

Co-op members embrace alternative approach to business

By Paula J. Owen

Correspondent

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WORCESTER — Emmanuel Y. Asare was 8 years old when he moved to Worcester in 2002 from Ghana, where, he said, he and his brother grew up poor in a low-income area.

“My mom brought us here for a better future,” said Mr. Asare, now 24.

However, for Mr. Asare, that better future would not include getting a job just to make as much money as he could. Money was not the No. 1 objective for him. He said he was looking for something more meaningful and was attracted to the co-op business model. He said he found what he was looking for at Worcester Roots, a local cooperative incubator.

Mr. Asare is among a number of people joining the co-op movement as an alternative to capitalism.

Unlike regular business modes such as sole proprietorships, partnerships and corporations with one or more people in control and reaping most of the profits, a co-op is owned and run jointly by its members, who share the profits or benefits to meet their economic, social and cultural needs. The co-op is jointly owned and democratically controlled by its worker-owners and consumer-owners, also referred to as worker-members, consumer-members or community-owners. Instead of cutting costs to increase profits for a few, those who work in the co-op are provided with living wages, in an effort to place the importance of workers' value over the bottom line, according to co-op members.

Mr. Asare said Worcester Roots gave him the knowledge and resources needed to begin his co-op.

“It is pretty cool to have more than one owner,” he said. “It drew me in to start a business as a co-op. We are starting our journey starting a company with all of us as investors.”

While working as an electrician’s apprentice and installer for a solar company, he is also starting a co-op, Renew Worcester, a grass-roots organization looking to bring solar access to low-income households.

“My inspiration was when I was working on installing solar, the houses were all fancy,” he said. “We’re also helping nonprofits go solar, and we’re actually getting help from a financial consultant on financing resources for nonprofits and low-income residences.”

While going through Worcester Roots Co-op Academy program, Mr. Asare took a trip to Los Angeles, he said, and seeing the extent of the homelessness problem there changed his life.

“In L.A., I experienced the true meaning of business,” he said. “Capitalism sucks — there is one hierarchy and one structure. In L.A., there are such beautiful people who don’t realize the homeless. It’s sad. It was my first time in L.A., and it was so sad I don’t want to see that again.”

Matthew C. Feinstein, co-director and media and organizing coordinator for Worcester Roots, at 4 King St., said the organization’s mission is to help sprout up cooperative and green initiatives in the city to bring about social and environmental justice.

“We educate Worcester residents about cooperatives and run a youth leadership program,” Mr. Feinstein said. “We incubate cooperatives, which includes a 14-week-a-year co-op academy, mentorship, coaching, fiscal sponsorship, networking, and market development through anchor purchasing and community benefit agreement campaigns.”

Here’s how it works:

Members invest when they join a co-op, Mr. Feinstein explained, providing much of the equity the co-op business needs to start or grow.

There can also be nonmember investment in a co-op, he said, which happens in similar ways to traditional small corporations, but the main difference is that outside investors do not get a vote. The ownership and decision-making remains with the members, he said.

“This has not dissuaded investors,” Mr. Feinstein said. “Co-ops in our region have raised millions of dollars from investors who care about the mission of the co-op and are satisfied with a stable return. There are also lenders who understand and whose mission it is to invest in co-ops and social enterprises, such as Cooperative Fund of New England, so access to loans is very doable for co-ops here.”

All nine of Worcester’s functioning cooperatives make money and the worker-owners are making living wages, he said. Like many startups, in the early years it is hard to generate a profit (which co-ops call a surplus), he said, but when co-ops make profits it is reinvested in the co-op and redistributed to members based on how much they have contributed.

“Having cooperative ownership and community-based missions does not replace being financially sustainable as enterprises and compensating the workers well,” he said. “In fact, the creation of living wage work, not just jobs, is a principal goal of the local cooperative movement, especially in communities that have been excluded from entrepreneurial opportunities in the past. Immigrants, women and people of color are the main protagonists of the worker co-op movement in the U.S.”

Worcester Roots has had successes, including with Access Co-op, a successful company owned by women of color, he said, that conducts interpreting, translation and language justice. Worcester Roots supported the company for two years, he said, and Access Co-op is now incorporated as an employee cooperative corporation.

Not all of the co-ops have made it, however.

“We supported a landscaping cooperative startup for several years that closed in 2017 when founding members moved away,” he said.

This year's co-op academy was free to participants, Mr. Feinstein said, supported by grants, including from the Fletcher Foundation, MassTech Collaborative and New Economy Coalition. The application process is competitive, he explained, and the curriculum was originally designed by the Boston Center for Community Ownership and has been adapted by Worcester Roots staff over the six years Roots has been holding the academies.

The curriculum covers political education, anti-oppression, co-ops and the development process, ideation and conceptualization, market research, market and sales planning, team/organizational issues, finances, insurance, incorporation, taxes, licensing and pitching.

Co-ops do pay taxes, Mr. Feinstein said.

"Yes, co-ops pay corporate taxes, but they are taxed differently under the IRS's sub-chapter T and there are some tax incentives to use the co-op model," he said.

Mr. Feinstein said graduates of the co-op academy include: Future Focus Media Co-op in 2013 that incorporated in 2015 and is employing youth and adult filmmakers and photographers in Worcester; 3cross Fermentation Cooperative in 2017 that became a cooperative in January 2018; Worcester Bookkeeping Cooperative, which has grown since attending in 2016 and becoming a cooperative; WorX Printing Co-op that is expanding their operations on Jackson Street in Worcester with direct-to-textile printing and zero-inventory online stores; and WooRides Co-op incorporated this year as an employee cooperative corporation that is expanding its sustainable transportation fleet.

The co-ops have teamed up, he said, to form a chapter of the U.S. Federation of Worker Co-ops, locally called Cooperation Worcester (www.CooperationWorcester.org), which is hosting the first worker co-op statewide gathering March 16.

More than 120 people have attended the co-op academy, Mr. Feinstein said, many taking it more than once.

"The reasons for success and failure are mostly similar to reasons of other small businesses: follow-through of the entrepreneurs, solid business plan and feasibility study, sufficient capitalization, strong unique selling proposition, ability to navigate the necessary certifications and protections," he said. "There is

one ingredient that is more specific to a cooperative that leads to more frequent success: the co-ops' connection to an ecosystem of cooperatives and support organizations for assistance in tough times. This ecosystem is what Worcester Roots and Cooperation Worcester are working hard to build in Central Mass. We are encouraging anchor institutions — hospitals and colleges to contribute to this with their purchasing dollars.”

During a recent co-op academy graduation at Becker College, which co-sponsored the program at its Yunus Social Business Centre, participants had an opportunity to practice their pitches.

“We are honored to host the co-op academy for the first time at Becker College, and we are so impressed with the wonderful and creative ideas that the graduates have generated to improve the quality of life in the Worcester region,” said Debra Pallatto-Fontaine, executive director of global initiatives, who spoke at the event.

Co-op academy graduate Laciann G. Griffiths, 15, of Worcester, who was born in Jamaica, said she wanted a job and her friend encouraged her to join.

“I am saving to visit Jamaica and to buy my school clothes,” she said. “My school gave us applications for summer jobs, but there is too much competition. I also thought it would give me a chance to interact with people and not be so shy.”

She started working in a co-op selling organic and fair trade goods — including coffee, chocolate and tea — making \$11 an hour, she said, and working 21 hours a week. She said she is hoping to do it again this summer.

Irving Espinosa, Worcester Roots board member and a contracted business mentor, spoke at the graduation. He said education about co-ops is key to the movement.

“The co-op movement is a pretty big movement,” Mr. Espinosa said. “We want to inspire people to join it. It is important and has to happen. The big-profit system of capitalism is not sustainable long term. ... Co-ops will outperform traditional capitalism when structured the right way and are sustainable during economic downturns. When you work in co-ops people care more and are more invested. We need more in our community and on our planet.”

Mr. Espinosa said he believes capitalism creates a negative, unhealthy environment that affects overall health.

“The trend (co-op movement) is happening faster, and there is more awareness,” he said. “We’re on the verge of something really great.”

Lisa A. McCarthy, of Worcester Bookkeeping Cooperative, at 50 Portland St., a bookkeeper for more than 30 years, said she was self-employed for 12 years and didn’t have room for new clients.

“I was engaged by Worcester Roots to do some bookkeeping and that led to my sole-proprietorship conversion Jan. 1, 2016, to a cooperative corporation,” Ms. McCarthy said. “I had reached the point where I didn’t have any more room for new clients, so that is why I was looking to expand and incorporate.”

The company provides bookkeeping services to local nonprofits and small businesses and a growing list of cooperatives from Worcester, Boston and Providence, she said.

“It is very rewarding to be part of these companies’ success, and organizing as a worker cooperative seems like a natural fit,” she said. “I am very excited to be a part of the worker-cooperative movement where — you work it, you own it.”

David Howland is from 3cross Fermentation Coop in Worcester, a small brewery and taproom owned by its workers and interested patrons. There are three worker-owners, Mr. Howland said, and about 130 community-owners.

The business was founded in 2014 and converted to a cooperative structure at the beginning of last year.

“3cross Fermentation Co-op is a unique co-op that is owned by both the workers and by customers who have chosen to invest in a membership fee in return for a say in the election of the board of the co-op, deciding where donations are made each month and a few other things,” Mr. Feinstein said.

Members also receive patronage dividends if the co-op is successful at the end of the year, according to how much they’ve patronized — worked for worker members, purchased for consumer members, he said.

“I started the business in Worcester prior to converting to a cooperative,” Mr. Howland explained. “Worcester is home, so that’s where we are.

“Cooperatives allow for a more democratic style of business,” he said. “The business exists to serve the needs of its members — in our case that’s the employees and patrons. It also allows us to solicit capital investments without going the typical investor route and all the trade-offs that entails.”

Dee Wells, Future Focus Media Co-op co-founder, photographer and filmmaker, said the co-op works in partnership with the Worcester Community Action Council’s YouthWorks program to train youth during a six-week period in which participants produce a short film.

“We’re storytellers that help others tell their stories while teaching youth photography and filmmaking,” Ms. Wells said. “The benefits of cooperatives are shared governance, the ability to move quickly in making decisions, and we conscientiously look to partner and collaborate to create win-win situations.”