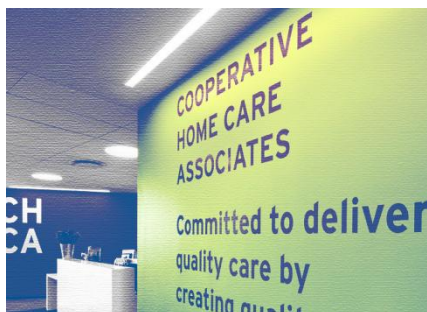




FEDERATION OF PROTESTANT WELFARE AGENCIES



Worker Cooperatives for New York City: A Vision for Addressing Income Inequality

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TABLE OF CONTENTS

I.	Executive Summary	Page 3
II.	Introduction: The Need For Worker Cooperatives	Page 6
III.	The Crisis of The New York City Economy	Page 7
IV.	The Potential of Worker Cooperatives	Page 12
V.	Worker Cooperatives in New York City and The Cooperative Movement	Page 15
VI.	How Have Worker Coops Functioned in Other Places?	Page 25
VII.	Challenges to Worker Cooperatives in New York City Today	Page 29
VIII.	Current City Services for Economic Development	Page 32
IX.	Conclusions	Page 33
X.	Recommendations	Page 34
XI.	Acknowledgements	Page 38
XII.	Endnotes	Page 39

EXECUTIVE SUMMARY

WORKER COOPERATIVES FOR NEW YORK CITY: A VISION FOR ADDRESSING POVERTY AND INEQUALITY

The Federation of Protestant Welfare Agencies (FPWA) presents this report, *Worker Cooperatives for New York City: A Vision for Addressing Income Inequality*, as an examination of one solution for the challenges facing New York's workers: worker cooperative businesses. Indeed, the report's key finding is that worker cooperatives can easily fit into a broad campaign to cope with poverty, long-term joblessness, the growing isolation of low-wage workers and unprecedented levels of income inequality.

But it is clear that in order for this to take place, there must be a strong embrace of public policies and support for individuals, new businesses and human services organizations to carry this effort. And so FPWA calls on New York City's public and private leadership to join together in supporting this promising option for improving the social and economic well-being of greater New York's most vulnerable.

Why Worker Cooperative Now?

For the last dozen years, New York City has encountered persistent economic barriers that have trapped more than one out of five New Yorkers in poverty rate. Minimum wage and low-wage jobs do not provide enough economic boost to lift these New Yorkers out of poverty. Business hiring trends have only added to the growing ranks of low-wage workers and economic development programs have made insufficient headway in reducing these ranks.

Worker cooperatives are businesses owned and managed democratically by the employees. Worker cooperatives produce an array of economic benefits for low-income communities and effectively reduce economic disparity on a long-term basis. They tend to provide higher wages and better economic benefits than other small businesses. This is not an unknown area for workers and communities. 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.

In a number of cases, low-wage workers have become owners of businesses, accumulated wealth and benefited from significant financial returns or dividends from their membership share. Furthermore, worker ownership provides workers with increased control over their work environment, reduced incidents of workplace abuse, and increased job security. Worker cooperatives are also less vulnerable to economic shocks.

An even greater payoff is the way that these democratically owned and managed businesses help renew worker engagement in civic society. There's no greater medicine for apathy and feelings of living on the edges of society than to see your own work and your voice make a difference.

The development of worker cooperatives in New York City should be included as part of a long-term strategy to address income inequality. Governments around the world have developed policies to support thriving cooperative economies including: Mondragon in Spain, Bologna in Italy, and Quebec in Canada.

Since government support for worker cooperatives is a relatively new issue in New York City, this effort has not received a substantial amount of attention as an economic development strategy. As a result, public and private funding, legal and technical assistance, incubators, and other resources for expanding the cooperative movement are limited in availability. This lack of public support and policy misalignment has created a barrier to the development of worker cooperatives.

What Needs to Be Done?

Organizations that support worker cooperatives within New York City must be expanded and developed. Public agencies that work to bolster the economy should begin tailor their efforts to developing worker cooperatives. This report spells out these and other recommendations that the new Mayoral administration and City Council could implement to support existing worker cooperatives and encourage the advancement of more.

The Federation of Protestant Welfare Agencies recommends that the City:

- Recognize worker cooperatives as natural vehicles for reducing the various inequalities in its economic system.
- Support and grow worker cooperatives within the City through the New York City Economic Development Corporation (NYCEDC) and Department of Small Business Services (SBS).
- Make worker cooperatives a preferred contractor for City agencies.
- Provide funding to worker cooperative developers.
- Award capital or incubator start-up funds for worker cooperative businesses.
- Connect workforce funding to worker cooperatives.

INTRODUCTION: THE NEED FOR WORKER COOPERATIVES

The Great Recession caused by the financial crisis of 2007-2008 created a spiral effect of layoffs and unemployment. The stunningly deep economic swoon not only highlighted the vast and growing gap of wealth and income in New York City but the increased polarization in the labor market.¹ Unfortunately, the impact of the Great Recession is still on-going especially for many New Yorkers.

Both the Occupy Wall Street Movement and the results of the 2013 New York City mayoral election reflect a growing recognition that there remains significant social and economic inequality in New York City.

Both the Occupy Wall Street (OWS) Movement and the results of the 2013 New York City mayoral election reflected a growing recognition of the social and economic inequality that exists in New York City. Started in 2011, the main issues raised by Occupy Wall Street were social and economic inequality. The OWS slogan, We are the 99%, refers to income inequality and wealth distribution in the U.S. between the wealthiest 1% and the rest of the population. In 2013, Bill de Blasio's successful campaign for mayor focused on the "Tale of Two Cities" one for those with good high paying jobs and the power that provides, and those who struggle to find and keep jobs that pay enough to just cover basic living expenses.

New York is one of the richest cities in the world and home to some of the wealthiest people in the world. This city has historically symbolized prosperity – if you can make it here, you can make it anywhere, or so the saying goes. But this narrative is increasingly difficult to hold true to. Along with the richest, New York City also has some of the poorest families in the United States. More than 20% of New Yorkers live in poverty – many of these people are in dire conditions even though employed. Minimum and low-wage jobs simply do not provide enough for people to even keep their heads above the water.

As the stock market has grown, the economy on the ground has continued to falter, leaving many New Yorkers in poverty and with few options. At the same time, the economic crisis has put additional pressure on city social services. The result is that not only are more New Yorkers in poverty without resources available to help them, but they are in poverty while wealthy New Yorkers accumulate historically unprecedented income levels. New York now faces a complex economic crisis with increasing inequality, poverty, unemployment, and low-wage jobs.

The personal impact of poverty is widespread and enduring for many New York City communities. When people have less disposable income, they have less to spend on goods and services. Consequently, businesses that sell those goods and services make a lower profit and therefore can employ less people, creating a larger population of people with less disposable income.

There is widespread recognition that one key area where the city must act is to create jobs. Too few jobs have been created in recent years and too many are at poverty level wages. It is critical that the city support the creation of jobs that combat poverty and empower workers to build businesses rooted in the local communities. Considering that the largest job creator in New York City are small businesses (of which there are nearly 200,000), there is no better time than now to push for the creation of worker cooperatives.²

Low-income communities worldwide have formed worker cooperative businesses to help connect their communities to income. They are business entities that are worker-owned and managed.³ Worker cooperatives are a model that produces an array of economic benefits to lower income, socially and economically marginalized communities. They also serve to effectively counteract economic disparity on a long-term basis. Worker cooperative businesses tend to serve low-income communities and on average, provide higher wages, better job stability, and more benefits than self-employed businesses, many of whom are vulnerable to the vicissitudes of the marketplace and exploitative working conditions.

Yet, New York City today only has 23 worker cooperatives spread between Manhattan, Bronx, Brooklyn and Queens. Worker cooperatives are not a well-known model, leading to lack of public support and limited policy initiatives to support their development. If there is to be a vibrant worker cooperative community, it can only grow as part of a greater democratic economy that seeks to provide economic security and stability for all.

The development of worker cooperatives in New York City should be part of a long-term strategy to address inequality. Indeed, the city can draw upon the experiences of non-profits that have been working to build the worker cooperative movement in New York City, some for as long as ten years. Fortunately, there are many different avenues through which this can be accomplished.

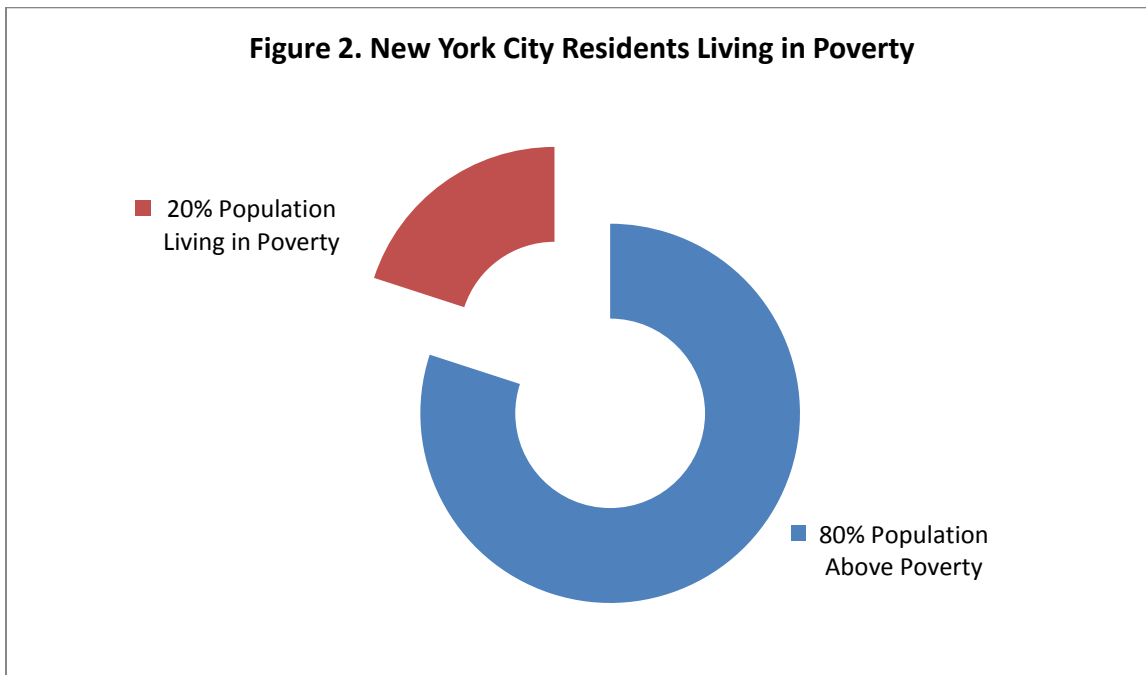
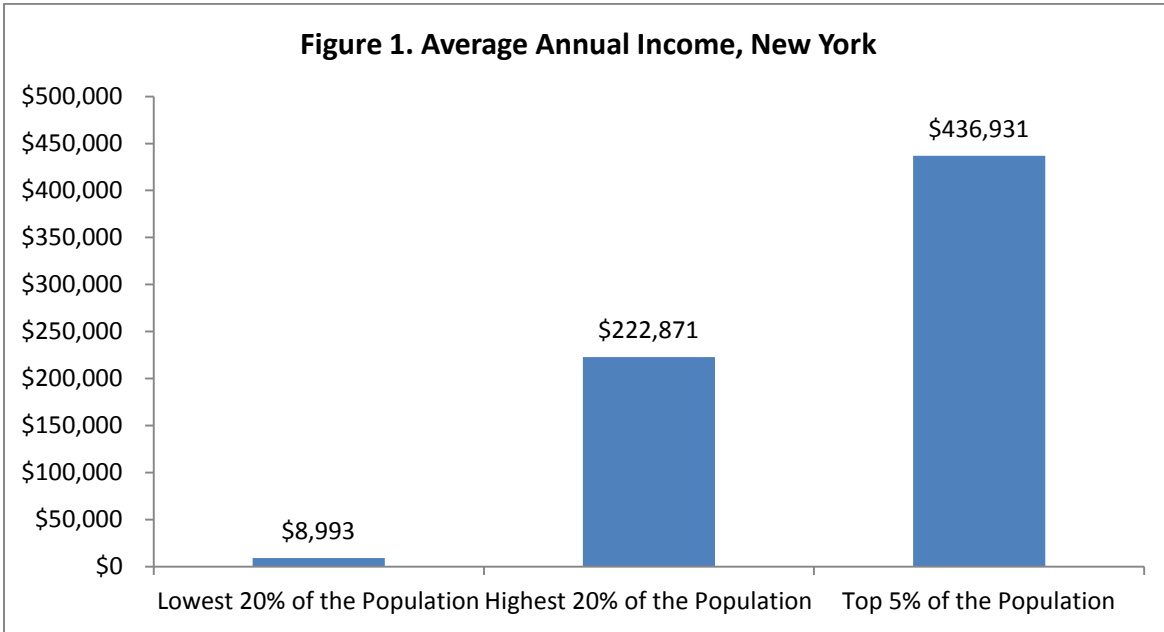
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THE CRISIS OF THE NEW YORK CITY ECONOMY

Large Gaps in Income Inequality and Rising Levels of Poverty

Income inequality is at a historic high in New York. 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, which was about 49 times as much as those with the lowest income.⁴ Based on 2012 U.S. Census data, it paints a troubling picture of the struggles of many New Yorkers living in poverty and income inequality. The city's poverty rate rose to 21.2% in 2012 from 20.9% in 2011⁵, meaning that 1.7 million New Yorkers fell in one year below the official poverty

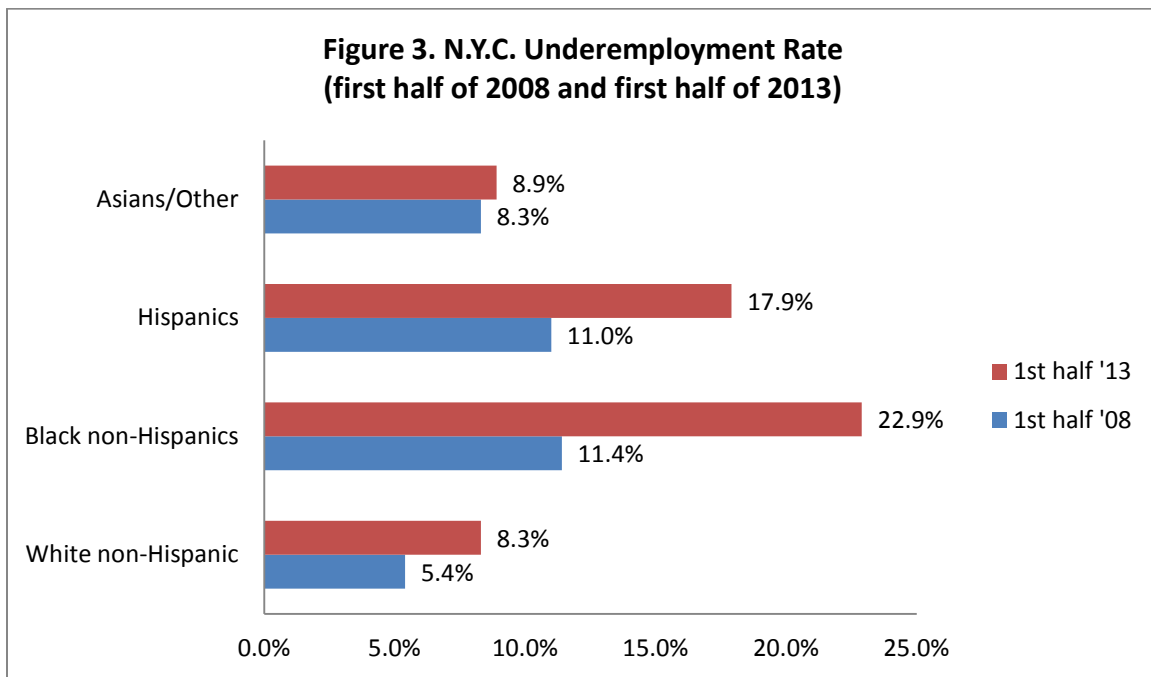
threshold. The official federal poverty line is \$23,314 for a family of four.⁶ This is “the highest level and the largest year-to-year increase since the city adopted a more detailed definition of poverty in 2005.”⁷



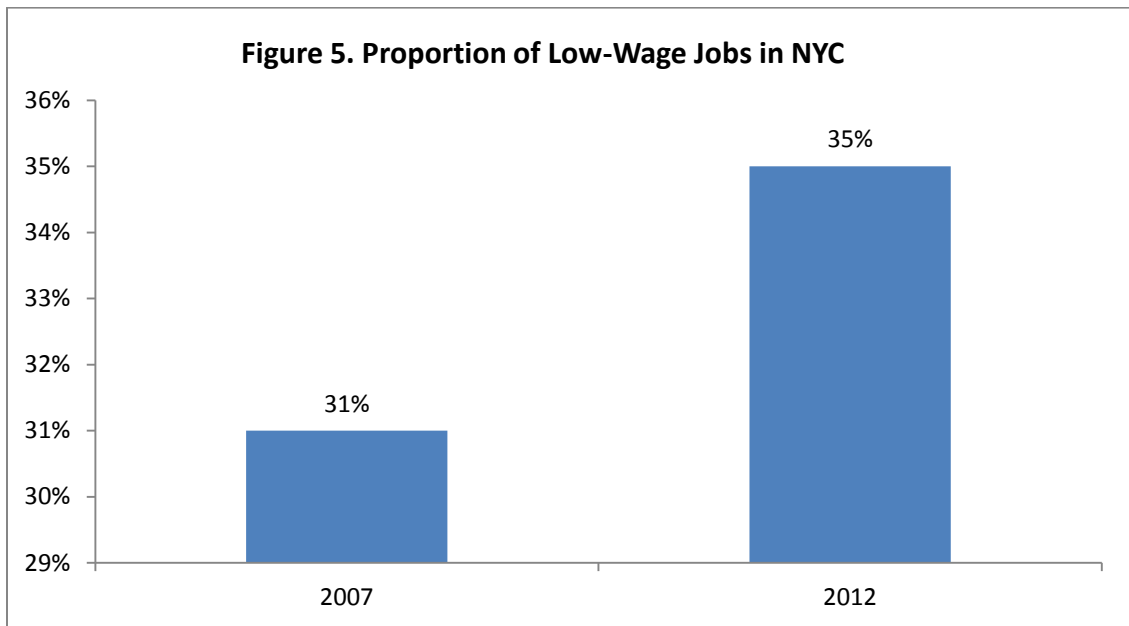
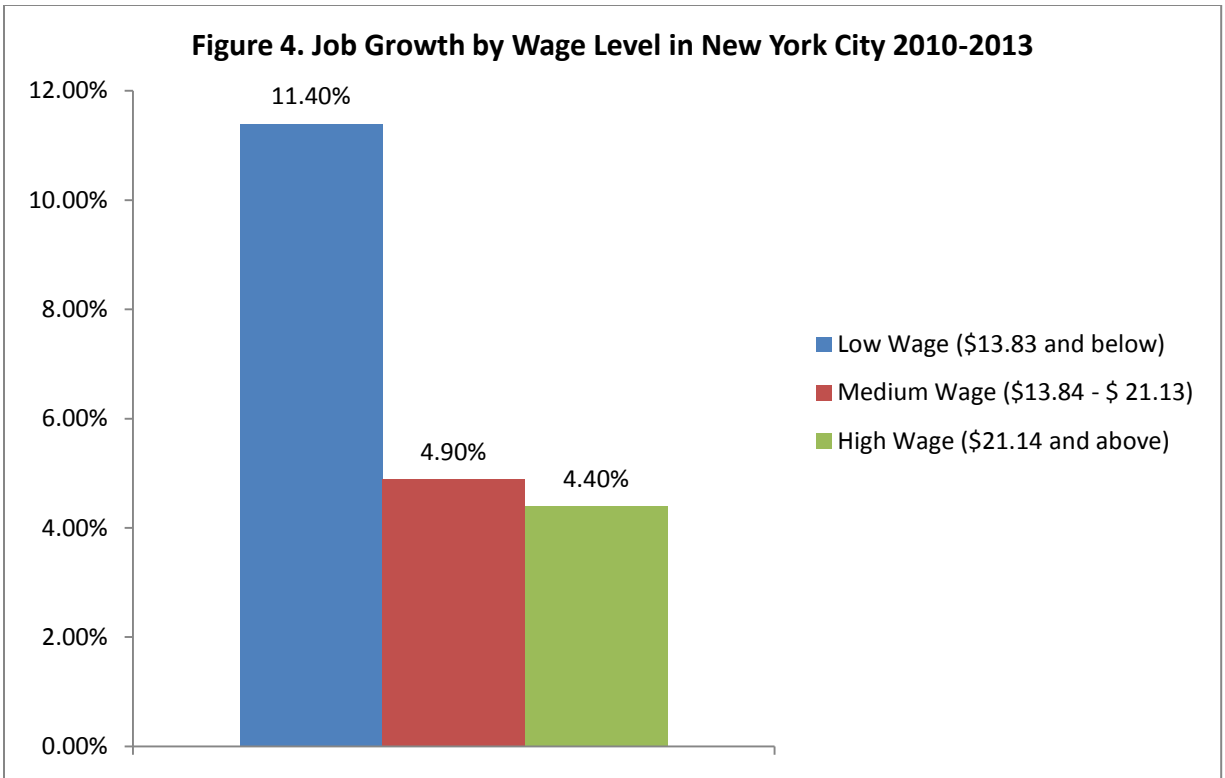
Continued High Unemployment Levels and Increasing Low Wages Jobs

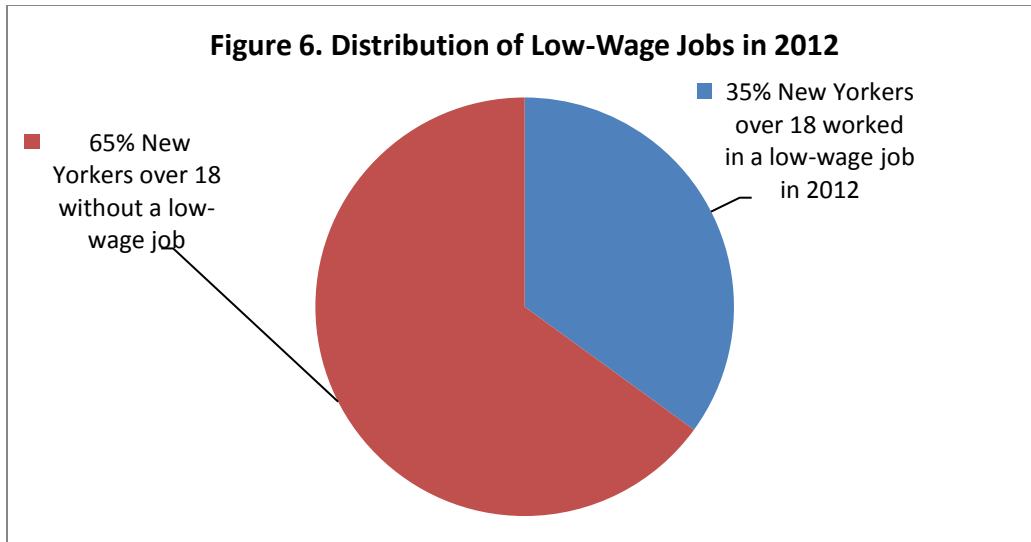
Although the unemployment level in New York City has dropped slightly in recent months, it was still at an astoundingly high 8.9% as of October 2013⁸ with 350,000 New York City residents counted as unemployed.⁹ The city's unemployment levels are also well above that of the state (7.7% in October 2013) and national (7.3% during the same time) average¹⁰. The Bronx also has highest unemployment levels for any county in state: 12.2%

The underemployment rate is an alternative measure which includes the involuntary part-time workers, discouraged workers, and unemployed workers.¹¹ In general, New York City's underemployment rate was 14.8% in the first half of 2013.¹² Since the recession, communities of color continue to face high unemployment levels. For instance, from 2008 to 2013, the underemployment rate of African-Americans in New York City grew from 11.4% to 22.9%. The proportion of Hispanics who were underemployed rose from 11% to 17.9%.¹³



In addition, recent job growth has been concentrated in low-wage industries, a factor that added to income inequality in the city. When the recession hit, most of the jobs that were lost were full-time and many of the jobs that are being created now are part-time and low-wage. Workforce in New York City has been growing since the end of the recession. But it is obvious that low-wage jobs are growing much faster. From 2010 to 2013, low-wage jobs have grown 11.4%, while medium-wage jobs and high-wage jobs have only grown 4.9% and 4.4% respectively.¹⁴ From 2007 to 2012, New York City saw its proportion of low-wage jobs increase from 31% to 35%. In 2012, 35% of all New Yorkers over the age of 18 worked in a low-wage job, which pays less than \$12.89 an hour, or \$26,818.06 annually.¹⁵





Significant Consequences of Current Economic Crisis

Poverty, unemployment and low-wage jobs are not simply personal tragedies; they impact the economic growth of the city as a whole and have dire consequences for the families and communities. Research has shown that:

When people are unemployed in large numbers, it hurts the rest of the economy, creating a cyclical problem. When people have less money to spend because of unemployment, other companies suffer from less consumer demand. Then, when companies suffer because of lost business, they might in turn be forced to make layoffs of their own, making the unemployment rate rise and overall spending drop even more. ¹⁶

In addition, there is similar negative impact of low-wage jobs. A study looking at the impact of low wages on families in Chicago found that, “When the actual cost of living is not covered by wages paid, the employer is effectively shifting the actual cost of their products and services to the employee and to the public.”¹⁷ In addition, this same study elaborates that:

The public pays [for low-wage jobs] when it is forced to provide either public or private assistance through programs such as Supplemental Nutrition Assistance Program, public housing, or private charity. Because poverty and inequality contribute significantly to other issues such as crime and poor health, society also pays the cost of low wages when paying for police protection, public hospitals, and the loss of productive citizens. ¹⁸

Additionally, jobs with low wages, poor working conditions, and few or no benefits take a toll on an individual’s morale at work and in all aspects of their life.”¹⁹

A worker cooperative is a business that is democratically controlled by its current employees

THE POTENTIAL OF WORKER COOPERATIVES

Worker cooperatives are a form of a small business. They vary in size and industries, but share a common focus on democratic control of the business by workers. In recent years, worker cooperatives have been developed by non-profit organizations seeking to create economic opportunities for low-income workers. Worker cooperatives have emerged over time as a response to economic crises and increased unemployment. In specific, worker cooperatives have been shown to improve pay equality within firms and build equity for all worker-owners in a company, which could lead to sustainable growth within the overall New York City economy.

Defining a Worker Cooperative

In a worker cooperative each worker has one vote for the board of directors, and the end-of-year surplus belongs to the workers. Typically, it is easiest to compare this type of business to a traditional investor-owned business, where investors vote for the board of directors, and have a greater vote in relation to the amount of money invested. It is quite common for worker cooperatives to embrace a highly participatory environment, an egalitarian pay structure, as well as to maximize job security, wages, and benefits.

Any type of business can be a worker cooperative. For example, in the United States, worker cooperatives today range from high-tech engineering to coffee distribution firms, from home health care to legal services, and restaurants to industrial bakeries. Worker cooperatives are distinct from other alternative business structures, such as consumer cooperatives and employee stock ownership companies, in their emphasis on workplace democracy.

Worker cooperatives can range from very small local businesses to large corporations. Many are small, anywhere from 10 to 50 workers, but they can have 500, 50,000, or more employees. The larger a worker cooperative is, the more hierarchically structured it will be to ensure its own efficiency and capacities, just like traditional businesses. The foundational principle for all worker cooperatives is "one worker, one vote" for the board of directors.²⁰ Finally, due to the shared investment—both financial and personal—worker cooperatives are inherently entrepreneurial and collaborative in decision-making practices.

The Development of Worker Cooperatives

In the United States, community non-profits like cooperative incubators and worker centers play a main role in supporting the creation of worker cooperatives. These organizations usually incorporate principles of social justice, advocacy and economic equity into their missions, and so identify worker cooperatives as tool of empowerment for low-income workers. Non-profits can

bolster worker cooperatives in a variety of ways including education, training, advice and technical assistance, funding, and key staffing assistance.

Some examples of these incubators are the Arizemendi Association of Cooperatives in California and New York City's Green Worker Cooperatives network. These incubators in particular are examples of organizations that offer intensive, step-by-step support for worker-owners from the conceptualization of the business. They help provide items such as start-up capital and management assistance. Green Workers Cooperatives offers a 16-week "boot camp", providing intensive mentoring to cooperatives as they start up.²¹

History of Worker Cooperatives

Worker cooperatives have a long history dating back to the industrial revolution and have become an example of workers' control and democracy in various countries all over the world. Time and time again, worker cooperatives have emerged as a response to economic crisis and severe unemployment when government and/or businesses were unable to respond to the demands of impoverished communities. Low-income communities worldwide have formed worker cooperatives to help employ their communities, improve community infrastructure, and increase basic access to services.

Worker cooperatives have developed in dynamic ways in different countries. In the United States, efforts to build workplace democracy came to prominence during the earliest waves of the labor movement from 1919 to 1937 as working-class communities established thousands of cooperative businesses. In these experiments, workers constructed their own definitions of mutuality, fraternity, democracy, and equal rights for workers. As past successes in the US and most recent successes in the other parts of the world have come to light over the past several decades, there has been a resurgence of interest in the United States in worker cooperatives as an alternative to employment.

Worker Cooperatives are One Response to Hard Times

Increasing the number of worker cooperatives in New York City could provide a viable solution to some of the economic problems facing neighborhoods in New York City. Worker cooperatives have been shown to

Time and time again, worker cooperatives have emerged as a response to economic crisis and severe unemployment when government and/or businesses were unable to respond to the demands of impoverished communities. Low-income communities worldwide have formed worker cooperatives to help employ their communities.

Within four years starting their house cleaning business, Sí Se Puede's worker-owners, many of whom did not speak fluent English, tripled their wages to as much as \$25-an-hour.

provide better “wages for typically low-wage work, and to increase household wealth for low-income workers.”²²

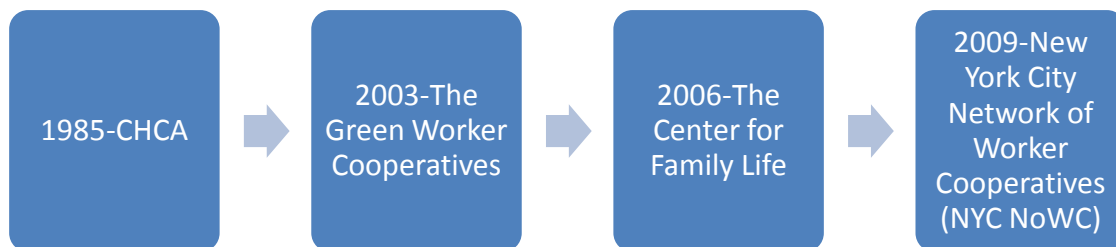
Worker cooperatives can also offer the opportunity to low-wage workers to earn more by capturing more of the income that might have been lost to administrative managers who own the business in which the laborers work. Within four years of starting their house cleaning business, Sí Se Puede's worker-owners, many of whom did not speak fluent English, tripled their wages to as much as \$25-an-hour. In 2011, the company with 37 worker-owners had grossed \$1.6 million,²³ with more than 1,500 customers on its house-cleaning client list, had a group income of approximately \$600,000 a year, and monthly income for the total cooperative reached between \$50,000 and \$60,000 a month.²⁴ To achieve these economic outcomes, “one of the key principles of Si Se Puede! is that worker-owners receive 100% pay for their work – there are no placement fees and no organizational middlemen.”²⁵

Worker cooperatives also have an inherent tendency to equalize pay between worker-owners. As an example, for many worker cooperatives, “The pay ratio between the highest and the lowest paid is generally 3:1 to 5:1 before taxes, and the minimum pay is generally higher than the local equivalent for similar work. This is to promote economic democracy and worker empowerment.”²⁶ By comparison, in the United States, the average CEO to lowest-paid worker wage difference is 600:1.²⁷ To cite one example, Michael Duke, the CEO of Wal-Mart, made \$17.6 million in total compensation in 2012 (with a salary of \$1.3 million); comparatively, an average employee made \$22,100.²⁸ A study found that “average compensation for employees of a worker-owned grocery in the San Francisco Bay area was 40% more than the average for unionized grocery workers in California.”²⁹ This shows that employees in typically low-wage work can earn more in a worker cooperative than in a traditional company

In addition, worker cooperatives not only create level pay structures, but also help worker-owners build wealth and equity.³⁰ Most worker cooperatives and employee-owned businesses provide dividends and financial returns to members. In worker cooperatives, “Company profits are generally allocated annually to retirement funds, reserves for use in expansion or as back-up during hard times, bonuses for all workers, or dividends for worker-owners.”³¹ For instance, Cooperative Home Care Associates in New York City pays “annual dividends sometimes 25% of initial equity investment.”³² Worker-members can often borrow off of their membership share, they receive a payout of their membership share at retirement or whenever they leave the firm, and their membership share will also often receive a low fixed-interest dividend.

WORKER COOPERATIVES IN NEW YORK CITY AND THE COOPERATIVE MOVEMENT

While the worker cooperative movement is small in New York City, there are organizations new and old striving to promote that model. Some of the most proven organizations have been functioning for nearly a decade. Included in the list of these established organizations is a worker cooperative- Community Health Care Associates; the incubators- The Green Worker Cooperatives and The Center for Family Life; and a local business federation- New York City Network of Worker Cooperatives.



New York City’s worker cooperative movement today has a host of businesses in various sectors ranging from healthcare to tech consultation to home cleaning. Additionally, the city also has a central worker cooperative organization working to solidify the community – as well as a support system for worker cooperative including incubators; technical and legal assistance services; and a limited amount of public and private funding in recent years. It is these services that make up the institutional support of worker cooperatives.

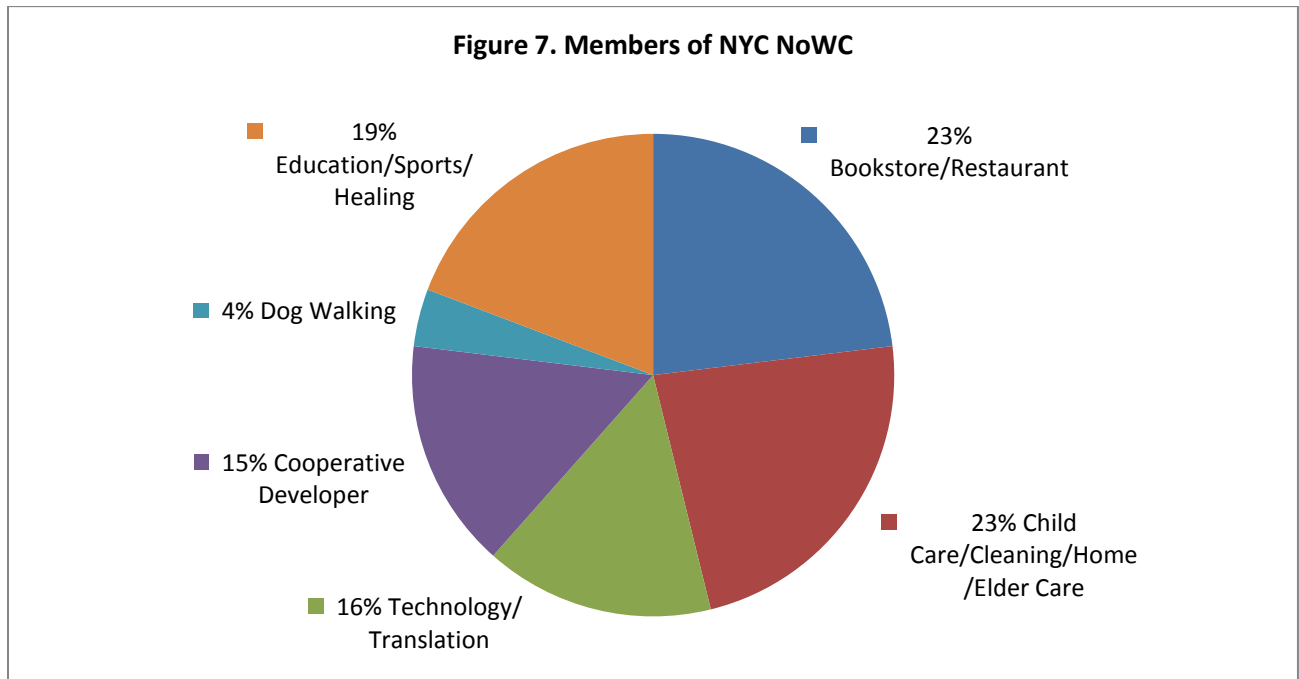
New York City Network of Worker Cooperatives

In any kind of business community, organizations that serve as some form of a centralized hub are significantly helpful for reasons ranging from resources to networking. For worker cooperatives in New York City, that organization is the New York City Network of Worker Cooperatives (NYC NoWC, pronounced “*knick-knock*”).

NYC NoWC’s primary mission centers on growing and distributing technical, financial, and educational resources and capital to its members as well as supporting the overall development of worker cooperatives for social and economic justice. Although it offers assistance to *all* worker cooperatives within the New York City metropolitan area, NYC NoWC has a focus on the development of cooperatives in marginalized and low-income communities. NYC NoWC lists all worker cooperatives in the New York City metropolitan area on its website (<http://www.nycworker.coop/>). Membership in NYC NoWC is still loosely defined and on a volunteer basis. NYC NoWC’s Board of Directors is elected on an annual basis by its member worker cooperatives.

Existing Worker Cooperatives

When examining New York City's worker cooperative community, its size and diversity stands out. The New York City area's 23 worker cooperatives are composed of these businesses: one bookstore, one Child Care, three Cleaning, four Cooperative Developers, one Dog walking, two Education/Sports, two Home Care/Elder Care, one Interpretation/Translation, two Printing, five Restaurant/Pizza/Catering, one Technology/Computers/Website, and three Yoga/Massage/Healing businesses.



Some of the most notable cooperatives include:

- ***Cooperative Home Care Associates (CHCA)*** - Twenty-five years old, CHCA was the first worker-owned home care cooperative in the U.S. and is currently the largest worker cooperative in the country, with over 2,000 members.³³
- ***Si Se Puede! Women's Cooperative*** – A women-owned, women-run business designed to create living wage jobs that will be carried out in a safe and healthy environment, and that promotes social supports and educational opportunities for its members. Currently this cooperative has 50 members.
- ***Caracol Interpreters*** – Caracol Interpreters provides both interpretation and translation services (U.S. English – Latin American Spanish); coordination of interpretation and/or translation for meetings and events; and consulting services for organizations wishing to expand their multilingual capacity.
- ***Palante Technology Cooperative*** – A worker cooperative that provides tech consulting services to progressive nonprofit, social justice, activist and community organizations.
- ***Beyond Care*** – A worker cooperative that provides full-time childcare. Currently, this cooperative has 34 members.

- ***Ginger Moon*** – Ginger Moon provides pregnant women in-home cooking and personalized support sessions.
- ***Third Root Community Health Center*** – A worker-owned cooperative of holistic healthcare practitioners, providing accessible classes and treatments to the Brooklyn community.

Incubators

Worker cooperative incubators have been crucial to the start of many of the worker cooperatives listed above. Incubators are programs that are designed to support the development of many kinds of entrepreneurial ventures (not just worker cooperatives) through various methods including technical assistance, legal counsel and other supportive resources. There are also organizations wholly or partially dedicated to incubating worker cooperatives. Sometimes cooperative incubators exist as sub-divisions within non-profit organizations, other times they are in partnership with worker cooperative federations.

One New York City incubator is the Green Worker Cooperatives, which is based in the South Bronx and trains future co-op owners through their Co-op Academy. This Academy is a “16-week training and support program for teams of entrepreneurs seeking to establish worker-owned green businesses.”³⁴ Green Worker Cooperatives has trained and developed many successful cooperatives including Ginger Moon and Caracol Interpreters Cooperative. Long abuse as a dumping ground by businesses, the South Bronx has suffered decades of environmental mistreatment. Green Worker Cooperatives was founded in 2003 to address the environment problems in the South Bronx by developing businesses that promote clean energy in a way that also empowers local communities.³⁵

Incubators are programs that are designed to support the development of entrepreneurial ventures (not just worker cooperatives) through various methods including technical assistance, legal counsel and other supportive resources.

Another incubator, the Center for Family Life (CFL) is a social service organization located in Sunset Park, Brooklyn and provides comprehensive programs ranging from counseling and employment to arts and recreation for a largely low-income immigrant community. It is also responsible for incubating successful and sustainable worker cooperatives. Since 2006, through their Adult Employment Program, CFL has partnered with community members and incubated five worker cooperatives and one collective, including Si Se Puede! We Can Do It!, Beyond Care child cooperative and Golden Steps eldercare cooperative.³⁶ CFL recognized that many area residents were not eligible for traditional employment programs because of limited English language skills; and status limitations on their ability to be employed. Prior to the advent of the cooperatives, these individuals had served as low-skilled workers in restaurants, factories, or

domestic services, and were vulnerable to exploitation by employers. In attempting to address these issues, the CFL began researching innovative alternatives to traditional models of workforce development, leading into the decision to incubate worker cooperatives in the Sunset Park community.³⁷

In New York City, funding is scarce for worker cooperatives. Existing funding for worker cooperatives has come from various non-profit organizations and the public sector (mostly city funds), as well as banks and credit unions.

Technical and Legal Assistance

Two core elements of the worker cooperative support system in New York City are the technical and legal assistance cooperatives receive from various organizations. These services equip new and existing worker cooperatives with legal and financial skills, as well as general know-how on navigating the overall challenges that worker cooperatives may face as a business. These organizations support worker cooperatives in many different ways.

The Urban Justice Center's Community Development Project works to provide legal assistance to help groups of workers with worker-owned cooperative businesses. For new and existing worker cooperatives, their attorneys provide free legal advice and assistance in a variety of areas, including incorporation and tax exemption, employment and tax laws, and real estate and lease issues. The Urban Justice Center has also worked with CFL's worker cooperative incubator.³⁸ Similarly, CUNY Law's Community Economic Development Clinic also provides legal services to start-up worker cooperatives and support organizations. The clients of the Clinic have included Acacia Network, the Restaurant Opportunities Center United, Make the Road New York, and Green Worker Cooperatives.³⁹

In the financial realm, the Working World, a non-profit organization, is a major contributor to the worker cooperative community in New York City (and internationally) by providing business assistance after a cooperative has taken a loan. The Working World provides technical support for worker cooperatives using an innovative finance model.⁴⁰

In addition, technical assistance and organizing support can also be found in the US Federation of Worker Cooperatives (USFWC) and its affiliated organizations the Democracy at Work Institute and Network. The USFWC is a grassroots membership organization of worker cooperatives from across the United States. Through these organizations the USFWC provides technical assistance to cooperatives, cooperative associations, non-profits and community based organizations; they also conduct research and model development. Their support services include assisting local worker cooperative organization through fiscal sponsorship, networking with other organizations and developing best practices, as well as working with individual cooperatives to improve their business and cooperative practices. They also work with non-

profit organizations that are undertaking cooperative development for the first time in order to help them build their cooperative development skills.⁴¹

Funding

A third core element of the support system for worker cooperatives in New York City is its funding base. In New York City, funding is scarce for worker cooperatives. Existing funding for worker cooperatives has come from various non-profit organizations and the public sector (mostly city funds), as well as banks and credit unions. Of note, funding for worker cooperatives can generally be divided into two categories: funding for loans and funding for technical assistance.

Loans

The Working World provides investment capital for worker cooperatives in New York City with its innovative revolving loan fund, which has provided funding for the development of a cleaning product line at the We Can Do It! cleaning cooperative, Si Se Puede, Third Root Community Health Center, OccuCopy and Cooperativa Rockaways.⁴² Likewise, Workers Development is a worker cooperative in New York City that also builds worker cooperatives with a similar mission of pioneering innovative financing techniques such as “direct public offering”, which permits worker cooperatives to raise non-voting capital investments from local investors. Presently, they are at work on developing a worker cooperative restaurant.⁴³

Technical Assistance

In recent years, the New York City Council has proven to be a critical partner in the development and sustainability of worker cooperatives through new employment policy initiatives focused on increasing support and exposure for worker cooperatives. City Council Speaker Christine Quinn announced the New York City Worker Cooperative Development Initiative in a speech in 2011 to the Association for a Better New York. As a follow-up, and in dialogue with NYC NoWC, the City Council granted \$150,000 to CFL to engage two to three non-profit organizations in New York City in a cooperative incubation training program, supporting these organizations to incubate new worker cooperatives in the communities that they serve.⁴⁴ This initiative aimed to provide each of the not for profit organizations in the project with technical assistance, training, consultation, and legal services for one year with CFL and with support from the Urban Justice Center’s Community Development Project.⁴⁵

In addition, a goal of the City Council initiative was to facilitate a working relationship between NYC NoWC and New York City Department of Small Business Services.⁴⁶ The two organizations selected for the Initiative were Make the Road New York in Queens and Westchester Square Partnerships in the Bronx.⁴⁷ CFL has been subsequently been awarded a second year of City Council funding to work with two additional organizations to innovate employment initiatives through worker cooperatives.⁴⁸ Through funding from the New York Women’s Foundation (NYWF), in 2013 CFL was able to engage an addition six non-profit organizations in its incubation, training program. Second year funding from NYWF will allow CFL to engage an additional six organization in a 2014 training program year. By the close of

2014, CFL will have trained 14 non-profit organizations in cooperative incubation, allowing these organizations to support the development of cooperative businesses in their neighborhoods.

Table 1. Support Organizations in NYC	
Organization	Legal Assistance
Urban Justice Center’s Community Development Project	Providing free legal advice and assistance in a variety of areas
CUNY Law’s Community Economic Development Clinic	Providing legal services to start-up worker cooperatives and support organizations
Financial Assistance	
Working World	Providing investment capital for worker cooperatives in NYC with its innovative revolving loan fund
Workers Development	“Direct Public Offering” permits worker cooperatives to raise non-voting capital investments from local investors.
New York City Council	The Council granted \$150,000 to Center for Family Life to incubate worker cooperatives in NYC
Technical Assistance	
US Federation of Worker Cooperatives	Providing technical assistance to cooperatives, cooperative associations, non-profits and community based organizations as well as doing research and model development
New York City Council, Center for Family Life, Urban Justice Center	New York City Worker Cooperative Development Initiative Providing each of the non-profit organizations in the project with technical assistance, training, consultation, and legal services for one year with the support from CFL and the Urban Justice Center Facilitating a working relationship between NYC NoWC and New York City Department of Small Business Services

Stories of New York City Worker Cooperatives

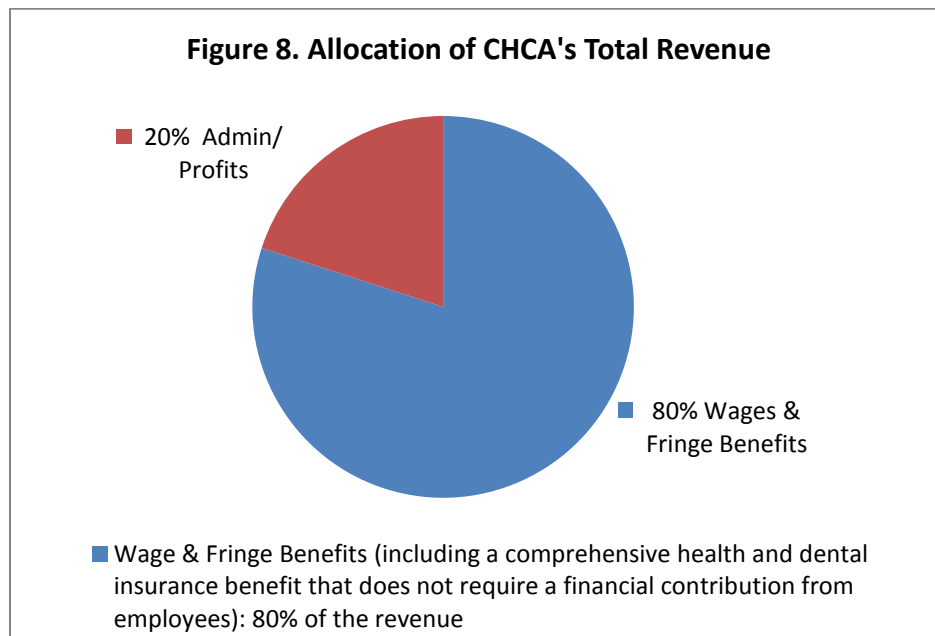
All in all, New York City has many success stories showing how worker cooperatives transformed and empowered the lives of ordinary community-residents who had taken the initiative to help create a locally controlled democratic economy. Two New York City worker

cooperatives in particular, Cooperative Home Care Associates and Si Se Puede!, have improved the economic conditions of their worker owners.

Cooperative Home Care Associates (CHCA)

Founded in 1985, CHCA is a worker-owned home care cooperative based in the South Bronx. It has nearly 1,700 home care workers, including 95 administrative staff members most of whom are either African-American or Latina⁴⁹ and a large share are women who previously received public assistance.⁵⁰ Currently, 68% of CHCA's home care workers are worker-owners and as a result, it is currently the largest worker cooperative in the United States.⁵¹ Each year, CHCA's home care workers assist more than 4,000 elders and individuals with physical disabilities.⁵²

At CHCA, approximately 82 cents of every dollar received as revenue is provided to its home health aides in the form of wages or benefits. Comparably, other home care agencies in New York City typically allocate 60 cents of every dollar as direct wages or benefits to workers. Consequently, hourly pay rates at CHCA are about 20% more than other agencies in New York City. Moreover, 95% to 97% of worker-members are employed full time, have 401K retirement plans, and access to affordable health insurance.⁵³



An interview with Sarah Lee, a worker-owner at CHCA, describes how she believes that employee ownership motivates workers:

You own a share of something. It's not a big share, but you're going to work even harder to try to keep it going....I think that we all think a lot about that, because we own one share, we try to make it the best company out here. When you go into a person's home, you try to do the best work you can. If you see somebody out there, you figure would

make a good home health aide, you try to get them into this company. Because you want them to – I used to tell them, ‘get a share of the profit’.⁵⁴

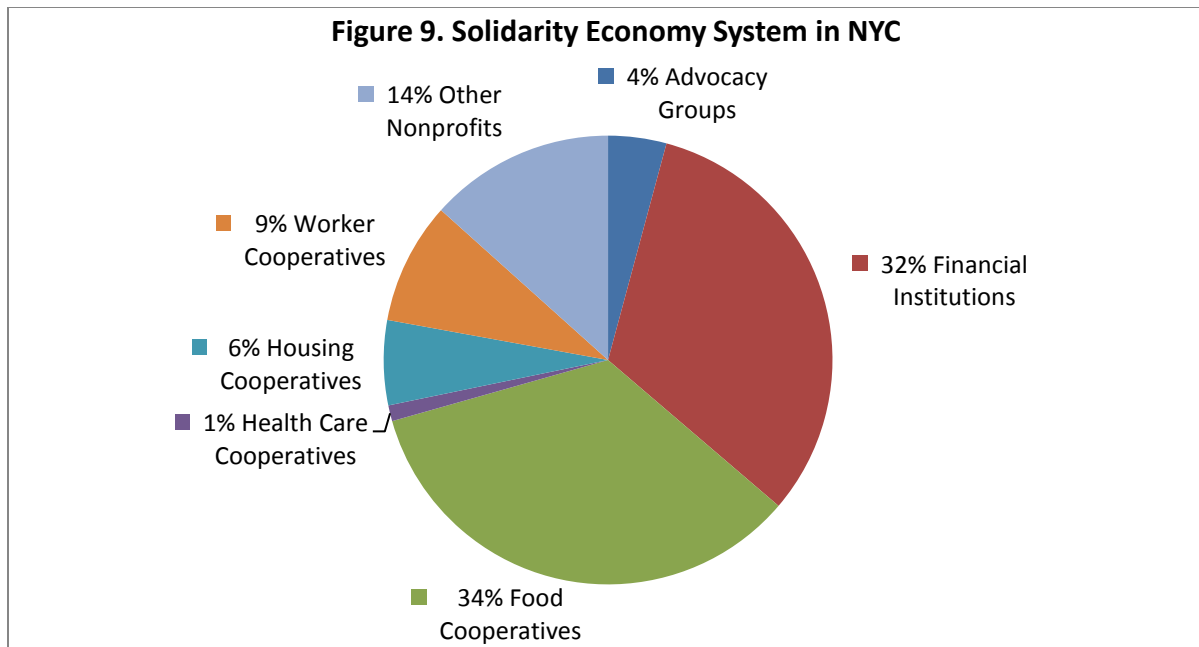
Si Se Puede!

Motivated by fair wages and a desire for better treatment of workers, in 2006, 15 women in the CFL’s English as a Second Language class organized and launched Si Se Puede! an employee-owned house cleaning business. Within four years, Si Se Puede’s worker-owners, many of whom did not speak fluent English, had tripled their wages to as much as \$25 an hour as a result of the cooperative empowering the members to ask for adequate remuneration. In 2013, their open house to recruit new members drew over 90 applications for 13 spots. In 2011, the company, now with 37 worker-owners, grossed \$1.6 million.⁵⁵ Presently, it has 51 members and all members have an equal voice in decisions regarding policies and operations.⁵⁶

Five years after starting, Luz Maria Hernandez, current President and one of the founding members, reflects that the collaborative environment of Si Se Puede! contributed to the members’ ability to work together and the cooperatives success: “We were very informed on how to do quality work, to guarantee quality for the price we charge.”⁵⁷ Reflecting further Luz shared how this experience has been personally satisfying, “I want the growth of co-ops so [more] people have the opportunity for good jobs and a better life.”⁵⁸ Yadira Fragoso, 30, a member of Si Se Puede!, described how being a part of the coop has empowered her, “I clean about 8 houses and now I cannot take more clients.” “Being part of a cooperative effort is rewarding,” she adds, “because our trade is professionalized and protects us.”⁵⁹

The Larger Cooperative Movement In New York City

In examining the worker cooperative community in New York City, it is important to note that they are not the only existing cooperative sector in the city economy. New York is full of cooperatives operating across a variety of sectors, yet many New Yorkers remain unaware of this vibrant sector. Cooperatives impact New Yorkers lives each and every day, and more broadly, cooperatives represent a sustainable business model and an effective tool for poverty alleviation. In fact, there are many types of cooperatives: food, producer, housing and credit unions among others.



Directed by a committed group of activists, artists, and community members, the SolidarityNYC Project intends to promote and strengthen the solidarity economy in New York City, which is a system equivalent to the cooperative support ecosystems in other places.⁶⁰ Presently, there are 262 organizations in the solidarity economy system, including 90 food cooperatives, 84 financial institutions, 23 worker cooperatives, 16 housing cooperatives, 11 advocacy groups, 3 health care cooperatives and other non-profit organizations.⁶¹ The solidarity economy supports democratic, community-based business institutions. While not all worker cooperatives, these community-owned enterprises serve the same aims as worker cooperatives and provide a supportive environment that could help grow more worker cooperatives. For example, those member-owned, member-controlled, and not-for-profit credit unions would provide access to credit and financial services to the underserved communities. They are serving their member-owners for the profits generated are actually returned to the organization to enhance services for their members.⁶²

The idea of a solidarity economy is far from being confined to smaller or niche groups. Highlighting their importance in areas such as socio-economic development and poverty reduction, the United Nations General Assembly had declared 2012 as the International Year of Cooperatives. To underscore their declaration, an event was held in November 2011 called “New York: Building a Cooperative City” where there were discussions outlining not just how cooperatives affect the lives of New Yorkers, but also their business model as a sustainable and effective tool against poverty. Attending the event was a variety of cooperatives, developers and associations including Amalgamated Life Insurance, Bay-Ridge Food Co-op, Bethex Federal Credit Union, Federation of New York Housing Co-ops & Condos, Flatbush Food Co-op, Green Worker Cooperative, Lower East Side People's Federal Credit Union, Neighborhood Economic Development Advocacy Project (NEDAP), Park Slope Food Co-op, Inc., SolidarityNYC, and Union Settlement Federal Credit Union.⁶³

Also in attendance were influential figures, such as Christine Quinn, former New York City Council Speaker, Charles Gould, Director-General, International Co-operative Alliance, Dame Pauline Green, President of the International Co-operative Alliance, Charles E. Snyder, President & CEO, National Consumer Cooperative Bank, Clifford N. Rosenthal, CEO, National Federation of Community Development Credit Unions, Bill Cheney, CEO, Credit Union National Association, and Mary Martha Fortney, CEO, National Association of State Credit Union Supervisors.⁶⁴ The attendance of these business leaders and a high ranking City official, such as former City Council Speaker Christine Quinn, gives credence to the burgeoning cooperative movement in New York City.

HOW HAVE WORKER COOPS FUNCTIONED IN OTHER PLACES?

To have a better understanding of the development of worker cooperatives in New York City, it is important to put it into perspective on both the national and international scale. According to the US Federation of Worker Cooperatives, almost one out of every five of the worker cooperatives in the United States is part of the Network of Bay Area Worker Cooperatives (NoBAWC),⁶⁵ whose members are located in Oakland, San Francisco, and Berkeley.⁶⁶ In the United States, there are approximately 223 worker cooperatives and about 70% of the co-ops are located in just seven states: California, Massachusetts, Minnesota, New York, Oregon, Washington and Wisconsin.⁶⁷ However, compared to the large presence of worker cooperatives in other international cities, the United States is still in an underdeveloped stage. Internationally, there are greater than 111,000 organizations in the form of worker cooperative, social cooperative, artisans' cooperative and worker-owned enterprise and these organizations employ an estimated three million people worldwide.⁶⁸

In the United States, there are approximately 223 worker cooperatives and about 70% of the co-ops are located in just seven states: California, Massachusetts, Minnesota, New York, Oregon, Washington and Wisconsin.

Worker Cooperative Models in Europe

Worker cooperatives have been highly utilized and highly successful internationally. Their success in these countries serves as a lesson on their universal practicality – namely, how they can be utilized here, what their medium and long-term benefits might look like and what kind of policies can be put into place to be most conducive to their benefits.

Spain and Italy are two countries with the largest worker cooperative movements in the world.⁶⁹ Possibly, the biggest example of a successful worker cooperative is the Spanish company, Mondragon, which is the seventh largest firm in Spain. After nearly 60 years in operation, Mondragon currently employs more than 83,000 employees, who work in some 258 cooperatively owned businesses, subsidiaries, and affiliated organizations, with total sales in 2011 of 14 € billion (or \$19.15 billion)⁷⁰ and 85% of workers are owning members.⁷¹ For example, Mondragon has businesses in finance focusing on banking, social security and insurance; retail businesses focused on supermarkets and consumer goods chains with more than 2600 outlets; and 12 different manufacturing and construction industries.⁷² According to the company's website: "The Corporation's Mission combines the core goals of a business organization competing on international markets with the use of democratic methods in its business organization, the creation of jobs, the human and professional development of its workers and a pledge to development with its social environment."⁷³

Table 2. Mondragon Model	
Cooperatively-owned Businesses, Subsidiaries and Affiliated Organizations	Around 258
Main Business Sectors	<ul style="list-style-type: none"> • Finance (Banking, Social Security, Insurance) • Retail Businesses (Supermarkets, 2,600+ Outlets) • 12 Different Manufacturing & Construction Industries
Employees	83,000+
Total Sales in 2011	19.15 billion
Owning Members	85% workers

Italy as a whole has a large and growing representation of worker cooperatives. The Emilia-Romagna region of Italy boasts over 8,000 cooperatives, including housing, consumer and worker cooperatives. This large number can be at least partially attributed to a law that 3% of any cooperatives profits be put in a cooperative development fund used to assist other cooperatives. The region, adversely affected economically by World War II and its aftermath, is now a thriving area of commerce.⁷⁴

The Quebec, Canada Model

Similar to Spain and Italy, it is helpful for us to take a look at the worker cooperatives in Quebec, Canada and their support system. It is estimated that there were around 230 worker cooperatives in Quebec in 2010 with about 10,000 employees. Most of these co-ops are small businesses with fewer than 20 members.⁷⁵ It is believed that Quebec's worker cooperatives have benefited a lot from the local cooperative support ecosystem, which consists of government agencies, support organizations, networks of cooperatives, and other worker cooperatives.⁷⁶

The provincial government has established a firm foundation for the cooperative ecosystem. It supports financial tools, products, and institutions that provide capital to cooperatives. It has passed a tax measure that gives individuals a deduction of 125% on provincial income tax for investments in cooperatives.⁷⁷ Additionally, the government plays an important role in scaling cooperatives in specific sectors by directing procurement contracts to cooperatives.⁷⁸

Table 3. Quebec Model	
Worker Cooperatives	Around 230 in 2010
Employees	About 10,000
Local Cooperative Support Ecosystem	
Organization	Service
Provincial Government	<ul style="list-style-type: none"> • Supporting financial tools, products and institutions • Providing tax exemption • Scaling cooperatives in specific sectors by directing procurement contracts to cooperatives
The Conseil (The Quebec Board of Cooperation and Mutuality)	<ul style="list-style-type: none"> • Providing financial support to co-op developers and facilitators through the Partnership Agreement • Negotiating with the government on behalf of its members
Local Development Centers (CLDs)	Business plan; Industry advice; General business consulting; Financing plan; Financing
Regional Development Cooperatives (CDRs)	Board development; Coaching; Legal Assistance; Member training; Incubation/Follow up
Sectoral Federations	Board development; Coaching; Member training; Incubation/Follow up

Another feature of Quebec’s worker cooperative support ecosystem is the provincial apex organization, *the Conseil quebecois de la cooperation et de la mutualite* (Conseil) (translated as the Quebec Board of Cooperation and Mutuality). The Conseil plays a significant role in the province. It cooperated with the government to establish the Partnership Agreement, which provides important financial support to co-op developers and facilitators such as regional development cooperatives (CDR) and sectoral federations. According to the Agreement, the government will pay a CDR or federation \$4,500 for each cooperative they create and an additional amount for each job created.⁷⁹ The government’s funds for the programs in the Partnership Agreement have to pass through the Conseil first. In addition, the Conseil negotiates about new programs and policies with the government on behalf of its members.⁸⁰

Local development centers (CLD) are critical to the development of worker cooperatives in Quebec and are funded by provincial and municipal governments. They offer technical assistance for worker cooperative businesses by providing business plans, marketing, financing plans and even financing.⁸¹ Furthermore, since entrepreneurs must come to a CLD in order to get funds from other institutions, CLDs manage to increase the number of cooperatives under

Compared with Quebec, New York City has a limited number of worker cooperatives and a limited number of funding sources. In addition, there are not many organizations providing services and technical assistance for worker cooperatives in New York City.

development by exposing the entrepreneurs to the cooperative structure as a potential option for their company.⁸²

Regional development cooperatives (CDRs) and federations also offer cooperatives all kinds of services. Each CDR covers a distinct geographic area of the province. Federations, in contrast, serve businesses located throughout the province. Both CDRs and federations are mainly funded by the government based on the number of cooperatives created, the number of jobs created and the actual services provided.⁸³

Compared with Quebec, New York City has a limited number of worker cooperatives and a limited number of funding sources. Besides, there are not many organizations providing services and technical assistance for worker cooperatives in New York City. The lack of professional guidance and expertise is perhaps one of the largest obstacles facing the worker cooperative community.

New York City also does not have a fully developed and self-sustaining worker cooperative association. Without a central apex organization like the Conseil, it is difficult for worker cooperatives in the city to organize and centralize grant funding, to create standards for cooperatives, and to organize for public policy changes and negotiate with government.

CHALLENGES TO WORKER COOPERATIVES IN NEW YORK CITY TODAY

- Limited Number of Worker Cooperatives and Lack of a Long History
- Limited Number of Funding Sources for Worker Cooperatives and Lack of Economic Incentives
- Limited Numbers of Incubators and Sources for Technical Assistance
- Lack of a Fully Developed and Self-Sustaining Worker Cooperative Association
- Lack of Full-Time Business Consultants at Worker Cooperative Incubators
- Lack of Support from the Larger Cooperative Movement

While worker cooperatives appear to be an ideal step towards economic recovery in New York City, they are currently still extremely small in number. The low count of worker cooperatives in New York City can be tied to a variety of factors. The small scale leads to little public knowledge of cooperatives. In turn, there are few supports in place to assist cooperatives with technical expertise. The lack of available funding, both public and private, is also an issue for worker cooperatives. Dedicated City support, along with public policies around tax exemption and other assistance are not present. The low count of worker cooperatives also has not allowed them to form strong and functional professional organizations amongst themselves to assist in shared resources and expertise.

Limited Number of Worker Cooperatives and Lack of A Long History

While New York City has the largest worker cooperative in the nation (Cooperative Home Care Associates or CHCA), currently there are only 23 worker cooperatives in the city who, with the exception of CHCA, are very small businesses with few workers; and the recent history of worker cooperatives at a significant level can be traced to the founding of the CHCA in 1985. Worker cooperatives, like many other types of businesses/endeavors, benefit from a robust community of peers. A large community of resource-rich worker cooperatives allows for the sharing of those resources to create even more cooperatives. With New York City not having a long history and abundance of worker cooperatives, the support system (bank credit, trade associations, etc.) that exists in other cities such as San Francisco does not exist here.

Limited Number of Funding Sources for Worker Cooperatives and Lack of Economic Incentives

This is an issue that has several aspects:

Community and Private Funding

Bank loans, the most common source of private financing, are particularly troublesome for worker cooperatives. Worker cooperatives generally have trouble in three areas: lack of financials to support the loan application, insufficient collateral, and the requirement of a personal guarantee which goes against the worker cooperative principle on collectivizing risk. These three problems stem from the risk averse nature of banks that tend to make loans with the expectation of consistent returns, which itself stems from a lack of awareness on the sustainability of worker cooperatives.

Worker cooperatives also have trouble attracting other outside investors as the structure of their business model allows for surpluses to accrue more towards workers than investors, contrary to traditional businesses. What is then left is the support of community groups such as CDCUs (Community Development Credit Unions) and CDFIs (Community Development Financial Institutions), of which much remains to be leveraged.

Public Funding

City government, through agencies such as the Department of Small Business Services (SBS), has not made a sufficient commitment to the enrichment of the worker cooperative community. A strong government presence in the form of grant funding, Request for Proposals (RFPs), start-up loans, procurement contracts and strategic campaigns geared specifically towards worker cooperatives is generally lacking.

Tax Exemption and Indivisible Reserves

Laws enabling the development and maintenance of co-ops have been adopted in various countries; they are an effective way to encourage entrepreneurs to invest in worker cooperatives and to help co-op members to focus on the development of the cooperative. However, New York City does not have such a legal framework at the moment.

Limited Numbers of Incubators and Sources for Technical Assistance

The lack of professional guidance and expertise is perhaps one of the largest obstacles facing the worker cooperative community; whose naturally grassroots inclination may be a hindrance in obtaining resources. Incubators are critical to the development of worker cooperatives because they provide much needed guidance and technical assistance to start-up businesses. In Quebec, government-funded organizations such as cooperative federations manage to provide a full range of services to a large number of cooperative start-ups and technical assistance to cooperatives. In New York City, similar services are offered by non-profit organizations. Currently, there are three worker cooperative incubators in New York City. Due to the limited number of incubators and the limited support they get from the government, whether these nonprofits can achieve the same success is unknown. Without a robust community of cooperative incubators in healthy competition with one another, the worker co-op community will remain underdeveloped.

While other organizations in the city also provide transactional legal services to small business owners, the current capacity of legal service providers to work on worker cooperative-specific issues is limited, as their expertise and the expertise of their pro bono volunteers is in traditional corporate business structures. These service providers require increased funding for training opportunities in worker cooperative-specific legal issues, as well as commitment from the private bar to perform related pro bono services.

Lack of a Fully Developed and Self-Sustaining Worker Cooperative Association

At present, no apex organization like the Quebec Conseil exists in New York City. The development of a central development organization is crucial to the success of a worker cooperative community. Such an organization would play the key role in forming and leading a larger cooperative movement in the city. Moreover, along with networking, research, and analysis, the organization can provide highly effective services such as the centralization of grant funding and assistance in the conversion of existing businesses into worker cooperatives. Currently, no such organization exists in New York City and would most plausibly need to be developed by the city government as it was in cities like Montreal.

Lack of Full-Time Business Consultants at Worker Cooperatives Incubators

Current worker cooperative owner/workers report a lack of full-time business consultants available to them through worker cooperative incubators. Like most small businesses, the benefits of a business consultant to develop worker cooperatives are numerous. Consultants offer a fresh outside perspective on a business model and strategy. They bring to the table the experience of numerous businesses and models, and can borrow from a wealth of best practices. Consultants bring to the table an unbiased evaluation of a business, and can be vital in identifying problems, and creating measurable, realistic goals.⁸⁴

Lack of Support from the Larger Cooperative Movement

Currently, there is no large cooperative movement in New York City, which can offer worker cooperatives comprehensive and systematic support. Although the SolidarityNYC Project seeks to educate, empower, and organize New Yorkers to support the solidarity economy through mapping, assessment and organizing, and education,⁸⁵ it is in progress and its influence on the local worker cooperatives is still unknown.

CURRENT CITY SERVICES FOR ECONOMIC DEVELOPMENT

New York City has long been defined by an entrepreneurial spirit and already makes assisting small businesses part of public policy through organizations like the New York City Economic Development Corporation (NYCEDC) and the New York City Department of Small Business Services (SBS). The services provided by these organizations span a wide range of areas, and with little effort could be modified to offer focused services to support worker cooperatives.

Worker cooperatives complement the missions of both of these agencies: to improve the City economy, grow businesses, increase employment, and generally improve the quality of life for workers and business owners in New York. By providing advice, regulatory assistance, and funding tools specifically tailored to worker cooperatives, NYCEDC and SBS could play a larger role in growing democratic work places that provide fair wages.

New York City Economic Development Corporation

NYCEDC's mission is "to encourage economic growth in each of the five boroughs of New York City by strengthening the City's competitive position and facilitating investments that build capacity, generate prosperity and catalyze the economic vibrancy of City life as a whole."⁸⁶ To actualize these goals, the NYCEDC has a variety of functions. The agency utilizes private and public sector partnerships to develop real estate, as well as managing City properties including infrastructure, and manufacturing and distribution hubs. It also attracts and promotes thriving businesses by investing in and providing financial tools, which allow industries to grow and create jobs. NYCEDC also advises the City and various sectors of industry on policy matters that assist in economic growth, attracting and maintaining jobs and businesses.⁸⁷

A major division of the NYCEDC is the Center for Economic Transformation, whose mission is to:

Aim to develop the City's major business sectors by implementing policy and programmatic initiatives that address current issues faced by each industry, create good jobs, and promote entrepreneurship and economic diversification across the five boroughs. CET works hand in hand with industry leaders to address the needs of New York City's businesses by analyzing current economic trends; developing strategies that resolve the challenges facing each sector; and implementing programs that help businesses thrive and grow.⁸⁸

CET and the other Divisions of NYCEDC have been instrumental in growing the economy in NYC and creating jobs. One notable example is the growth of the high-tech industry in the City over the last decade. With funding, corporate and city partnerships and contracts, and prioritized policy initiatives, "between 2009 and 2011, high-tech sector employment grew at a cumulative

By providing advice, regulatory assistance, and funding tools specifically tailored to worker cooperatives, NYCEDC and SBS could play a larger role in growing democratic work places that provide fair wages.

rate of more than 15%. In 2011, New York City employed almost 123,000 total tech workers and currently more than 1,200 local startups are hiring for over 3,000 jobs”.⁸⁹

Department of Small Business Services

SBS describes its role as making it “easier for businesses in New York City to form, do business, and grow by providing direct assistance to business owners, fostering neighborhood development in commercial districts, and linking employers to a skilled and qualified workforce.”⁹⁰ SBS accomplishes these tasks through a variety of initiatives from advising on business practices and city regulations, to assisting with business upstarts, and connecting businesses to funding and incentives. The SBS also supports and supervises Business Improvement Districts (68 in New York City), which are locally based organizations that seek to keep districts safe, clean, and to market districts to consumers, investors and new businesses.⁹¹

Workforce Development

In addition to NYCEDC and SBS, according to New York City’s government report on workforce development, there are nine city agencies offering 24 programs in education and literacy, job training and employment. These programs are supported by a variety of sources. The federal government is the largest investor, as it provided over \$250 million in fiscal year 2010. Of note, both NYCEDC and SBS operate workforce development programs. NYCEDC is responsible for Kingsborough Community College Training Program and Willets Point Worker Assistance Program, and SBS runs Advance at Work, Business Solutions Training Funds, Community Partners, and Workforce1 Career Centers. These programs are expected to help the City to create good jobs and promote entrepreneurship in the City.⁹²

CONCLUSIONS

This report aims to lay the groundwork for a thorough examination of worker cooperatives in New York City. To do this, we formulated a large group of questions about the potential of worker cooperatives, their present characteristics, their operational dilemmas and challenges, and the requirements for their survival and expansion. When taken together, these sections provide a broad overall picture of worker cooperatives today in New York City. Without any major changes in the City, there is little doubt that for the foreseeable future economic conditions will be plagued by poverty, unemployment, and income inequality. Worker cooperatives offer one promising solution to some of the economic issues that challenge New York City.

RECOMMENDATIONS

- The City should recognize worker cooperatives as valuable tools in job creation, promoting living wages, reducing income inequality, and encouraging democratic workplace.
- NYC Economic Development Corporation (NYCEDC), the Department of Small Business Services (SBS) and City workforce funding should be utilized to support and grow worker cooperatives within the City.
- Make worker cooperatives a preferred contractor for city agencies.
- Provide funding to worker cooperative developers.
- Provide capital funding to worker cooperative business.
- Connect workforce funding to worker cooperatives.

In light of the challenges that New York City faces regarding poverty, income inequality, unemployment, and low-wage jobs, it is proposed that the City of New York adopt the following policies to support job creation in the context of worker cooperatives:

The City should recognize worker cooperatives as valuable tools in creating jobs, promoting living wages, reducing income inequality, and encouraging democratic workplaces.

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. FPWA urges City officials to issue a proclamation in support of worker cooperatives, bringing attention to a tool that can assist marginalized populations, such as women and immigrants, in not only gaining employment, but employment that is fair and wages that are livable.

In specific, the Mayor and City Council should issue a proclamation to designate one week a year as Worker Cooperative Week in New York City. Representatives from New York City's worker cooperatives should be invited to attend a formal meeting to receive a proclamation announcing the City's support and recognition of worker cooperative businesses and related organizations during this week. Furthermore, the City should support the organizing of a series of events for this week, including an annual city conference on worker cooperatives.

NYC Economic Development Corporation (NYCEDC), the Department of Small Business Services (SBS) and City workforce funding should be utilized to support and grow worker cooperatives within the City.

In addition to the City's stated support and dissemination of information on the advantages of worker cooperatives, cooperatives should be included in the City's major workforce and economic development plans moving forward. Worker cooperatives should be integrated into the City's efforts to curb unemployment, promoting and developing an extremely valuable resource.

NYCEDC could contribute to the development of worker cooperatives by working together with cooperative developers to provide worker cooperatives guidance, placing their participants in current cooperatives, and encouraging entrepreneurs to take the worker cooperative model as a potential option for their business. Worker cooperatives often build capacity and generate prosperity for economically disadvantaged populations.

FPWA proposes that the NYCEDC take on worker cooperatives either as a sector in itself or as a subset of the sectors already served. This focus within the NYCEDC would primarily be on connecting worker cooperative developers with city and state agencies in charge of administering contracts. The NYCEDC should conduct a study on the procurement process, the results of which will serve as a guidance tool to worker cooperatives seeking contracts. This office might also connect developers to workforce development agencies and public institutions (e.g., CUNY) that also outsource work to third-party companies. In addition, worker cooperatives should be considered when the agency advises city officials, develops infrastructure, and manages city properties.

The NYC SBS is another City agency that should focus on supporting worker cooperatives, tailoring their support of small businesses for the needs of these specific organizations. SBS already has a focus on the support of Minority- and Women-Owned small businesses. Support of worker cooperatives would fit seamlessly with these efforts. SBS, amongst other services, assists with business planning, finances, hiring, training funds and navigating government regulations. If these current services are customized to serve worker cooperatives, the SBS can play a vital role in developing democratic work places for the women and minorities they seek to economically promote. To this end, SBS should coordinate with successful area cooperatives to create mentor relationships and assess best practices for developing cooperatives.

Make worker cooperatives a preferred contractor for city agencies.

City contracts can provide a powerful boost to the worker cooperative economy, especially in the services sector, where capital costs are low. If developers can work together with SBS to target

upcoming contracts, two important feats will be achieved: 1) promised contracts can be used as leverage to finance startup worker cooperatives; and 2) "evergreen" contracts, where the terms are renegotiated every few years, can provide a steady stream of income to support worker cooperative jobs. Standards such as the emphasis on diversity within SBS's Minority and Women-owned Business Enterprise program (M/WBE) as well as the City's goal of maintaining overall public confidence in the general procurement process are both naturally met by worker cooperatives. The diversity of worker cooperatives in New York City (e.g. Si Se Puede!, Caracol, etc.) meet the former, while public confidence would be bolstered by the democratic and transparent nature of worker cooperatives which minimizes fraud and abuse. On attaining contracts, efforts can be made to educate worker cooperatives on how they might respond to RFPs and submit proposals.

Provide funding to worker cooperative developers

Request for Proposals (RFPs) can be offered by the city to incubate new Worker Cooperatives. Incubating new businesses is already a well-established initiative of New York City. One of the City's most notable efforts is in high-tech business incubation. The same innovation can be replicated by incubating worker cooperatives. Though they have been around for some time, the relatively small number of worker cooperatives currently established in the City leaves much room for economic opportunity and potential.

With start-up incubation funding for worker cooperatives, the City can at once tackle the current economic crisis with a democratic core investment and secure a brighter future for all New Yorkers with the fostering of a local ownership society. Funding for worker cooperative incubators should include a requirement to develop partnerships with employment or social service agencies in their area to facilitate skills training and other linkages.

In conjunction with incubation funding, the City should dedicate funds to facilitate the training of existing legal services providers in worker cooperative-specific legal issues, thus ensuring that the cooperatives are formed correctly and have the ongoing legal support they need to limit their liability, comply with city, state and federal regulations, and grow their assets. The City should partner in this effort with private law firms, thus engaging New York's vibrant pro bono community to ensure that newly-created worker cooperatives have solid legal foundations and are primed for growth.

Provide capital funding to worker cooperative business

The lack of funding is still a big problem for worker cooperatives in New York City. In Quebec, a large proportion of funding for cooperatives comes from the government finance organization, *Investissement Quebec* (Investment Quebec). It is in charge of various funds, including a \$140 million fund for the cooperative sector.⁹³ This has encouraged the capitalization of cooperative

enterprises in Quebec. In order to change this situation in New York City, the City should provide capital for loan funds to support local worker cooperatives. In specific, the City loan funds could be used for a variety of purposes, including: property and equipment acquisition, working capital, and business expansion. Additionally, the loans could be in the form of a line of credit, term loan, or a hybrid of the two.

Connect workforce funding to worker cooperatives.

In 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.

FPWA is a membership organization with a network of human service organizations and churches that operate over 1,200 programs throughout the New York City metro area. Together, we serve over 1.5 million low-income New Yorkers of all ages, ethnicities and faiths each year.

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