We believe everyone deserves equal access to dignified jobs, which is why we place those most directly affected by social and economic inequality at the center of our work. Cooperation Texas is the only worker cooperative development center in Texas. We provide education, training, and technical assistance to Texas workers seeking to start or strengthen worker-owned cooperatives, as well as business owners seeking to sell their enterprise to their workers. We work in all sectors of the economy, helping start and grow worker-owned businesses in Texas that put people and the planet first.

ABOUT THE RESEARCH TEAM

Cooperation Texas assembled the following research team to conduct research and contribute writing for *Beyond Business as Usual*:

George Cheney, george.cheney@utah.edu
George Cheney, PhD, is currently an adjunct professor at the University of Colorado at Colorado Springs, the University of Utah, the University of Texas at Austin, and the University of Waikato, Hamilton, New Zealand. He is also an Associate Investigator with the Ohio Employee Ownership Center at Kent State University, affiliated with Mondragon University, in the Basque Country, Spain and a member of an international consortium of cooperative educators. Working solo or collaboratively, George has published 10 books and over 100 papers on topics such as organizational identity, professional ethics, workplace democracy, quality of work life, globalization, human rights, and peace. Recognized for teaching, research and service, George has also consulted with a variety of organizations and served on a number of boards. Currently, he is pursuing several collaborative projects centered on the cooperative economy in Mondragon as well as in the U.S., including a study of best practices in employee ownership.

Carlos Pérez de Alejo, carlos@cooperationtexas.coop
Carlos is one of the co-founders of Cooperation Texas. Beginning as a volunteer, he helped develop the organization from the ground up. Originally from Miami, Fl, Carlos received his BA in History from Florida State University (FSU), where he began his interest in workplace democracy by helping establish FSU's first collectively-run monthly magazine. In 2006 he moved to Austin, TX and became a member of Monkey Wrench Books, an all-volunteer, collectively-run bookstore and member of the US Federation of Worker Cooperatives (USFWC). Carlos has extensive experience in meeting facilitation, democratic decision-making, strategic communications, conflict resolution, and worker self-management. He has facilitated trainings at the NASCO Institute, the Democracy At Work Network, and the National Worker Cooperative

Conference of the USFWC. Committed to combating social and economic inequality, Carlos also serves on the Board of Directors for United for a Fair Economy and the Austin Cooperative Business Association. He holds an MA in Latin American Studies from the University of Texas at Austin and has written on cooperatives, labor, and immigration for the *Austin-American Statesmen*, *Dollars & Sense*, *YES!*, and *Z Magazine*.

Donald Jackson, donald.e.jackson@gmail.com
Donald Jackson is an urban planner focused on regional economic development strategies, based in Austin, Texas. He received Masters degrees in Community and Regional Planning and Sustainable Design from the University of Texas, Austin. He received a B.A. from Hampshire College, with a focus in continental philosophy. He has worked for several public and private planning entities, including most recently acting as Research Manager for the firm Pegasus Planning and Development. He specializes in quantitative and geospatial analysis of industries and regions, including industry targeting and impact analysis. He has also served as a founding Board member for two Texas cooperatives, Black Star Co-op and Moontower Community Agricultural Co-op, and as a founding Board member for the Austin Cooperative Business Association.

Richard Heyman, Ph.D., heyman@austin.utexas.edu
Rich Heyman got his PhD in Geography from University of Washington in 2004, where he served as President of the Graduate and Professional Student Senate. Prior to that, he attended UCLA, where he earned a B.A. in English in 1989. In 1994 he received an M.A. in English from Northeastern University. His research experience includes urban social and economic restructuring associated with globalization, and the ways in which marginalized groups organize in response to these changes. His work has appeared in numerous academic journals including *American Quarterly, Cartographica, ACME, Human Geography, Antipode, Journal of Geography, The Professional Geographer,* and *Environment and Planning D: Society and Space.* He has also worked extensively with the community organization, Workers Defense Project, in Austin, Texas, on their studies of the construction industry in Texas, *Building Austin, Building Injustice: Working Conditions in Austin's Construction Industry* (2009) and *Build a Better Texas: Construction Working Conditions in the Lone Star State* (2013).

APPENDIX 1: METHODOLOGY

Beyond Business as Usual is the result of over a year of research conducted by a team of researchers from Cooperation Texas, the Austin Cooperative Business Association, and faculty from the University of Texas at Austin. The report draws on data gathered from a wide range of sources, including surveys, focus groups, interviews, review of relevant literature, as well as publicly available data.

Surveys

Three online surveys were conducted with different groups: worker-owners of co-ops, non-worker co-op members, and co-op staffers. The surveys attempted to assess knowledge about the cooperative economy as a whole in the Austin area among those associated with coops; strengths of the cooperative economy in Austin; potential for growth and coopera-tion in the cooperative economy in Austin; and barriers to growth and cooperation in the cooperative economy. The surveys were administered using the Qualtrics online system between October 2014 and March 2015. Responses: worker-owners: 12, staffers: 7; non-worker members: 27.

Focus-group discussions

Semi-structured focus-group discussions were conducted with six different groups of five to nine members each in February and September 2014. Groups were constructed so as to represent different segments of the community and degrees of relationship with coopera-tives. The six groups included: representatives of existing worker cooperatives in Austin; representatives of a variety of cooperatives and credit unions in Austin; representatives of community organizations working with or having an interest in cooperatives; African Americans from across the community with some knowledge of cooperatives; Latinos from across the community with some knowledge of cooperatives; and professional service pro-viders who have worked with cooperatives. Discussions were co-facilitated and ran for about 90 minutes each. Questions ranged from general awareness of cooperatives to barri-ers to cooperative development to specific recommendations for cooperative development in Austin. There were lively, informative exchanges among group members as well as direct responses to questions posed by facilitators.

Interviews

Select interviews, both in-person and online, were conducted with key representatives of local cooperatives. These interviews focused on collaborative possibilities between worker and non-worker cooperatives, with an emphasis on opportunities for leveraging the pur-chasing power of existing cooperatives toward the development of worker cooperatives. Interviews were conducted with representatives from Wheatsville Food Co-op, Black Star Co-op, Red Rabbit Cooperative Bakery, ICC, and College Houses.

Literature review

A broad-based literature review was conducted, including recent academic, professional and popular literatures on the topics of (1) worker ownership and cooperative economies, (2) community economic development, and (3) dimensions of inequality in Austin. These studies

included information on best practices in individual cooperatives and strategies for cooperative economic development in the U.S. as well as in other countries. Our search in-cluded reports and articles from cooperatives and cooperative support organizations, news reports on inequality and economic development in Austin, and recent books on coopera-tives.

Public data

Public data review focused on three areas: (1) economic and social inequality in Austin and in the United States in general; (2) the economic impact, including ripple effects, of coop-eratives in Austin; (3) and the capacity for cooperative economic growth in Austin. The direct jobs and output effects were determine by surveying local cooperatives. While a few co-ops did not participate in this survey, most of the cooperatives in Austin provided fig-ures for their total employment and output values for the study period. Jobs figures were requested for the end of the second quarter in 2014. Revenue figures were from 2013 and the first two quarters of 2014. Values for two co-ops (GAMA and Webhosting.coop) were taken from public information on their websites. Values for Austin credit unions were taken from public reporting data to the National Credit Union Administration.

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