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Policy Proposal: Worker-Owned Cooperatives Can Create Good Jobs in all Communities

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Policy Challenge: Economic Development without Gentrification

Co-ops are run by the community members who work there. Each worker has one vote and one share. The co-op provides an ownership interest, which is a means of reducing wealth inequality, and provides decision-making power, which is a means to keep work and resources in the community. Ideally, co-ops economically revive a community without gentrification. For example, Our Harvest Cooperative, a farm and food hub, in Cincinnati grew from an idea to create employment during the great recession to a business that today contributes to the local economy in multiple ways. It has been in operation for five years, employs 14 diverse and talented people, partners with 22 local food producers, and brings food access to 10 communities.

Policy Solution: Worker-Owned Cooperatives Reduce Wealth Inequality in Communities

Worker co-operatives offer workers the opportunity to share in capital income and drive decision-making, maximizing profits and sharing prosperity. Many successful examples of policies supporting the growth of co-ops have been tried and serve as models for other policymakers. These include: 1) tax incentives for selling a business to the employees, like those available in New Jersey and on the federal level; 2) grants to support worker-owned co-ops such as those provided by the mayor's office in New York City; 3) legal assistance like that provided by CUNY Law School's community economic development clinic; 4) technical assistance like that provided by the Ohio Employee Ownership Center; 5) adoption of state laws like the Massachusetts model that make incorporating as a worker-owned co-op easier; 6) establishing a state-owned bank, like that in North Dakota, that understands the cooperative model and supplies loans to worker-owned co-ops.

There are additional policies that have yet to be implemented but show promise. For instance, local and state governments could use procurement policies that provide preference to worker-owned co-ops, similar to the way that preferences are often provided to minority and women-owned businesses. A different type of tax incentive could be provided that enables individuals who contribute money or property to a worker-owned co-op to deduct the value of that contribution, similar to the federal charitable deduction. Tax incentives to locate a co-op in a particular city or region could be provided similar to the way local governments often provide tax incentives for large companies that promise to create a certain number of jobs to locate in the city or region. State and local leaders could coordinate opportunities for education about worker-owned co-ops and advertise those opportunities to small business owners, lawyers, union leaders, accountants, estate planners, financial advisers, lenders, community developers, and small business administrators. Co-ops could be taxed at a lower rate than other businesses but required to expend a certain amount of gross revenue on social causes and incubating other co-ops, as is done by Spain where the world's largest worker-owned cooperative, Mondragon Company, is located.