

New York City Economic Development Corporation and Department of Small Business Services
New York City Council Hearing:
Oversight – Worker Cooperatives – Is This a Model That Can Lift Families Out of Poverty?
Committee on Community Development
Miquela Craytor, Director of NYC Industrial and Income Mobility Initiatives
Monday, February 24, 2014

I. Introduction

Good morning Chair Arroyo and members of the Committee on Community Development. My name is Miquela Craytor and I am the Director of NYC Industrial and Income Mobility Initiatives at the New York City Economic Development Corporation ("NYCEDC"), and together with Gregg Bishop, Deputy Commissioner of the New York City Department of Small Business Services, I am pleased to speak with you today about worker cooperatives, a workforce model deserving of further consideration by the City as we begin to develop new strategies to address income inequality in New York City under Mayor de Blasio's leadership. After my testimony, I will be happy to take questions.

Income inequality is a critical concern for all New Yorkers, and Mayor de Blasio has made clear that tackling this important issue will be a central tenet of this administration. Currently, 30% of full-time NYC workers are low-income with limited opportunities to increase their economic potential.¹ NYCEDC is working closely with the Administration to start developing new strategies for strengthening the economic base in distressed neighborhoods and communities across the city. We've done this through fostering entrepreneurial opportunities and supporting organizations and businesses that provide support and employment opportunities to the City's low-income populations. Ultimately the goal is to help employers invest in their workers and develop policies that help improve income mobility for all workers across the City.

In January of this year, the Federation of Protestant Welfare Agencies (FPWA) released a report on worker-owned cooperatives in New York City and the potential opportunities cooperatives

¹ *"Low income" benchmarked at a family income of <\$63K/year for a family of two adults and two children.*

may provide as a tool for addressing income inequality in our city. The report argues that cooperatives can be formed with workers in any industry but accrue particular benefits to workers in low-wage industries by empowering workers to exercise democratic control of their businesses, including wage and profit distribution decisions. This in turn can potentially lead to greater financial stability and wealth accumulation for participating workers.

Worker cooperatives often represent two groups which NYCEDC, SBS and the City has long worked to support- small businesses and entrepreneurs. We believe these two groups are unique in their position to help continue to create jobs and improve the New York City workforce landscape as the City's economy continues to recover, but also represent individuals who are often in need of additional financial and technical resources. It is our understanding that worker cooperatives face many of the same issues encountered by all New York City small businesses, including funding, affordable space, and technical assistance needs.

As the report states, worker cooperatives are not a well-known business model in New York City, with 23 cooperatives throughout the five boroughs.² However, FPWA's report suggests that existing cooperatives can serve as a model for supporting small business growth in the city.

II. Services Available to Worker Cooperatives

The FPWA report outlines supportive services that can help worker cooperatives to overcome the initial hurdles inherent in the cooperative formation process, including legal and technical assistance and a worker cooperative movement and community to draw on experiential advice and institutional support.

² Jones Austin, Jennifer. "Worker Cooperatives for New York City: A Vision for Addressing Income Inequality." Federation for Protestant Welfare Agencies. January 2014. pp. 6.

At SBS through their network of Business Solutions Centers, they meet with entrepreneurs seeking to establish new businesses. This process usually involves consideration of business structure, including sole proprietorships, partnerships, and incorporating. SBS will be able to provide information on the corporate cooperative structure and refer interested individuals to these organizations that offer step by step information on this type of structure. Currently, SBS is discussing providing procurement technical assistance to existing cooperative corporations on how to do business with the City as well as determining what agencies purchase the goods and services of those corporations. In addition, SBS can also provide information on certifying as an MWBE where applicable.

Worker cooperatives are eligible for many of NYCEDC's industry transformation programs as well as some capital funding opportunities. For instance, cooperative corporations that otherwise meet the requirements specified in NYCEDC RFPs are eligible to respond to opportunities for capital funding, provided that the cooperative corporation is the legal entity that owns the real property or capital assets being acquired, constructed and/or improved.

III. Further Research Questions

Both NYCEDC and SBS are open to exploring and learning about new and innovative strategies for addressing income inequality and workforce development issues in New York City. The FPWA report has brought to our attention potential strategies for recognizing and engaging with worker cooperatives. We believe worker cooperatives warrant further consideration and discussion, particularly to determine what forms of technical assistance or support the City can provide to groups interested in forming cooperatives. Based on our experience in assisting businesses to grow and create jobs in New York City, we believe there are still some key questions that need to be answered about the worker cooperative model, including:

- What does the Worker Cooperative landscape look like as far as interests among would-be worker owners and potential industries for growth?
- Are there opportunities to expand the core values (employee ownership and community wealth building) of the Worker Cooperative model to existing businesses and/or non-Worker Cooperative businesses?

The FPWA report cites two current factors that have impacted the City's understanding of worker cooperatives- the limited number of worker cooperatives in New York City and the lack of a centralized worker cooperative association. We're open to engaging with these existing organizations, including those offering institutional and technical assistance to groups interested in forming cooperatives, in order to learn more and further discuss these capacity and community issues.

We're aware that the City Council has shown support for the worker cooperative model in the past by providing grant support to the Center for Family Life to form a cooperative incubation training program. We would be interested in hearing more about the results of their program and any potential future efforts by the Council to expand on their partnership with CFL.

IV. Conclusion

Thank you again for inviting me to speak today and giving me the opportunity to discuss the benefits worker cooperatives may provide in addressing income inequality and the issues these organizations currently face.

I will now take your questions.



**Testimony before the New York City Council Committee on Community Development
Worker Cooperatives - Is This a Model That Can Lift Families Out of Poverty?**

February 24, 2014

Stephan Edel, Green and Equitable Economies Organizer

Center for Working Families

Good Morning, Chair Arroyo, and members of the Committee on Community Development. Thank you for this opportunity to testify on whether worker cooperatives can lift families out of poverty.

My name is Stephan Edel. I am the Green and Equitable Economies Organizer at the Center for Working Families. The Center is a nonpartisan multi-state 501(c)3 organization that engages in issue advocacy and public education for policy campaigns at the state and local level. The Center incubates and develops compelling issue campaigns, provides resources and technical assistance, and injects our values into the national political discourse.

I want to thank the Committee for holding this hearing. We support the many good policy ideas being presented today. These innovative ideas include City agencies offering support for cooperatives as part of their portfolio of services; investigating ways to leverage city procurement to create good local jobs through cooperatives; and providing direct funding to worker cooperative developers.

Working families need universal standards like the minimum wage and paid sick days, that set a floor, but public policy should encourage businesses to provide good jobs that rise above that floor. Policies supporting worker cooperatives address the root causes of poverty by creating good jobs, reducing income inequality, and empowering workers.

Poverty reduction is directly related to attaining good jobs. However, the dominant economic development system has often failed to create promised jobs, especially good jobs and especially in low income communities of color. New York State spends \$7 billion on economic development, largely on corporate tax subsidies in the name of job creation.ⁱ The City spends roughly \$4 billion, roughly \$3 billion of which is business tax abatements.ⁱⁱ Most of the jobs created are temporary or low wage. Worker cooperatives offer an alternative community development strategy to create good jobs at businesses owned by members of the community.

Employment at worker cooperative enterprises has clear benefits for job quality, transforming entry level jobs into pathways out of poverty. Cooperative employment empowers workers and builds leadership, problem solving, and business skills. Worker ownership can create a sense of agency that extends beyond the workplace. Cooperatives tend to provide stable jobs even in economic downturns because cooperatives shed fewer jobs than other businesses.ⁱⁱⁱ Democratic control of the workplace reduces abuse and wage theft, and tends to lead to more equal compensation structures.^{iv} Worker owners at most cooperatives build equity in addition to their wages which improves their credit, builds their long term financial position, and keeps resources in the local community.

The benefits of cooperative businesses are not limited to their employee owners. Cooperatives generally provide better benefits to the broader community because they are owned and controlled locally.^v Since spending in worker cooperatives remains in the community, the impact of each dollar is multiplied.^{vi} A recent survey of research showed that cooperatives can compete with other similarly situated businesses and may fail at a lower rate.^{vii}

There are models for creating a thriving cooperative sector around the country that New York City can draw from.

- The Federation of Southern Cooperatives grew out of the civil rights movement and a long history of struggle for economic and social justice for African-Americans. The Federation currently serves 75 active cooperatives, many of which are worker cooperatives, helping to pull 20,000 families up from poverty.^{viii} The Federation demonstrates not only the effectiveness of workers to create and sustain employment in dire circumstances, but also the strong impact that cooperative development can have on a community.
- In Cleveland the Evergreen Cooperatives have developed over the last decade to provide good permanent jobs to the city's least privileged residents. These cooperatives provide goods and services that major institutions in Cleveland already need.^{ix} Federal Reserve Board Governor Sarah Bloom Raskin highlighted the innovative work of the Evergreen to leverage procurement by "anchor institutions," such as hospitals and universities, as powerful engines for job creation in their communities.^x In New York City procurement was more than \$16.5 billion worth of supplies, services and construction in 2013.^{xi} If even a tiny fraction of that spending were redirected to local cooperatives it would have a substantial impact in this sector.

New York City has solid infrastructure in both the government and non-profit sector to support worker cooperatives. Current efforts have had a real impact on job creation and poverty reduction, including:

- Cooperative Home Care Associates, a Bronx based unionized worker cooperative, has more than 1,600 employees who earn above the industry average, have comprehensive benefits, and support educational and other programming.^{xii}
- Si Se Puede Women's Cooperative is a Brooklyn based immigrant women run cooperative that provides cleaning services citywide, which was incubated by the Center for Family Life. Si Se Puede has grown quickly to over 50 employees who have doubled their wages from previous jobs and now receive a living wage at a business they control.^{xiii}

There are no guaranteed solutions for poverty. However, there are clear links between worker cooperatives and outcomes that we know have a positive long term benefit for lifting families out of poverty. A policy that supports worker cooperatives is a good jobs strategy. It also offers an opportunity to ensure that public procurement is targeted at local cooperative businesses where the economic benefits of public expenditures are multiplied as those dollars remain in the community.

I appreciate the Council members' time and the opportunity to be part of the conversation. Thank you again for holding this hearing. We look forward to working with you to support the expansion of worker cooperatives throughout our city.

ⁱ ALIGN The Alliance for a Greater New York. 2013 *The \$7,000,000,000 Wager: New York State's Costly Gamble in Economic Development* <http://www.alignny.org/wp-content/uploads/2013/05/7-Billion-Wager-Web.pdf>

ⁱⁱ Public Advocates Office. 2013 archive. advocate.nyc.gov/jobs/3

ⁱⁱⁱ Burdin, Gabriel and Andres Dean. 2009 "New Evidence on Wages and Employment in Worker Cooperatives Compared with Capitalist Firms." *Journal of Comparative Economics* 37 (4):517-33

^{iv} Restakis, John. 2010 *Humanizing the Economy: Cooperatives in the Age of Capital*. New Society Publishers

^v IFAS Community Development: *Cooperatives as Tools for Community and Economic Development in Florida* <http://edis.ifas.ufl.edu/fy728>

^{vi} BALLE *The Benefits of Locally Owned Businesses* <https://bealocalist.org/economic-development/planet-protection/benefits-of-locally-owned-businesses>

^{vii} Olsen, Erik. 2013 "The Relative Survival of Worker Cooperatives and Barriers to the Creation." *Advances in Economic Analysis of Participatory and Labor-Managed Firms*.

^{viii} Federation of Southern Cooperatives Land Assistance Fund *History and Historical Documents* www.federationsoutherncoop.com/history.htm

^{ix} Evergreen Cooperatives. 2012 www.evergreencooperatives.com/about/

^x National Community Reinvestment Coalition annual conference 2013 <http://evergreencooperatives.com/2013/03/federal-reserve-board-governor-highlights-evergreen-cooperatives-as-substantial-positive-development-in-the-local-economy/>

^{xi} City of New York Mayor's Office of Contract Services. 2013 *Agency Procurement Indicators Fiscal Year* www.nyc.gov/html/mocs/downloads/pdf/Fiscal%202013%20Procurement%20Indicators%20complete%20text%2010%2021_for%20web.pdf

^{xii} Schneider, Stu. 2010 "Cooperative Home Care Associates: Participation with 1600 Employees" *Grassroots Economic Organizing (GEO) Newsletter, Volume II, Issue 5*, <http://www.geo.coop/node/443>; also <http://www.chcany.org/>

^{xiii} Bransburg, Vanessa. 2011 *The Center for Family Life: Tackling Poverty and Social Isolation in Brooklyn with Worker Cooperatives*. Grassroots Economic Organizing (GEO) Newsletter, Volume 2, Issue 8. <http://geo.coop/node/636>

TESTIMONY OF MAKE THE ROAD AND WORKER COOP MEMBER
CLAUDIA LEON
2/24/2014

Greetings, My name is Claudia Leon, I'm a member of Make the Road New York and a co-owner of Pa'lante Green Cleaning Coop, a cooperative that offers cleaning services formed by workers that like me, had been victims of wage theft and workplace abuse.

I'm originally from Puebla, Mexico. I moved to the United States three years ago. I came to this country looking for new employment opportunities and personal growth for me and my family in Mexico who depend on me. Once here I found a job as a waitress where I worked 6 days a week, 9 hours per day earning \$ 20 per day – I worked under these conditions for three years, in an environment where I felt humiliated and where my personal growth was limited.

Through my participation in English classes offered by Make the Road and my engagement in community meetings, I learned about my rights as an immigrant woman and as a worker in this country. After learning my rights I realized I was being a victim of labor exploitation. I decided to quit my job even though I knew how difficult it would be to find a new one.

At that time "Make the Road" was developing a new project to help members to establish worker cooperatives. During our weekly cooperative's trainings, we realized that we were victims of workplace abuse as well as the lack of good jobs in different industries. We decided to commit to the creation of a different type of workplace, where everyone has a voice, a fair wage, stable jobs, and can work in an atmosphere of respect and dignity.

Pa'Lante Green Cleaning Coop, is made up of 16 individuals who have received training to ensure the success of the cooperative and the satisfaction of our future customers. As of February 2014 we have received our certificate of incorporation as a business. I am part of the publicity committee working on advertising for the cooperative. We are working to ensure the success of the cooperative, so that we can one day offer more jobs to people who desire better working conditions and to improve their lives. We are a group of 16 people each dedicated to doing monthly hours of publicity and to attending regular meetings where we engage into important topics such as customer service, training and the use of natural products, etc.

In Mexico I got my accounting license and now I will have the opportunity to implement what I learned there to improve the performance of my cooperative.

Today I want to acknowledge the support we have received from organizations and different cooperatives through their trainings and information.

Thanks for your interest and commitment to help workers' cooperatives in the city of NY

(In Spanish)

Buenas, Mi nombre es Claudia Leon soy miembro de Se Hace Camino Nueva York y una de las dueñas de Pa'lante Green Cleaning Coop, una cooperativa que ofrece servicios de limpieza formada por trabajadores que al igual que yo han sido víctimas de robo del salario y abuso laboral.

Soy originaria de Puebla México. Me mudé a los Estados Unidos hace tres años. Vine a este país buscando nuevas oportunidades de empleo y superación personal para mí y mi familia en México quienes dependen de mí. Al llegar encontré un trabajo de mesera donde trabajaba 9 horas por 6 días a la semana ganando \$20 por día – Trabaje en estas condiciones por tres años, en un ambiente donde me sentí humillada y limitada a un desarrollo de superación personal.

A través de mi participación en las clases de inglés que ofrece Se Hace Camino y en mi involucramiento en las reuniones comunitarias aprendí sobre mis derechos como una mujer inmigrante y trabajadora en este país. Después de conocer mis derechos me di cuenta de que estaba siendo víctima de explotación laboral, en ese momento decidí de dejar mi trabajo aun sabiendo lo difícil que es encontrar un trabajo nuevo.

En ese momento Se Hace Camino estaba desarrollando un nuevo proyecto que ayudaba a los miembros a crear cooperativas. A través de los entrenamientos semanales de la cooperativa nos dimos cuenta de que éramos víctimas de abuso laboral y la falta de trabajos buenos en diferentes industrias. Decidimos comprometernos a crear un lugar de trabajo diferente, en donde todos tengamos una voz, un salario justo, trabajos estables, y con un ambiente de respeto y dignidad.

Pa'lante Green Cleaning Coop, esta formada por 16 personas las cuales hemos recibido entrenamientos para asegurar el éxito de la cooperativa y la satisfacción de nuestros futuros clientes. En este mes de Febrero ya recibimos nuestro certificado de incorporación como un negocio. Yo formo parte del comité de publicidad que trabaja en la propaganda de la cooperativa y estamos enfocándonos en que nuestra cooperativa sea un éxito, así en un futuro daremos más empleos a personas que deseen superar sus condiciones laborales y mejorar sus vidas. Somos un grupo de 16 personas dedicadas al hacer horas de publicidad mensuales, asistir reuniones regulares donde tocamos temas importantes como el servicio al cliente, entrenamientos como el uso de productos naturales, etc.

En México obtuve mi licenciatura en contabilidad donde ahora tendré la oportunidad de desarrollar lo aprendido para mejorar el funcionamiento de mi cooperativa.

Hoy quiero agradecer el apoyo que nos han brindado organizaciones y diferentes cooperativas a través de sus entrenamientos y información.

Gracias por su interés y compromiso en ayudar cooperativas de trabajadores en la ciudad de NY.

TESTIMONY

Oversight Hearing:

“Worker Cooperatives – Is This A Model That Can Lift Families Out of Poverty?”

New York City Council, Committee on Community Development

Hon. Maria Carmen del Arroyo, Chair

Monday, February 24, 2014

Panel #2: Worker Cooperatives as a means for helping the unemployed

Vanessa Bransburg's testimony

- In 2006 the Center for Family Life, a program of SCO Family of Services, the Worker Cooperative Development Program was created out of our Adult Employment Program which is the workforce arm of our agency.
- We identified the need to have an alternative from our traditional job readiness approach for our clients who were unemployed, had experienced multiple barriers to finding work and demonstrated an interest in entrepreneurship.
- The worker cooperative model presented itself as an ideal opportunity to organize themselves, work collectively to create high standards for their work, and establish a democratic workplace that would benefit both themselves and their clients.
- Since 2006, we have seen the involvement of more than 120 community members in worker cooperatives in Sunset, Park, alone. They have generated more than \$5 million in income and have organized their coops to offer flexible schedules and training opportunities for its members.
- Additionally, with the support of the City Council CFL has been providing training and technical assistance to 16 community organizations in New York City who will become cooperative incubators themselves. The potential in this expansion process demonstrates the real interest on behalf of workforce development programs and community members to engage in a model that can offer members and their families living wages and benefits that they might not otherwise be able to attain in a traditional job.

- Therefore, as the City of New York revamps its workforce system plans and policies, we urge the City to include worker cooperatives as part of the effort, as worker cooperatives could be a useful tool to achieve broader goals in the workforce system. While the benefits of worker cooperatives are clear, they are widely unknown and underutilized in the ongoing and ever present fight against poverty and unemployment.

- With regards to the various city agencies funding workforce development programs, these programs should partner with cooperative incubators to lend guidance and expertise to cooperatives, refer workers to cooperative incubators, or even become incubators themselves. Such a partnership can direct more workers and resources to the cooperative sector. Therefore, new city workforce development contracts should include provisions that permit job placement in a worker cooperative as an approved placement opportunity. In addition, new city workforce development contracts should provide funding for capacity building, industry skills training, and resource development for worker cooperatives.

TESTIMONY

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Panel #2: Worker Cooperatives as a means for helping the unemployed

Yadira Fragoso's testimony

Mi nombre es Yadira Fragoso y soy de la ciudad de Mexico.

Llegue a los Estados Unidos en el 2000 y el primer trabajo que tube fue de limpieza. Ganaba \$6.50 la hora. Solo trabaje un año.

En 2006 me quede desempleada y estaba pasando por un momento difícil en mi vida por lo cual tube que mandar a mis hijos a Mexico por un año.

En ese tiempo yo estaba recibiendo consejería en el CFL y mi trabajadora social me dijo que Si Se Puede tendria un open house asi que decidi aplicar,

Afortunadamente fui aceptada para empezar el proceso de aprobacion. Este proceso duro 4 meses pero fue hasta despues de 8 meses que me hize miembra oficial de Si Se Puede

Como este proceso fue largo y no obtube trabajos inmediatos yo empeze a trabajar en un restaurant ganando 10 dolares x hora.

El año que yo me habia destinado a trabajar fuerte se termino y mis hijos volvieron de Mexico. Para ese entonces yo estaba trabajando en el restaurant y en la cooperative

En la cooperativa solo tenia un cliente fijo y tres de cada mes. Asi que mi principal entrada de dinero era mi trabajo en el restaurant. Desafortunadamente, no tenia tiempo para estar con mis hijos y algunas veces tenia que traerlos conmigo al trabajo y esperaban por mi todo mi horario de 8 horas o mas.

Mi jefe en ese tiempo, me dijo q me daba un tiempo para que yo resolviera mi situacion y fue entonces cuando decidi que renunciaria al restaurant y que me enfocaria mas en la cooperative.

Desde ese entonces puedo afirmar que mi vida cambio x que empeze a tener mas clientes y por lo tanto mi entrada de dinero era mas alto.

El crecimiento fue de 10 dolares a 20 o 25 dolares por hora.

Por ultimo mencionare que ser parte de una cooperative no es facil y se necesita paciencia y mucha dedicacion.

Ahora yo paso mas tiempo con mis hijos y el que mi salario haya aumentado quiere decir que mi vida es mucho mejor.

Hi all,

My name is Yadira Fragoso and I am here to represent Si Se Puede Women's cooperative

I came to the United States in 2000 and the first job I did was cleaning. I was making \$ 6.50 an hour. I did cleaning just for one and a half year and then I dedicated myself to my children.

In 2006 I was going through a difficult time in my life and because of that I had to send my children to Mexico for a year. And I was unemployed.

By that time I was receiving counseling at the Center for Family Life and my social worker told me that Si Se Puede would have an open house. So I decided to apply.

Fortunately I was accepted to begin the approval process. This process was for four months and after eight months later is when I became a official member.

The year I had intended me to work hard was finished and my children returned from Mexico. By then I was working at a restaurant and at the cooperative.

In the cooperative just had one regular client and three of every month. So my main source of money was my job at the restaurant. Unfortunately, I had no time to spend with my kids and sometimes had to bring them with me to work and waited for me 8 hours or more.

My boss at the time, told me that I need to resolve my situation and it was when decided to give up the restaurant and I focus more on the cooperative .

Since then I can say that my life had changed. I started to have more clients and therefore my entry money was higher, from \$10 dollars to

\$20 or 25 dollars an hour .

Finally I would say that to be part of a cooperative is not easy and you need a lot of patience and dedication. But all the effort you put in this, it will take you to a better life style and most importantly it will give you enough time to spend with your children and raise them to became a good citizen of this country.

TESTIMONY OF CARMEN HUERTAS-NOBLE, CUNY SCHOOL OF LAW COMMUNITY
& ECONOMIC DEVELOPMENT CLINIC

Oversight Hearing:

Worker Cooperatives – Is this A Model That Can Lift Families Out of Poverty?

Presented to:

New York City Council, Community Development Committee

Hon. Maria Del Carmen Arroyo, Chair

February 24, 2014

Hello, my name is Carmen Huertas -Noble. I am an Associate Professor of Law and the founding director of CUNY School of Law's Community & Economic Development Clinic. The Community and Economic Development (CED) Clinic provides legal support to community-based organizational clients that are creating vibrant neighborhood institutions and organizing for social and economic justice. Our work is grounded in the belief that social justice lawyering is most effective when it is strategically deployed to build the power of low-income and marginalized communities. The work of the Clinic is divided into three project areas: the Worker Cooperative Law Project, the Non-Profit Legal Support Project, and the Tenant Law and Organizing Project.

Today, I would like to thank the committee for providing this opportunity to testify in support of worker cooperatives. By way of background, I would like to begin by sharing that before joining CUNY, I played a leading role in providing transactional legal support to worker-owned cooperatives in New York City. Under my directorship, the CED Clinic continues this role by providing legal support to a number of organizations that are at the forefront of creating and/or supporting worker-owned cooperatives, including ROC-NY, Cidadão Global, Green Worker Cooperatives, and the New York City Network of Worker Cooperatives.

Most recently, the CED Clinic has also formed a partnership with Mondragon International, the largest network of cooperatives in the world and a recent recipient of the Financial Times' "Boldness in Business" award. Through this partnership, The Clinic has started to develop the legal framework for a new hybrid union coop model created by Mondragon International USA, the United Steelworkers and the Ohio Employee Ownership Center. The Clinic is also currently working with Regional Housing Legal Services in Pennsylvania and the Pittsburgh Clean & Green Laundry to create an innovative unionized worker-owned cooperative based on Mondragon principles.

Based on my legal experience in representing worker cooperatives for over 10 years as well as my scholarly research and articles on worker ownership, I am here to testify in support of worker cooperatives, not only as an effective job creation strategy but also as a strategy that can provide for transformative economic justice during a time of economic crisis. In fact, given the deepening economic crisis in our country (and globally) now more than ever, is the time to take bold and innovative action and to dispense with business as usual.

Today's income inequality is at its highest since 1928, right before the Great Depression. While the one percent of our country is experiencing unprecedented wealth, the other ninety nine percent is experiencing wage stagnation and are working longer hours for less pay. Wage stagnation and the growing number of people working longer hours for less pay has left more and more people unable to provide for themselves and their families. The enormity and ubiquitous nature of today's income inequality has resulted in a significant increase of Americans, of all walks of life, starting to focus on and experientially understand the structural ills of our current economic system, including how many of our businesses are currently structured.

As the negative societal impacts of how many companies are structured are becoming clearer and clearer, more and more people are experiencing the reality of the U.S. class system and are understanding that economic upward mobility is not as likely, and certainly not a given based on working hard, as they once understood. There is no longer the promise that if you work hard, you will be rewarded and succeed in life. Instead, despite people working even harder than their counterparts from many years ago, they are being paid less and experiencing a number of unacceptable social ills i.e. an inability to provide for themselves and their children.

Many of these social ills, including unemployment from factory closures/relocations stem from having too many corporations that are owned by absentee owners and that have no loyalty to the communities in which they are located and the people that they employ. These corporations are willing to exploit their current workers, offshore jobs to further exploit workers abroad, and to pollute communities in the name of maximizing profits for a few while simultaneously degrading the lives of many. Some people claim that this is simply the nature of capitalism but we know better. We need a much more inclusive form capitalism. There are other successful ways to establish and operate businesses that are competitive and profitable, while also actually having a positive impact on the communities they are located in.

One promising way is through creating and supporting more worker cooperatives and union-coops. Worker cooperatives and union-coops offer a big part of the solution to the many problems, and their root causes, that we see today. Worker cooperatives and union-coops are locally owned and locally based. They are more likely to pay their worker-owners equitably, provide better working conditions and are less likely to pollute the very communities in which they are not only located in but live in. Societal benefits from worker cooperatives and union-coops are also more inclusive and sustainable.

Government support of worker cooperatives and union-coops can take many forms. To name a few, the City can help worker cooperatives and union-coops realize their transformative potential by providing funding to incubate worker cooperatives and union-coops, providing funding for technical assistance and providing worker cooperatives and union-coops a preference in the City's procurement process.

TESTIMONY

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Democracy at Work Institute

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Good morning, Chairperson Arroyo, and distinguished members of the New York City Council Committee on Community Development. My name is Joe Rinehart and I am a staff member at the US Federation of Worker Cooperatives and the Democracy at Work Institute.

The US Federation of Worker Cooperatives is the national membership organization for worker owned businesses. Our associated think tank, The Democracy at Work Institute, focuses on researching and supporting organizations in implementing cooperative development that expands the promise of cooperative business ownership to those communities most directly affected by social and economic inequality.

I'd like to talk a little about the steps that cities around the nation and world are taking to utilize worker cooperatives as a community economic development tool for more fair and resilient local economies. City and regional governments, along with foundations, academic institutions and the non-profit sector, are increasingly seeing worker cooperative development policy as a means to support the creation of good jobs. These cooperative jobs also build community wealth, lower income inequality, and shape a more just, socially mobile and democratic society while contributing to a robust and growing local economy.

In the United States, cities are integrating worker cooperative development and knowledge into their economic development departments and practices. For Example:

- Madison, Wisconsin is integrating knowledge of worker cooperatives into their city's small business development services agency, regulatory agencies, and planning department.
- Richmond, California has hired a cooperative developer onto city staff who is specifically tasked with starting new cooperative businesses to support low-income residents, and to provide support for entrepreneurs starting cooperatives in the city.
- Reading, Pennsylvania is founding a city supported worker cooperative development center using funds from several city agencies
- Jackson, Mississippi is moving towards using capital investment funds for its water and sewer system to provide protected markets for locally owned worker cooperative construction companies, and is integrating worker cooperative education into its small business support services.

Internationally, policy supports and tools for worker cooperatives are far more advanced, and have shown to significantly advance the economic development goals of creating high quality jobs, rooting large and small businesses in communities and creating community based wealth. For example:

- Canadian city, regional and provincial governments provide broad support for worker and multi-stakeholder cooperatives through government research and business development funds.
- In the United Kingdom, regional and city government councils are transforming themselves into "cooperative councils" that practice more open and participatory governance and institute policies to support worker cooperatives through preferential sourcing and contracting of public services. One example of this is the creation of Cooperative Academies and Trusts by the hundreds throughout the United Kingdom. Similar to Charter schools in the United States, in these publicly funded but not for profit



cooperative schools teachers, parents and community members directly elect the board of the charter school, connecting those schools more closely to the community, and ensuring equitable pay and working conditions for the teachers who are unionized with the largest teachers union in the UK.

- In Italy, 3000 worker cooperatives with strong community and stakeholder ties contract with cities to provide public services. These “social” cooperatives have successfully achieved through “cooperatization” the cost savings and efficiencies promised by privatization while continuing to treat their workers well and increasing their accountability to the individuals receiving the services and the local governments. These worker cooperatives administer public health services and other programs, provide maintenance and repairs to government facilities, and provide job training and employment for citizens with barriers to employment.

While some cities in the United States have begun to support worker cooperatives, none have begun to think systematically about using cooperative development as a tool for creating an economy resilient against downturns and mitigating unemployment and income inequality.

New York City is well positioned to lead the nation in cooperative development. It already has one of the most skilled and thriving worker cooperative communities in the United States. This local community has already shown that Worker Cooperatives can create better jobs on a large scale, as demonstrated by Cooperative Home Care Associates of the Bronx, with more than 2,500 home health care aids receiving better than industry wages with far better working conditions. This community has also demonstrated the effectiveness of investing in cooperative development, through City Council’s investment in the Center for Family Life’s programs and the five corresponding worker owned cooperatives that have as much as doubled the hourly wage earned by their members.

The question before the city today is simple: Will the city engage with worker cooperative development in a systematic way as a tool to reshape the economy towards one that works for all New Yorkers?

If the answer is yes, the city would implement policies and programs that support the creation of an independent, and eventually largely self-financing, worker cooperative development ecosystem with the mission of community based economic development that provides good jobs for New Yorkers through cooperative business. By taking a systems approach (rather than a single developer or program approach) to cooperative development, the city will ensure that its investment is effective and that the cooperatives and institutions created continue to produce good jobs and a more robust economy even years after the programs are complete. Such a structural approach would allow for the creation of cooperative businesses in a long-lasting and permanent way.

Hallmarks of such an approach would be:

- The support for cooperative entrepreneurs and for large scale cooperative business development that takes advantage of protected or difficult to enter markets to provide employment for individuals with traditional barriers to employment.



- The encouragement of worker cooperatives to reinvest in the creation of more cooperative jobs, either through the heavy reinvestment of profits from the business into its expansion, or in the creation of future worker cooperatives.
- The connection of those worker cooperatives and developers to each other and to the national and international worker cooperative movements.
- The creation of policies and practices inside city government that support worker cooperatives in accessing contracts for city sourcing and service delivery.
- The integration of knowledge of worker cooperatives and worker cooperative technical assistance providers into city agencies such as SBS and NYC EDC, as well as into city supported small business service providers, financial institutions and city agencies with significant purchasing and contracting roles.

The Democracy At Work Institute sincerely hopes that the New York City Council and city government at large will increase its support for worker cooperatives. We would be happy to assist the council in any way towards achieving those goals.

Respectfully Submitted,

Joe Rinehart

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US Federation of Worker Cooperatives, Democracy at Work Institute



TESTIMONY
ON
**WORKER-OWNED COOPERATIVES
AS SOURCES OF LIVING WAGE JOBS
IN LOW-INCOME NYC COMMUNITIES**

PRESENTED BEFORE:

THE NEW YORK CITY COUNCIL
COMMUNITY DEVELOPMENT COMMITTEE

CHAIR MARIA DEL CARMEN ARROYO

PRESENTED BY:

Edward W. De Barbieri

SENIOR STAFF ATTORNEY
URBAN JUSTICE CENTER
COMMUNITY DEVELOPMENT PROJECT

URBAN
JUSTICE
CENTER



COMMUNITY DEVELOPMENT PROJECT

FEBRUARY 24, 2014

Good morning Chair Del Carmen Arroyo, and Committee Member. Thank you for the opportunity to testify before the Committee. My name is Ted De Barbieri, and I am a Senior Staff Attorney at the Community Development Project (CDP) of the Urban Justice Center. I am here today to speak about worker-owned cooperatives, and their potential to create well-paying jobs and serve as engines of economic growth in our city's low-income communities.

The Community Development Project strengthens the impact of grassroots organizations in New York City's low-income and other excluded communities by winning legal cases, publishing community-driven research reports, assisting with the formation of new organizations, and providing technical and transactional assistance in support of their work towards social justice. For more than ten years, CDP has collaborated with community organizations to help low-income NYC residents form worker-owned cooperative businesses. Worker cooperatives are businesses that are owned by the workers and that have participatory management. These ventures, which focus on sectors of the service industry such as restaurants, child care, home improvement and housecleaning, have created dozens of jobs for formerly low-wage, primarily immigrant workers, in which they earn much higher pay than in their previous jobs, develop business skills and have greater control over their working conditions.

Worker cooperatives of all kinds are best framed as economic development tools that create quality jobs that will stay in New York City and cultivate local entrepreneurship. Worker cooperatives produce an array of economic benefits for low-income communities and effectively reduce economic disparity on a long-term basis. Worker cooperatives tend to provide higher wages, opportunities for skill development, job stability, and better benefits than other small businesses; are less vulnerable to economic shocks; and have less exploitative working conditions. There are examples of low-wage workers in New York City who have formed worker cooperatives and have seen their hourly wages increase from \$10 to \$25 per hour within just a few years.

CDP first became involved in this work when it helped the Restaurant Opportunities Center of New York establish COLORS, NYC's first worker-owned and operated restaurant which opened its doors in early 2006. The success of COLORS spurred further interest in cooperative business models, and to date CDP has helped grassroots organizations establish co-ops in a variety of industries, including the selling of surplus and used building materials, construction, housecleaning and day care. Notably, we have collaborated with the Center for Family Life in Sunset Park, Brooklyn, on an initiative funded by former City Council Speaker Christine Quinn to train several community organizations to become "co-op incubators". These incubators, located in neighborhoods from Bushwick, Brooklyn to Jackson Heights, Queens to Parkchester in the Bronx, help low-income workers in their communities establish coops as a means of increasing their income and developing entrepreneurial skills. CDP is also a founding member of the NYC Network of Worker Co-ops, which is at the forefront of the burgeoning cooperative movement in the city.

A few examples of our current work with worker-owned co-ops and their impact on NYC communities include:

Sunrise Cooperative, Inc. – CDP is helping a group of 60 immigrant-owned automotive shops in Willets Point, Queens, who are being displaced due to the development adjacent to Citi Field. The businesses are committed to staying together and have formed a cooperative organization, Sunrise Cooperative, Inc., to develop a business plan to move as a group to a new site in Queens. We have assisted them with entity formation/corporate structure, board development for their newly-formed board, financial management and budgeting training to help them manage their new organization. We are working with the Council, the Office of Queens Borough President, Queens Community Boards 7 and 2, and the New York City Economic Development Corporation to relocate the 60 businesses and create a viable auto repair cooperative in a new location. The final relocation will leverage agency resources, equity from Sunrise Cooperative members, as well as private capital.

Si Se Puede! Women's Cooperative, We Can Do It! Inc. – CDP has provided free legal services to the *Si Se Puede!* women's cleaning cooperative based in Sunset Park, Brooklyn, for nearly five years. Since the initial group of 11 or 12 fundadoras, or founding members, *Si Se Puede!* has grown to over fifty members grossing more than \$1 million annually, and continues to expand, providing high quality job opportunities for low-income, primarily Spanish-speaking immigrant women. The co-op is currently deciding whether to continue to expand and add new voting members, or to spawn a separate democratically-run cooperative. CDP is poised to provide ongoing legal guidance to the cooperative as they chart their course and continue to create key jobs that pay well and provide their workers with an opportunity to have work with dignity and self-respect.

These are just a few examples of successful co-ops that strengthen NYC communities and improve the lives and incomes of community members. In each case, critical legal services were necessary to assist members in worker co-op formation. CDP was there to provide those services. We need continued funding to do that. We look forward to discussing with the Committee how the Council and the Administration can further support worker cooperatives in NYC, including through the funding of civil legal services groups that support worker co-op formation.

Worker-owned cooperative businesses play an important role in the economic development of our city, as they create and preserve living-wage jobs in low-income NYC communities. These types of jobs and businesses are vital to the success of our city, and our commitment to ensuring that our city remains a place of opportunity for all. CDP is committed to continuing this work in NYC's low-income communities and we respectfully request the Council's support in the year to come.

Once again, thank you for the opportunity to testify.



TESTIMONY

**Oversight Hearing:
“Worker Cooperatives – Is This A Model That Can Lift Families
Out of Poverty?”**

Presented to
New York City Council, Committee on Community Development
Hon. Maria Carmen del Arroyo, Chair

Monday, February 24, 2014

Prepared By:
Evan Casper-Futterman
Member, SolidarityNYC
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SUBMITTED TESTIMONY TO CITY COUNCIL
COMMITTEE ON COMMUNITY DEVELOPMENT (2/24/14)

SolidarityNYC is an all-volunteer collective founded in 2009 whose mission is to connect, support, and promote solidarity economies in New York City. We use the term “solidarity economies” to mean economic activities and institutions that are guided by principles and values of cooperation, social justice, mutualism, ecological sustainability, and democracy. Although cooperatives are often packaged and discussed as being part of a “New Economy”, it is important to note that people who have been marginalized by capitalist economies have cooperated for generations to procure their individual and their community’s basic needs. New York City has a rich history of these values and practices: cooperative businesses, coop and mutual housing, credit unions, and even “Time Banks NYC” are all evidence of these values at work from past to present. Our task now should be to continue and grow this vibrant tradition.

We are pleased to support the recommendations outlined in FPWA’s report. Our testimony will make three points to support and elaborate upon their recommendations:

- Mapping solidarity economies
- Value chains for solidarity economies
- Education for cooperative enterprises and economic resilience

Mapping

Since 2009, SolidarityNYC has maintained a map¹ that, while in no way comprehensive, shows that New York City is already home to a diverse range of activities, practices, and organizations that makes visible the way that people are always cooperating to secure their basic needs. Worker cooperatives are a part of this map, but there is also much more: From community gardens, CSAs, and food co-ops, to credit unions, cooperative and mutual housing, community land trusts, time banks, barter networks, and worker cooperatives, these activities are often all around us in our communities but are invisible to the general public.

Governments such as Brazil’s (where the practice of Participatory Budgeting also originated) have endeavored to make the mapping of these cooperative and solidarity economies a public service. Explicit in this public sector commitment to mapping is the understanding that all of these activities stabilize local and regional economies and create community wealth to lift families out of poverty. Mapping is the first step to creating an awareness of the assets that exist, so that they can be further mobilized and supported via public policy. This is an area where city government can play a critical role, in partnership with non-profits, philanthropy, and educational/research institutions.

¹ See our map at www.solidaritynyc.org

SUBMITTED TESTIMONY TO CITY COUNCIL
COMMITTEE ON COMMUNITY DEVELOPMENT (2/24/14)

Value Chains for Cooperative Economies

Since worker cooperatives are democratic and generate surpluses, they are key instruments in growing solidarity economies through the **strategic re-investment** of that surplus in cooperative development. As outlined in FPWA's report, the city can bolster the development of consumer, worker, and multi-stakeholder cooperatives by supporting revolving loan funds and small business technical assistance through NYCEDC. It can further support state and federal advocacy work for better policies and enabling legislation for cooperatives of all kinds, such as housing coops, credit unions, and food coops.

The strength of different kinds of cooperatives across sectors a virtuous cycle in which cooperatives create markets for goods and services for yet other cooperatives. This vibrant **value chain**—a supply chain based on cooperative values—can reduce poverty and stabilize communities and regional economies. By growing a cooperative economic ecosystem, individual firms and sectors can become less reliant on public subsidies (which taxpayers will appreciate!).

To this end, in February 2013, SolidarityNYC published a report called “Growing a Resilient City: Possibilities for Collaboration in NYC’s solidarity economy”² that involved interviewing over 30 practitioners and leaders from various sectors in the solidarity economy such as cooperatives, community gardens, credit unions, and smaller collectives engaged in barter or time banking, to understand the how greater cross-sector collaboration could benefit all. The results of this report showed a strong desire among diverse sectors to increase their collaboration across sectoral networks—but also revealed differential capacities to do so. **An explicit statement of support from the Mayor for cooperative economies of all kinds**, as outlined in FPWA's report and testimony, would be a “low-touch” mechanism for the city to catalyze the energy that already exists among these groups to work and grow stronger and more visible **together**.

Education

Our last point to you deals with an often overlooked but critical component to building successful cooperative economies, and that is education. You have no doubt heard from our colleagues about the successes of Mondragón, the large-scale multi-sectoral cooperative conglomerate in the Basque region of Spain. Often forgotten in the stories about Mondragón is the key role that community education has played through its history. **For 15 years before Mondragón launched its first cooperative business**, Father Arizmendi built a technical academy and led intensive community-based study circles for those in his community.

² See our report at <http://solidaritynyc.org/wp-content/uploads/2013/02/Growing-A-Resilient-City-SolidarityNYC-Report.pdf>

SUBMITTED TESTIMONY TO CITY COUNCIL
COMMITTEE ON COMMUNITY DEVELOPMENT (2/24/14)

This speaks to the critical need here in New York City to involve our outstanding institutions of higher education, as well as the expertise of local, national, and international cooperative leaders in building **an educational pipeline to support research and development, stability, and sustainability for strong cooperative enterprises in our city.** This should include partnerships between NYCEDC and business schools and educational and research centers such as CUNY's Center for Worker Education and Rutgers University's School of Management and Labor Relations. All of the world's most successful regional cooperative economies, including Montreal, Emilia-Romagna and Mondragón, include significant dedication to learning democratic decision-making processes, business and entrepreneurial skills, and economic development and policy analysis. Survival in the complex global capitalist economy demands nothing less, and New York City has high quality resources and assets to foster an educational ecosystem to support these activities.

From our perspective, worker cooperatives as a small but growing piece of a larger framework for moving towards grassroots economic development and a more just and nurturing city for everyone. SolidarityNYC is pleased to testify in favor of the policies outlined in the FPWA report on worker cooperatives in New York City. We thank you for holding this hearing and inviting testimony on cooperative economies.

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Evan Casper-Futterman is a 5th generation New Yorker born in the Bronx, raised in Manhattan, and currently living in Brooklyn. He earned a master's degree in Urban and Regional Planning from the University of New Orleans in 2011, and was a White House Intern in the Spring of 2012 in the Domestic Policy Council's Office of Urban Affairs. In the summer of 2012 he was a Research Fellow for the US Federation of Worker Cooperatives. He is currently a doctoral student at the Bloustein School of Urban Planning and Public Policy at Rutgers University, studying economic democracy and development. He has been a member of SolidarityNYC since November 2012.

Ginger Moon

Healing Foods for the Childbearing Year

GINGER MOON

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Bronx, NY, 10460

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FOR THE RECORD

Ginger Moon is a mother-owned cooperative. As food doulas, we “mother the mother” by providing her revitalizing and healing foods during pregnancy, childbirth and nursing. After many discussions about how we could create a resource for busy mothers like like us, we realized that knowing what to eat and knowing the kinds of support we need during pregnancy, after giving birth and while nursing, is essential and was a gap in society. We believe that what we eat determines our physical and emotional wellbeing. We envision a world where every new mother will have the knowledge and support to nourish herself and her family.

We define success by how we are creating a shift in culture. By changing the dynamic of a family to one in which a pregnant, new or nursing mother is nutritionally, emotionally and spiritually taken care of by her community and her family, tells us that we are successful at what we do. Success is measured in the belief that healthy and supported mothers create healthy and supported children, families and communities, we see our work as strengthening the world, one mother at a time.

Ginger Moon has been entirely self and crowd funded to date, with a great percentage of this support coming from the cooperative community. This has allowed us - far more than a new non-cooperative small business - to begin with a foundation of support, in no small part due to our participation in the Greenworker Co-op Academy. This in turn has made it possible for us to expand our services to reach more women, and add a delivery service for current and new clients, so that our foods can reach a larger amount of women both in New York City, and nationally. Further support to cooperatives will directly support our mother owned worker cooperative, enabling its growth and sustainability so that more women can be impacted by our concept of mothering the mother through cooking workshops and trainings.

Ginger Moon has since its very beginning in 2012 been clear that we are a mother owned business that prioritizes motherhood, family and community. Mothers are the pillars of why and how we started, and they have remained pillars in our company. The three co-owners of Ginger Moon are mothers to 6 children, aged 10 months to 10 years, with 4 out of the the 6 children

Ginger Moon

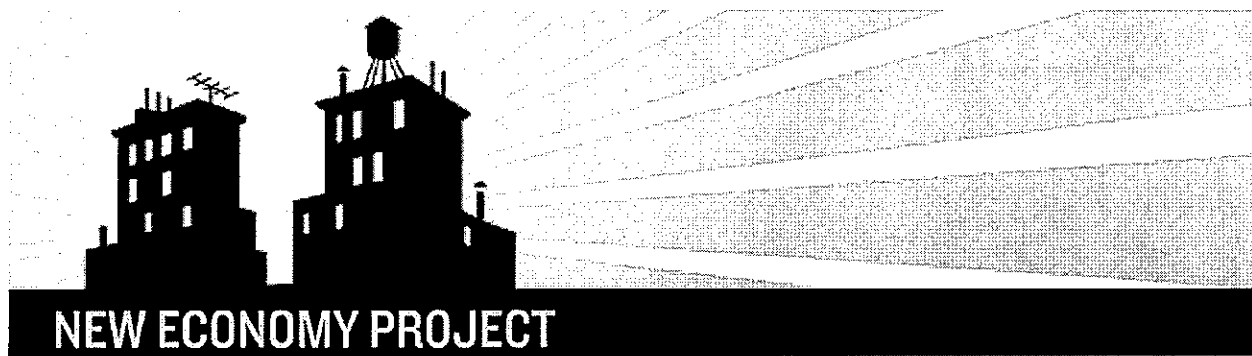
Healing Foods for the Childbearing Year

under 3 years of age. We have made decisions to take on part time and occasional jobs to stay at home the most possible time with our children, but since Ginger Moon's inception we have been building our business alongside our children, while providing support to other women as well as taking care of our families and ourselves.

ABOUT US

Janvieve

I waited until after I was 35 to have my children, and when I decided to have my first baby, I knew that I had to shift things to lead a sane, balanced life. All of my working years, I worked for non-profits, and within the non-profit sector I really grew to become a human rights advocate and defender. I worked extremely long hours, both in an office and in the community and I still had my work/hobby related projects, like hosting a radio show and facilitating workshops in the community. I wanted and needed a break in order to really be able to focus on my pregnancy and later on my son. I committed myself to being a work at home mother for 2 years, and I started consulting with organizations. But there was still a gap, as a mother I was lonely and isolated since I was no longer part nor available for the long hours and heavy travel. That was when I sought out community and relationships with other pregnant and new mothers. I met my co-owners through sharing of food at our kitchen tables, and that in essence is how Ginger Moon was born. Ginger Moon's existence and my own ability to reinvent my life to fit my needs as a mother was only possible through a cooperative business model and the resources and support that accompany it. We are truly a co-op success story!



TESTIMONY BEFORE THE NEW YORK CITY COUNCIL COMMITTEE ON COMMUNITY DEVELOPMENT

February 24, 2014

Thank you for the opportunity to testify today. My name is Josh Zinner and I am the co-director of New Economy Project (formerly known as NEDAP). New Economy Project's mission is to build a just economy that works for all New Yorkers. We work with community groups both to fight for economic justice and to create alternative economic institutions – such as worker cooperatives, community land trusts, and community-owned financial institutions – that are based on principles of cooperation, economic democracy, racial justice, and ecological sustainability.

New Economy Project is launching the New Economy Fund, which will provide loans and investments to worker cooperatives by and for low-income New Yorkers, and we are dedicated to promoting worker coops as a model of economic democracy and worker control.

We appreciate the Committee's interest in worker coops as a tool for addressing poverty and creating quality jobs. We agree that worker coops can offer tremendous opportunity to low-income and other economically marginalized New Yorkers, and represent a demonstrated model of workplace democracy – though worker-ownership also requires tremendous dedication, focus, and hard work by cooperators.

I have just a few quick points to add to those my colleagues have already offered today:

- New York City should prioritize worker coops in its economic development policies, not only to create jobs, but also to strengthen neighborhood economies. The City should provide financial and technical support to cultivate worker coops as a major economic sector, as well as fund organizations working to incubate and sustain worker coops at the neighborhood level. The City should prioritize worker coops as preferred contractors for city agencies. By integrating worker cooperatives into a deliberate economic development strategy, the City will also help low-income and New Yorkers have say over their work lives, and directly address the exploitation that low-wage workers routinely experience.
- New York City should create a special Office of Cooperative Economics to focus city resources, policies, and programs on alternative economic institutions that are democratically structured and community-controlled, which at their core address racial and wealth inequality. The Office of Cooperative Economics would link worker coops to financial cooperatives, low-income housing coops, community land trusts, and other cooperative economic models that are starting to crop up in the city, and that have tremendous potential to have measurable impact in reducing poverty and bolstering communities throughout New York City.

We are eager to work with the City to promote and grow worker cooperatives as a tool to address poverty and create opportunity for lower income and immigrant workers and communities.

TESTIMONY

Oversight Hearing:
Worker Cooperatives – Is this A Model That Can Lift Families Out of Poverty?

Presented to:
New York City Council, Community Development Committee
Hon. Maria Del Carmen Arroyo, Chair

February 24, 2014

By: Melissa Risser, CUNY Law Community and Economic Development Clinic (CEDC)

Good morning. My name is Melissa Risser and I am a public interest attorney working with CUNY Law School's Community and Economic Development Clinic (CEDC). Thank you for this opportunity to submit testimony on how worker cooperatives can lift families out of poverty.

CUNY School of Law trains law students to become social justice lawyers that provide legal representation in the service of human needs. The centerpiece of CUNY School of Law's curriculum is its clinical program, including the CEDC. Since its inception in 2008, the CEDC has served low-income and working class communities that are fighting for social and economic justice. The Clinic helps build the capacity of grassroots organizations to implement community development projects. These projects include creating neighborhood institutions that provide needed services and opportunities. To that end, the CEDC has provided legal services to form, sustain, and expand numerous NYC-based worker-owned cooperatives, where the businesses are owned and managed democratically by their workers. The CEDC also represents workers in a variety of labor and employment matters.

Additionally, in the spring of 2013 the CEDC partnered with Mondragon USA to develop the legal framework for a new union-cooperative model nationwide. Mondragon is the world's largest group of worker cooperatives, and employs over 83,000 people in its more than 250 worker cooperatives, subsidiaries, and affiliates. In 2013 Mondragon was the winner of the *Financial Times* "Boldness in Business" award. Previous awardees have included Fiat, Apple, and Amazon. The CEDC's partnership with Mondragon supports worker cooperative development as a means to overcome inequality of opportunity, mobility and income. The partnership aims to create a rising and expanding middle class through developing worker equity and equal share ownership. In so doing, the partnership intends to create competitive jobs with higher wages and better economic benefits, which support families and communities in local economies. The first worker cooperative to come of this partnership is a commercial laundry facility in Pittsburgh, Pennsylvania. That cooperative will employ over 100 low-income people, primarily people of color, who were laid off when another commercial laundry closed down. These workers will receive living wages, build equity through ownership, and help revive a distressed community where the laundry and many of its employees are located.

On a local, national, and global scale, the CEDC views worker cooperatives as a pathway out of poverty, where jobs and profits remain local and wealth-building occurs for both individuals and communities. Worker cooperatives create meaningful, long-term, safe, and stable jobs with increased job security and reduced workplace abuse. They produce an array of economic benefits to lower-income, socially and economically marginalized communities. In worker cooperatives, profit sharing limits income disparities within the business and provides skill and asset-building opportunities for workers of all income levels. Employees in typically low-wage work can earn more in a worker cooperative than in a traditional company, because of

equitable pay structures between worker-owners. Furthermore, workers-owners have more control over their work, democratically managing the business by adhering to the principle of “one worker, one vote,” and are thus more engaged than in traditional workplaces. As institutions where real democracy is practiced on a daily basis, worker cooperatives serve as a model for building a meaningful movement for workplace democracy and transformative economic justice and social change.

The economic opportunities worker cooperatives offer are essential today given the increasing levels of poverty, outsourced jobs, unemployment, and wealth inequality in the United States. Workers today face uniquely difficult times. They confront not only a bleak economic climate in the wake of the “Great Recession,” but also structural problems that predate the downturn. After accounting for inflation, workers’ wages have stagnated over the past 30-40 years. Meanwhile, worker productivity has grown dramatically, indicating that those who have jobs today work longer for less pay. CEO pay, on the other hand, has grown 127 times faster than worker pay over the last 30 years. Today, the richest 85 people in the world have as much wealth as the poorest 3.5 billion, or half the world’s population. In America, 400 individuals own more wealth than the bottom 150 million. America ranks 65th globally in social mobility.

New York City is no exception. The income of the lowest fifth of New York’s population was \$8,993, while the highest fifth made \$222,871, and the top 5 percent made \$436, 931, or about 49 times the amount of the lowest fifth. New York City’s unemployment rate is higher than the state and national average, at 8.9% as of October 2013, with 350,000 New York City residents counted as unemployed. In addition, New York City’s underemployment rate, which includes involuntary part-time workers, discouraged, and unemployed workers was 14.8% in

2013, with significantly higher rates for African Americans (at 22.9%) and Hispanics (at 17.9%). More than 1 in 5 New Yorkers live in poverty – many even though they are employed. Minimum and low-wage jobs have been the majority of jobs created in the economic recovery since 2008, and these jobs do not compensate workers enough to lift them out of poverty. With such decreased spending power, individuals, businesses, and New York City's economy are suffering. As Mayor de Blasio acknowledges, living in New York has become a tale of two cities, with an economy that benefits fewer and fewer people. For many lower-income workers, long-term employment with a secure retirement seems unattainable.

It is critical that the City support the creation of jobs that combat poverty and empower workers to build businesses rooted in local communities. Worker cooperatives are natural vehicles for helping employ low-income communities, improve community infrastructure, and increase basic access to services. The development of worker cooperatives in New York City should be included as part of a long-term strategy to address income inequality and promote sustainable development within the New York City economy. The development of worker cooperatives would advance Mayor de Blasio's campaign goals of using a broad range of policies to help raise wage and labor standards and bring jobs to neighborhoods in all five boroughs. Governments around the world have developed policies to support thriving cooperative economies including: Mondragon in Spain, Bologna in Italy, and Quebec in Canada. New York City should support the development of worker cooperatives by: 1) dedicating funding from the NYC Economic Development Corporation (NYCEDC) and the Department of Small Business Services (SBS) to support and grow worker cooperatives in the City; 2) providing capital and/or incubator funding to worker cooperative businesses; 3) making worker cooperatives a preferred contractor for city agencies; 4) providing funding to worker cooperative

developers; and 5) connecting workforce funding to worker cooperatives.

Worker cooperatives are an economic development tool that can create quality jobs that will stay in New York City and cultivate local entrepreneurship, and that can assist marginalized populations, such as women and immigrants, in not only gaining employment, but employment that is fair and with a living wage. New York City should support the development of cooperatives because they embody the principles of social and economic justice and community development, by creating institutions that provide life-sustaining jobs that alter traditional power and wealth dynamics, through empowering workers to exercise democratic control over their workplaces, make living wages, and shape their communities.

The CEDC applauds the Council's Committee on Community Development for recognizing the potential of worker cooperatives to lift families out of poverty and for understanding the importance of public input on this issue, by inviting our testimony at today's hearing. We are grateful for the opportunity to submit this testimony, and would be pleased to provide whatever additional information you may require.

Respectfully submitted,

Melissa Risser
CUNY Law CEDC

New York City Council
Committee on Community Development

Hearing on ***“Worker Cooperatives – Is This A Model That Can
Lift Families Out Of Poverty?”***

TESTIMONY of Richard D. Wolff, Democracy at Work, Inc.

February 24, 2014

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Let me begin by applauding this committee for organizing this hearing and bringing the issue of workers cooperatives forcefully before the public.

I offer an enthusiastic “yes” in answer to the question that structures this hearing. Mounting evidence clearly supports my “yes” answer. Worker cooperatives have proven their viability and are increasingly offering real solutions to working people facing problems of unemployment and poverty as well as others. Additionally, the most successful worker cooperatives in the world these days - the Mondragon Cooperative Corporation (MCC) in Spain - provides further evidence. Beginning in 1956 in impoverished northern Spain, its founder, a Roman Catholic priest, decided to no longer await an employer. Instead, he helped his community by starting a workers cooperative with 6 workers.

Today, almost 60 years later, MCC employs nearly 100,000 workers. It has lifted many of their families out of poverty and also provided jobs and careers for non-poor as well. The unemployment rate in the Basque region of Spain, where the MCC is concentrated, is less than half the national rate of unemployment.

Mondragon competed successfully with conventional capitalist enterprises. It solved problems of growth while preserving its cooperative principles. It overcame the initial skepticism of many. In the end, it proved that cooperative enterprises - creating secure jobs producing socially useful goods and services - can match or exceed enterprises driven by bottom-line profit motives.

Worker coops - where workers function collectively as their own employer and thus are employers as well as employees - help to overcome poverty and its associated social ills as follows: