



The Democratic Promise of Worker-Owned Cooperatives

Ariana R. Levinson, University of Louisville

A worker-owned cooperative is a business run by its own employees. In this kind of cooperative, each worker normally has one vote in decisions about important matters such as who sits on the board of directors, whether to open a second location, and whether to hire additional worker-owners. Cooperatives are often popular because they offer solutions to widespread fears that profiteering employers monopolize authority over pay, workplace conditions, and labor rights without input from the workers themselves.

My research shows that worker-owned cooperatives have succeeded in making many workplaces more democratic. I consider the benefits worker-owned cooperatives can offer to unionists, developers, and local communities looking for ways to build a more economically just society.

The Origins of Worker-Owned Cooperatives

Cooperatives have often been established by workers who hope to take ownership of their workplaces and secure basic work protections.

- Consider the example of the **plywood cooperatives** created by mostly white male workers of Scandinavian descent in Oregon and Washington during the early part of the twentieth century. To ensure employment in the region, members of the first plywood cooperative, Olympia Veneer, used member money to build the plant themselves. Their goal was to shrink the gap between the living standards of the bosses and the workers. The cooperative was up and running in August 1921, and within a short time the worker-owners were producing one and a half times more than traditional plants were producing. As an indication of their collective impact, plywood cooperatives controlled ten percent of the entire plywood industry by the 1960s and 1970s.
- Another example is the **Denver Yellow Cab cooperative**. In 1969, when the company was still privately held, it locked out all the non-driver employees (a lock-out happens when an employer refuses to let employees come to work to pressure their union to agree to certain working conditions). This led to a worker strike that lasted for five weeks. During the strike, the workers collectively organized and learned how to run the business. The workers eventually bought the company from their employer, using money raised during the strike to fund the buy-out. By 1984, the cooperative had more than nine hundred cab drivers, all of whom were worker-owners.

In these instances, by collectively organizing workers were able to secure basic protections such as job security and increased pay, even as they also boosted labor productivity. Both of these examples demonstrate how worker-owned cooperatives can make workplaces more democratic as well as economically successful.

What Do Worker-Owned Cooperatives Need to Thrive?

To establish themselves, cooperatives typically need the backing and resources of an existing organization. For instance, leaders from a union, a governmental entity, or a church might spear-head the effort to create a cooperative. Because extra resources can be very helpful, those interested in establishing new worker-owned cooperatives should educate community leaders about cooperatives movement and the benefits such organizations can offer to the community as a whole as well as to cooperative employees.

However, even without the support of an established institution, leaders can use pre-existing social networks to recruit people interested in establishing a worker-owned cooperative. To increase the likelihood of successfully establishing a cooperative, a leader should present a comprehensive vision of what the worker-owned cooperative will be and clearly outline how each member would enjoy an equal stake in the cooperative's success. In the case of the Denver Yellow Cab cooperation, for example, the drivers forged a high level of solidarity because they all bought in to the idea of making the company better for everyone.

Prior experiences such as those described above offer concrete lessons for the establishment of additional worker-owned cooperatives:

- **People interested in establishing a new cooperative can pool individual resources** – such as tools, labor, or capital. Workers can deposit money directly into a fund to finance the cooperative or they can use individually-owned property for collateral to secure loans from backers. Another workable strategy for cooperative founders involves instituting a fee to join or remain a member of a cooperative enterprise.
- **The expected value of the business can also be used as a resource.** If workers buy in to the expected value of the cooperative, they're more likely to pool their resources to lay strong foundations. To finance the start-up of a cooperative, workers could, for example, use wages or benefits already held in an enterprise-controlled fund, such as a strike fund or retirement fund.
- **Sponsors aiming to establish a worker-owned cooperative should try to obtain government support.** Publicly funded leadership programs for workers may help to establish worker-owned cooperatives. Laws and policies aiming to increase unionization are also likely to provide positive conditions for establishing worker-owned cooperatives, because unions can sometimes raise resources that could be re-targeted to found cooperatives. In addition, if states and communities are supportive, public resources could be allocated directly to help cooperatives get off the ground.

Toward a More Democratic Future

The current state of economic and labor politics in the United States offers many reasons to encourage more worker-owned cooperatives. States regularly undercut union rights and private employers often neglect the concerns and values of their employees. Cooperatives offer a unique, alternative path to empower workers and communities – by reworking longstanding traditions of ownership and entrepreneurial effort for today's democratic purposes.

Read more in Ariana Levinson, “Founding Worker Cooperatives: Social Movement Theory and the Law” *Nevada Law Journal*, 2, (2014): 322-363.