

# BUILDING CHICAGO'S WORKER COOPERATIVE ECOSYSTEM

**Illinois  
Worker  
Co-operative  
Alliance**

# CREDITS

## Illinois Worker Cooperative Alliance



The Illinois Worker Cooperative Alliance (IWCA) was formed on July 2015 to help forge an environment that supports worker cooperatives for low-wage workers and the working poor whose typical employment opportunities are driven by companies with little interest in the financial and physical well-being of the working poor. IWCA's mission is *to support a worker-owned cooperative system that promotes economic stability and independence for workers and their communities and instills values of social justice, democracy and collective participation.*

Cooperatives lead to future sustainable employment opportunities, fostering a culture of high road business practices, fair wages, safe working conditions and as an alternative for workers who are typically excluded from the economic system. Worker Cooperatives offer a new alternative for a more inclusive economy, leading to lower rates of working poverty and resulting in thriving and healthy communities.

Since its formation, IWCA has been working to bring community awareness about the worker cooperative model and its impact on building and strengthening communities; advocating for local and state legislative support to obtain resources and be recognized as a legal social entity; developing an ecosystem that supports the work and development of cooperatives that includes technical, education, legal, and monetary support; and to strengthen the economic impact of worker-run businesses in marginalized communities. The Illinois Worker Cooperative Alliance believes workers cooperatives can be a model in Chicago, and the region, setting the standard for long lasting economic stability.

**Chicago Community and Worker's Rights (CCWR)** is a worker-led organization for workers - regardless of immigration status - dedicated to educating, promote leadership, and collection of resources to

develop organizational tools and collective strategies of resistance against employer abuse, towards just living conditions for our families. We have been working to develop cooperatives since 2009, today our project is supporting the collective of street vendors, "Street Vendors Shared Kitchen" that will allow street vendors to work with dignity and respect in the City of Chicago.

**Centro de Trabajadores Unidos: United Workers' Center (CTU)** is a community organization that assists low-wage workers in advocating for their labor and immigration rights. Since 2014, CTU has worked in the area of economic development to create good jobs in our community through the incubation of worker-owned cooperatives. We are currently incubating two worker-cooperatives; Las Visionarias which caters, and Tonantzin Enterprise which specializes in bottling homemade Mexican salsas and other products. CTU's goal is to create an ecosystem where we can find creative ways of supporting each other and our communities.

**The Domestic Worker and Day Laborer Center of Chicago (DWDL)** is a community managed, sustained and led organization that collaborates with low wage workers to develop the tools and mechanisms necessary to collectively improve economic, social and labor conditions. In 2016 DWDL founded the Workers' Hiring Hall, an office space that promotes healthy connections between employers and workers in the construction and domestic worker industries. DWDL works to build a region that champions the development and sustainability of worker owned cooperatives.

**The Co-op Ed Center (CEC)** is a Chicago-based organization committed to building democratic workplaces that contribute to a strong local economy and invest in community development. Its purpose is to train and develop worker cooperatives in marginalized communities that abide by democratic and social justice values. CEC is a partner of the IWCA.

**New Hope Rising** is an incubator for worker-owned-cooperatives with the mission to create economic opportunities to low income families in the Proviso Township.

### Writing, editing, research:

Renee Hatcher, *Director of the Business Enterprise Law Clinic*, John Marshall Law School-Chicago Cliff Helm, *Former Clinic Fellow*, Business Enterprise Law Clinic, John Marshall Law School-Chicago

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# TABLE OF CONTENTS

Executive Summary.....	4
What is a Worker Cooperative?.....	6
The Need for Worker Coops in Chicago .....	7
Worker Cooperatives in Chicago.....	8
Challenges for Worker Cooperatives in Chicago.....	12
Recommendations.....	15
APPENDIX 1. Draft Cook County Resolution In Support of Worker Coops	
APPENDIX 2. Chicago's Worker Cooperative Ecosystem Map	
Endnotes	

# Executive Summary

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

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

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

## **Key Findings**

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

catering services, bike messenger services, and printing.

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

Nationally, roughly sixty-six percent (66%) of all current worker-owners are women. Since 2010, sixty percent (60%) of new worker-owners are people of color.

Similar to national trends, a growing number of new worker-owners in Chicago are people of color. More than half of identified worker coops in the Chicagoland region are based-in or led by communities of color.

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

## **Key Recommendations**

***Recommendation 1)*** We recommend that worker cooperative members, cooperative incubators, technical assistance providers, philanthropic supporters, policy and municipal champions convene to develop a worker cooperative coalition and collective vision for worker cooperative development. We recommend that all potential worker cooperative stakeholders and ecosystem actors convene to develop goals, strategies, objectives and measurable outcomes for worker cooperative

development in the Chicagoland region. This level of coordination is in line with best practices from around the country and will ensure an efficient use of limited resources, reduce competitive tendencies, and encourage collaborative partnerships.

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

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

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

worker cooperative businesses.

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

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

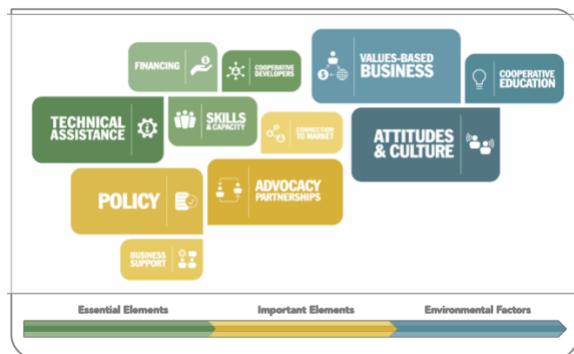
# What is a worker cooperative?

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

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

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

Figure 1. The Worker Cooperative Ecosystem



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

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

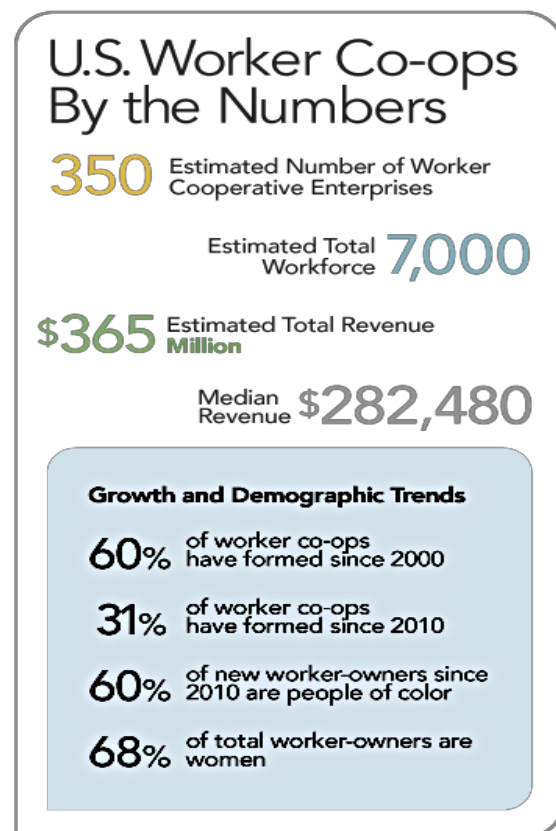


Figure 2. US Worker Co-ops By the Numbers, Democracy At Work Institute.



# The Need For Worker Cooperative Development in Chicago

Many of Chicago's residents are facing tough economic times. Over the last fifty years, the local economy has lost thousands of well-paying manufacturing jobs that have mostly been replaced by minimum or low-wage service industry work.<sup>1</sup> Between 2001 and 2011 alone, the City of Chicago lost over 150,000 jobs.<sup>2</sup> As more job seekers have continued to compete for fewer, lower paying jobs, more workers now work in low-wage jobs (paying \$12 or less). Nearly one in three (31.2%) payroll employees in Chicago work in low wage jobs.<sup>3</sup> Women and non-white workers continue to be over-represented in low-wage employment.<sup>4</sup> Furthermore, according to a report conducted by the University of Illinois in 2010, Chicago workers lose approximately \$7.3 million dollars a week to wage theft with little chance to recoup their pay.<sup>5</sup> According to an analysis by the Chicago Reporter, the highest concentration of wage complaints comes from workers living in low-income Black, Latinx and immigrant communities.<sup>6</sup>

While a number of residents have experienced worker exploitation, others are not able to access work at all. In 2016, the unemployment rate for Black residents of Illinois was the highest of any state, 12.7%, with only about half of Black residents having access to some type of work, compared to an unemployment rate of 5% of their white counterparts. Within the City of Chicago, access to work and income inequality have increasingly worsened.<sup>7</sup> According to a recent Great Cities Institute report, *A Tale of Three Cities*, Black unemployment in Chicago is four times the rate of white unemployment, 20% and 5% respectively. The Latinx unemployment rate is 10%, or double that of white unemployment.<sup>8</sup> The same report found that nearly one-half of Latinx workers and one-third of Black workers in Chicago do not earn a living wage, compared to 15% of their white counterparts.<sup>9</sup> Not only do workers of color in Chicago face higher levels of unemployment and have less income than their white peers, but they tend to live in economically isolated neighborhoods in the city, removed from prominent job centers with fewer public transportation options.<sup>10</sup>

Worker cooperative development has the potential to address a number of worker inequities in Chicago, such as wage theft, precarious and low-wage work, racial discrimination, and income inequality. The worker cooperative organizational style provides distinct advantages to the worker-owners and is a viable choice for new businesses, non-profit organizations, and established businesses that want to create an employee ownership structure. Worker ownership provides a number of potential and demonstrated economic development opportunities and increased economic opportunity and stability for workers. In particular, worker cooperatives provide significant economic protections for the workers, as each worker has one vote on issues related to working conditions, including matters of pay, management, and benefits. In other words, the worker cooperative model puts control directly in the hands of the workers themselves. Worker cooperative businesses have also been shown to be more productive than conventional businesses, and better to adapt to changing economic conditions.<sup>11</sup>

With increasing frequency, Chicago workers and residents are turning to worker cooperative development to create new quality jobs and address worker exploitation. Worker centers, cooperative incubators, and organizations around the city, have been developing and incubating worker cooperatives to give workers control over their labor and build collective wealth. Many of the start-up worker cooperatives and newly minted cooperative incubators, are based in Latinx, Black, and immigrant communities. Specifically, more than half of all identified worker cooperatives within Cook County, are based in or led by communities of color. Businesses such as New Era Windows, Salsedo Press, and Living La Fiesta Catering are owned by a majority of worker-owners of color. Furthermore, nearly all of the identified worker cooperative incubators, are based in or led by Black, Latinx, and immigrant communities. These worker cooperatives and supporting organizations have the potential to 1) create new quality jobs, 2) address underdevelopment and economic isolation, 3) anchor the local economy, 4) mitigate racial discrimination and worker exploitation, and 5) increase economic stability and self-sufficiency in Chicago.

# Worker Cooperatives in Chicago



# Worker Cooperatives in Chicago

Worker cooperatives have existed in the City of Chicago since as early as the 1960s.<sup>12</sup> Currently, there are sixteen identified worker cooperatives (Appendix 2: Chicagoland Worker Cooperative Ecosystem) in the Chicagoland region that represent a variety of industries, including manufacturing, support services, retail, bike messenger services, youth-led cooperatives, catering, and printing. More than half of identified worker cooperatives in the region are based in or led by communities of color. Many of these enterprises are in the first five years of operation and have received some type of support from cooperative service providers.

In recent years, a number of existing and new organizations have started to incubate worker cooperative businesses in the region, including Centro de Trabajadores Unidos, Domestic Worker and Day Laborer Center, Kola Nut Collaborative, Chicago Community for Workers' Rights, Austin Coming Together, National Public Housing Museum, Sustainable Options for Urban Living (S.O.U.L.), New Hope Rising, New Hope Rising, Coop Ed Center, and Blacks in Green (BIG). Many of these organizations already had strong ties to the neighborhoods they work in and almost all of these incubators work with communities of color, specifically Black, Latinx, and immigrant communities. Subsequently, there has been an increase of start-up worker coops over the past five years, as the total number of worker coops in Chicago has more than doubled since 2000. Furthermore, Manufacturing Renaissance's Ownership Conversion Project works to identify and transition traditional manufacturing companies in danger of closing in due to an aging owner ("silver tsunami") into employee-owned businesses with a priority on current employees, Black and Latino entrepreneurs, and women.<sup>13</sup>

More recently, legal support agencies have provided support services to existing cooperatives. Since 2017, the Business Enterprise Law Clinic at John Marshall Law School has provided pro bono legal services to worker cooperatives and cooperative incubators to help start-ups navigate state laws and relevant business regulations. The Community Law Project, at the Chicago Lawyer Committee for Civil Rights, also provides pro bono legal services to cooperative enterprises.

Increasingly, worker cooperative advocates, such as the recently established Institute for Cooperative Economics and Economic Innovation and the Illinois Worker Cooperative Alliance, have convened stakeholders to discuss necessary policy changes and proposals. This signals the growing momentum and demand for worker cooperatives in the City of Chicago.

## Case Study: New Era Windows



*During the 2008 recession, the "Republican Windows and Doors" company shut down without giving their employees notice or earned wages. In an effort to save their jobs and receive their pay, the workers occupied the factory, refusing to leave. After a six day sit-in, the owner of the company agreed to pay the workers and sell the company. The changed hands several times with varying degrees of conflict. Eventually the employees decided to fire the boss and collectively buy and manage the company. In May 2012, the workers purchased the assets of the company with the assistance of a loan from the Working World, and created New Era Windows, a worker cooperative with twenty-two initial founding members. The newly formed co-op began selling windows again starting in 2013. They are currently still in operation in the same factory making seven different styles of windows. The majority of the worker-owners are people of color, and their story is an important example of worker empowerment.*

### Established Worker Cooperatives



Las Visionarias Cooperativa, incubated by Centro de Tradajadores Unidos, is a Latinx woman-led catering worker cooperative based in the South Chicago neighborhood. The business provides catering for events, youth programs, and other organizations on the southeast side and south suburbs.

Salsedo Press, founded in 1969 as a traditional firm, was converted into a worker cooperative in the mid-1980s. The business provides a wide range of eco-friendly printing. The company is a Chicago certified Minority Owned Enterprise.<sup>14</sup> It is one of the more long-standing worker cooperatives in the region and is supported by a number of established nonprofit organizations in the city.

Five Point Holistic Health is a worker cooperative in Logan Square, specializing in community acupuncture, herbal medicine, bodywork, and psychotherapy. The mission of the business is to provide high-quality, accessible holistic healthcare and education in an effort to cultivate long-standing relationships between highly trained practitioners and the community that are socially and economically just.<sup>15</sup>

Catatumbo Cooperative Farm is an immigrant worker-owned farm in Cook County operated through an intersectional and holistic lens by gender-non-conforming immigrants. The worker cooperative uses sustainable farming practices and food justice education programs to address community issues.

Living La Fiesta is a woman-led catering worker cooperative in Maywood, IL. The cooperative provides catering services for a range of clients including local universities, residents, and organizations.

Founded in 2012, Comrade Cycles is a worker-owned full service bike shop, selling, building, and repairing bikes. The co-op emphasizes a positive work environment, which as or more important to them than the company's bottom line. The workers are committed to being a productive and active part of their community, and they see the business as a way to strengthen the local economy and keep money in their community.<sup>16</sup>

### Youth-led Worker Cooperatives



MECH Creations, incubated by Manufacturing Renaissance and Austin Polytechnical Academy, is a youth-owned manufacturing enterprise. Started and operated by four African-American students at Austin Polytechnical Academy in 2013, the enterprise manufactures trumpet mouthpieces.

Grassroots Ecology is a youth-led worker-owned cooperative business initiative that first started developing in Chicago's Roger's Park neighborhood in 2011. Incubated by LET'S GO Chicago, a youth environmental leadership training organization, Grassroots Ecology aims to provide services related to storm water solutions including the installation of rainwater catchment systems, native landscaping, vegetable gardens, and edible landscaping, while addressing issues of youth unemployment and inequitable access to existing jobs.<sup>17</sup> By 2014, the initiative had completed the successful installation of seven (7) rain gardens and twelve (12) rain barrel systems, and raised more than \$3700 in start-up capital.<sup>18</sup>

# **CURRENT CHALLENGES FACING WORKER COOPERATIVES**

# Challenges for Worker Cooperatives in Chicago

Currently, start-up and existing worker cooperatives in Chicago face a number of challenges. While these challenges in no way totally prevent the proliferation of worker cooperatives, they often serve as barriers for worker cooperative developers and business. Below we outline the top four barriers for worker cooperatives in Illinois, as identified by worker cooperatives and other stakeholders.

## **Barrier 1: ACCESS TO CAPITAL**

Access to capital is one of the most significant source of determining the success or failure of a new business. It is frequently cited as a major barrier for worker cooperatives. This is a result of 1) a low number of funding agencies focusing on worker cooperatives, 2) difficulty of creating an investment opportunity and structure for a worker cooperative, 3) the inability of members to financially support the start-up capital requirements, and 4) a lack of knowledge of the worker cooperative structure by lenders and other potential sources of capital.

Traditional lenders generally do not make loans to worker cooperatives, particularly at the startup stages. Many lenders require the owners of a business to meet certain minimum credit requirements or provide personal guarantees for the loans. With worker cooperative businesses there tend to be more business owners or partners, typically at least five owners, than in traditional businesses. The dispersed ownership often makes it less likely for lenders to provide loans unless one worker-owner has sufficient assets or income to personally guarantee the loan. Furthermore, worker cooperative business are more likely to take on new owners than traditional firms before the end of offered loan terms.

Micro-lending organizations and CDFIs are the main methods of creating access to capital for people and businesses that would not normally have such access. However, these entities, such as Accion Chicago, currently do not have a lending model or financial product well-suited for worker cooperative businesses. Micro-lenders have generally been reluctant to lending to a business structured as a worker cooperative – particularly a start-up businesses. Unlike a traditional business, worker cooperatives will have multiple members. Most micro-lenders, to protect their investments and portfolios, will underwrite loans based on the assessment of the partners who own 20% or more of interest in a company. In a worker cooperative, there may not be a single person with that much ownership as generally with worker cooperatives there are at least five (5) worker-owners.

There have been initial conversations among Chicago micro-lenders to develop additional policies or products that address the needs of worker cooperatives. Another non-profit funder, the Chicago Community Loan Fund, has provided capital for cooperatives, but generally provides capital for development or business expansion, rather than start-up or general operating capital.

## **Barrier 2: LACK OF PUBLIC AWARENESS OF THE WORKER COOPERATIVE MODEL**

A primary barrier for worker cooperative development in Chicago is general public awareness. When surveying successful models of worker cooperative development a key component was public education and awareness. Worker cooperatives and advocates have not been able to access certain support services of Furthermore, as was the case in other cities, community awareness of the worker cooperative model and benefits of worker cooperative development, have served as a catalyst for scaling and firmly establishing a local worker cooperative ecosystem.

### **Barrier 3: LACK OF TECHNICAL TRAINING AND SUPPORT SERVICES**

Most of the support for worker cooperatives in the Chicago area comes from private organizations, coalitions, and policy organizations. Together with the worker cooperatives themselves, these agencies are beginning to form the back-bone of a worker cooperative “ecosystem.” However, if the growing worker cooperative sector is to achieve long term success, these organizations will need additional capacity to assist worker cooperatives. Furthermore, there are a number of essential support services that are currently not provided for by existing organizations. Specifically, worker cooperatives need business service professionals that have expertise in the cooperative model. These services would include accounting support services and training, ongoing business coaching, and business insurance coverage and products from companies familiar with the worker cooperative model.

The City of Chicago does not provide any significant support for the ecosystem for worker cooperatives. In contrast, the small business ecosystem in Chicago is well developed. To this point, however, the small business support systems, including public services and private organizations, have not explicitly included worker cooperatives, even if they fit the definition of a small business qualify, work with the existing support systems that are established to help small businesses generally. However, there are significant limitations on the ability of worker cooperatives to benefit from these organizations or programs.

The City of Chicago, Cook County, and the State of Illinois provide funding for businesses in a few specific ways:

1. By funding technical training organizations to provide services for businesses
2. By funding micro-lenders (or acting as guarantor) to provide loans for businesses that might not normally qualify for a bank or SBA loan
3. By using its TIF funds or tax credits (such as New Market Tax Credits) to provide grants directly related to property improvements in targeted areas
4. By setting up specific funds through public-private partnerships to directly fund small businesses

Each of these options are technically open to worker cooperatives, but there are significant limitations to the availability for cooperatives, particularly with regards to technical training and micro-lending.

Technical training organizations and service providing organizations generally do not focus on worker cooperatives nor do they have the expertise to provide training on how to set up or structure a worker cooperative. While they may be able to provide resources where the business development needs overlap, the specific issues relating to how to structure worker ownership touch on legal, accounting, and operational issues which are not common to most traditional firms.

Furthermore, managing a worker cooperative requires a broad range of skill sets. Worker cooperatives need access to support services and training on a number of essential skills including: 1) collective management and governance, including democratic decision-making and conflict resolution; 2) managing the accounting and financial needs of the business; and, 3) complying with tax, employment and other business regulations.

Most of these skills need to be developed internally to the cooperative, or it cannot succeed as a business. Outside organizations and technical support is generally required to provide the level of support necessary for worker cooperatives to succeed. The current governmental support provided for businesses does not include the type of training and support that would help sustain worker cooperatives.

**Barrier 4: LEGAL COMPLEXITY AND ILL-SUITED COOPERATIVE STATUTE**

Worker cooperatives face significant barriers to establishing a sustainable business, including legal barriers. Worker cooperatives in Illinois functionally require hiring an attorney and accountant to create the organization of the cooperative. The Illinois Co-operative Act, 805 ILCS 310, was originally available only to producer and consumer cooperatives. While there was a slight amendment to the statute in 2016 to include worker cooperatives, the law still presents a challenge for many start-up worker cooperatives that do not have the capital to immediately comply with employment regulations that are not relevant to the worker cooperative model. The employee classification makes it difficult for low-income entrepreneurs to start a cooperative under the Co-operative Act, as it requires sufficient capital to pay workers' compensation insurance, cover payroll taxes, comply with minimum wage requirements, and unemployment insurance. Furthermore, the current Co-operative Act, is not accessible for undocumented immigrant entrepreneurs due to the worker-owners classification as "employees", as opposed to being classified as an owner or partner.

Other states, such as California, New York, Wisconsin, Minnesota, and Tennessee have passed additional cooperative legislation to supplement previous statutes that do not reflect the needs of the worker cooperative model. Currently, Illinois law does not optimally support worker cooperative businesses in the state.

# Recommendations



# RECOMMENDATIONS

This paper identified a number of issues that worker cooperatives in the region currently face. To address those challenges, our six key recommendations are as follows:

## **Recommendation 1: CONVENE AND BUILD A WORKER COOPERATIVE ECOSYSTEM COALITION**

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

## **Recommendation 2: GOVERNMENTAL INVESTMENT IN THE WORKER COOPERATIVE ECOSYSTEM**

We recommend the city, county, and state provide resources to incubators, technical assistance providers, and microlenders to develop worker cooperative businesses, as well as support research into the economic impact of worker cooperatives in the region. These investments are key to scaling the worker cooperative ecosystem in the Chicagoland area, as well as building the capacity of existing cooperatives.

Furthermore, both the City of Chicago and Cook County can provide direct and indirect support to make capital available to worker cooperative businesses, including 1) giving grants, 2) providing loans, 3) utilizing federal funds from Community Development Block Grants to support cooperatives, 4) creating loan guaranty programs, 5) supporting the development of revolving loan funds, 6) acting as an intermediary between cooperatives and lending institutions, and 7) offering city-owned land to worker cooperatives.

## **Recommendation 3: GOVERNMENTAL SUPPORT THROUGH ECONOMIC DEVELOPMENT AGENCIES**

We recommend the City of Chicago and Cook County agencies support worker cooperatives through their economic development departments and initiatives. This support would include training and education on the worker cooperative model for governmental employees in business services. Secondly, governmental agencies can support worker cooperative through public contracting and procurement of goods and services. Local government agencies and institutions, like schools, public hospitals, and public housing, should prioritize procurement agreements with worker cooperative businesses in an effort to support local jobs. Such preferences can be formalized in procurement ordinances and policies.

## **Recommendation 4: PRIVATE INSTITUTIONS ENGAGE WORKER COOPERATIVE IN ANCHOR-BASED DEVELOPMENT**

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

## **Recommendation 5: CITY OF CHICAGO & COOK COUNTY PASS A RESOLUTION IN SUPPORT OF WORKER COOPERATIVES**

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

**Recommendation 6: PASS A LIMITED COOPERATIVE ASSOCIATION STATUTE**

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

## APPENDIX 1.

### DRAFT RESOLUTION SUPPORTING THE DEVELOPMENT OF WORKER COOPERATIVES IN COOK COUNTY, ILLINOIS

**WHEREAS**, a “worker cooperative” is a business that is cooperatively owned and controlled by its workers;

**WHEREAS**, the worker cooperative model has proven to be an effective tool for creating and maintaining sustainable, dignified jobs; generating wealth; improving the quality of life of workers; and promoting community and local economic development, particularly for people who lack access to conventional means of business ownership;

**WHEREAS**, many worker cooperatives in the United States today were designed to improve low-wage jobs and build wealth in communities most directly affected by inequality;

**WHEREAS**, the mandate of the Cook County Bureau of Economic Development includes fostering business growth, attraction, and retention; supporting workforce development, job creation, and sustainable employment; and, encouraging sustainable community investment;

**WHEREAS**, worker cooperatives employ less common governance and financial structures, and because the County currently lacks programming and resources to help these beneficial enterprises thrive; now, therefore,

**BE IT RESOLVED BY THE COOK COUNTY COMMISSION:** That the Cook County Commission supports the development and growth of worker cooperatives;

**BE IT FURTHER RESOLVED:** That the Cook County Social Innovation Commission celebrates the tremendous benefits of worker cooperatives in Cook County and supports the movement to create more worker cooperatives throughout the region;

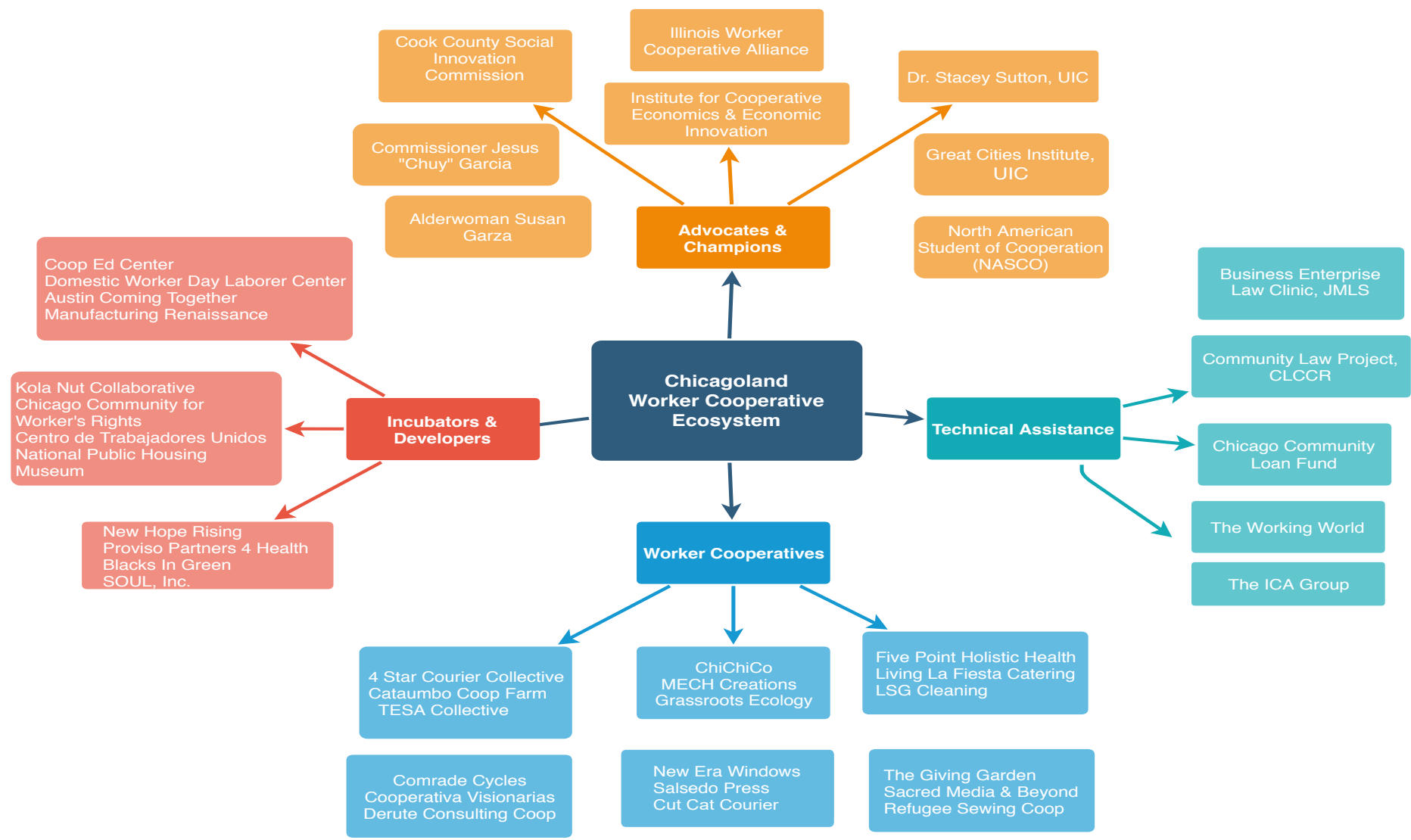
**BE IT FURTHER RESOLVED:** The Cook County Bureau of Economic Development is directed to develop recommendations for using community development block grant (CDBG) funding and other appropriate sources of funding to support local worker cooperatives, strengthen existing organizations that are incubating and training worker cooperatives in Cook County, and help to equip other organizations to provide such services, considering: areas of Cook County in need of services; how to best solicit proposals from worker cooperatives to address the needs of low-income residents; and plan to provide funding for new worker cooperatives providing services to low-income customers or in underserved areas;

**BE IT FURTHER RESOLVED:** The Bureau of Economic Development is directed to ensure worker cooperatives can access tailored resources, created by community organizations and make referrals to technical assistance providers for individuals seeking to launch new worker cooperatives or convert conventional businesses to worker ownership;

**BE IT FURTHER RESOLVED:** The Bureau of Economic Development is directed to include worker cooperative educational materials in small business programming and resources about how to start a business and sources of funding that workers cooperatives can access; and

**BE IT FURTHER RESOLVED:** The Office of the Chief Procurement Officer is directed to review Cook County’s purchasing policies and identify any barriers for worker cooperatives to receive County contracts; take necessary steps to remove those barriers; and advertise Cook County procurement opportunities to worker cooperatives.

# Chicagoland Worker Cooperative Ecosystem\*



\*This ecosystem map is based upon identified operating worker cooperatives and stakeholders. Many stakeholders serve more than one role in the ecosystem that may not be reflected in the depiction above.

- <sup>1</sup> Iván Arenas & Kasey Henricks & Amanda Lewis & Deana Lewis, *A Tale of Three Cities: The State of Racial Justice in Chicago Report*, UIC Institute for Research on Race and Public Policy (May 2017), [https://www.researchgate.net/publication/323151248\\_A\\_Tale\\_of\\_Three\\_Cities\\_The\\_State\\_of\\_Racial\\_Justice\\_in\\_Chicago\\_Report](https://www.researchgate.net/publication/323151248_A_Tale_of_Three_Cities_The_State_of_Racial_Justice_in_Chicago_Report).
- <sup>2</sup> March Doussard, PH.D., *Chicago's Growing Low-Wage Workforce*, Women Employed and Action Now Institute, <https://womenemployed.org/sites/default/files/resources/Chicago's%20Growing%20Low-Wage%20Workforce%20FINAL.pdf> (last visited Aug. 10, 2018).
- <sup>3</sup> *Id.*
- <sup>4</sup> *Id.*
- <sup>5</sup> Nik Theodore et al., *Unregulated Work In Chicago: The Breakdown of Workplace Protection in the Low-wage Labor Market*, (January 2010), [https://d3n8a8pro7vhmx.cloudfront.net/raisethefloor/pages/211/attachments/original/1492720585/Unregulated\\_Work\\_in\\_Chicago\\_2010.pdf?1492720585](https://d3n8a8pro7vhmx.cloudfront.net/raisethefloor/pages/211/attachments/original/1492720585/Unregulated_Work_in_Chicago_2010.pdf?1492720585); Melissa Sanchez, *Wage theft victims have little chance of recouping pay in Illinois*, The Chicago Reporter (Aug. 9, 2017), <https://www.chicagoreporter.com/wage-theft-victims-have-little-chance-of-recouping-pay-in-illinois/>.
- <sup>6</sup> Melissa Sanchez, *Wage theft victims have little chance of recouping pay in Illinois*, The Chicago Reporter (Aug. 9, 2017), <https://www.chicagoreporter.com/wage-theft-victims-have-little-chance-of-recouping-pay-in-illinois/>.
- <sup>7</sup> *A Tale of Three Cities*, *supra* note 1 at p.4, *stating*, "Income inequality continues to rise in Chicago among Black, Latinx, and white workers, with 30% of Black families and 25% of Latinx families living below the poverty line, compared to 10% of white families."
- <sup>8</sup> *Id.*
- <sup>9</sup> *Id.*
- <sup>10</sup> *Id.*
- <sup>11</sup> Virginie Perotin, *The performance of worker cooperatives. The Cooperative Business Movement, 1950 to the Present*, (2010).
- <sup>12</sup> Salsedo Press, About Us, available at: <https://salsedopressinc.com/about.html>
- <sup>13</sup> Manufacturing Renaissance, Ownership Conversion Project, <https://www.mfgren.org/ownership-conversion-project>.
- <sup>14</sup> *Id.*
- <sup>15</sup> Five Point Holistic Health, Our Values, <http://www.fivepointholistichealth.com/our-values/>.
- <sup>16</sup> Comrade Cycles, available at: <http://comradecycles.com/>.
- <sup>17</sup> Grassroots Ecology, available at: <https://letsgochicago.org/our-programs/grassrootsecology/>.
- <sup>18</sup> See <https://startsomegod.com/GrassrootsEcology>.

