

COPAC OPEN FORUM

COOPERATIVE EMPLOYMENT TRENDS DURING ECONOMIC PROSPERITY IN THE U.S.A.:

Cooperatives—Give People Power and Voice

Paul Hazen, President and CEO, National Cooperative Business Association

Introduction

I bring greetings and best wishes to the participants in the COPAC Open Forum from the cooperative sector of the U.S. economy. I want to begin by praising the International Cooperative Alliance and the International Labor Organization for focusing attention on the role of cooperatives as a tool for creating, retaining, and expanding job opportunities.

As we move cooperation into the 21st Century, the United States is experiencing an explosion of new cooperative development. Each year millions of people across our nation are choosing to control more of their lives by joining cooperatives. The cooperative sector growth and our nation's new enthusiasm about cooperatives can be witnessed throughout the United States. Through CooperationWorks, a cooperative development initiative, NCBA is leading this cooperative renewal by expanding existing and organizing new, cooperatives. Cooperatives are providing their members with power and voice in a global economy.

Our goal at NCBA is to make cooperative enterprise a strong, distinct, and unified sector of our economy that is recognized by the U.S. public. Today, in the U.S., most people believe that we have only three sectors of the economy: the for-profit sector dominated by investor-owned businesses; the government sector including local, state, and federal governments; and the non-profit sector that encompasses organizations like the Red Cross, universities, and religious institutions. At NCBA, we see a fourth sector of the U. S. economy that is based on a foundation of cooperative principles and values. The cooperative sector is built on businesses that serve the economic and social well being of a wide variety of people. To accomplish our goal of a strong fourth sector of the economy, U.S. cooperatives must be strong businesses that focus on providing new services to our members and we must develop new cooperative businesses.

In the new millennium, I believe that the biggest challenge for people around the world will be the continued concentration of wealth. This concentration of wealth is a danger to both our economic and political freedom. The U.S. economy is now in its longest economic expansion in our nation's history. For example, unemployment is at 4.1% a 30- year low; there is a shortage of workers; inflation is below 3%; personal income has been increasing steadily for the past eight years the stock market is at record levels; corporate profits keep rising; the federal government's budget is in surplus; gross domestic product grew over 6% last year; and consumer confidence is at a 30-year high. The majority of the people in the U.S. are experiencing the greatest period of prosperity in our nation's history.

While the general economy has been expanding rapidly, the cooperative sector of the economy has also been making great progress. Today in the U.S., there are over 47,000 cooperatives with over 120 million members that represent 40% of the U.S. population. NCBA estimates that direct employment in U.S. cooperatives is over five million people. Even though these numbers include a large number of people, cooperatives are still only a small part of the U.S. economy. Existing cooperatives are growing rapidly throughout the U.S. by adding value to membership through new services. For example, during the past five years, U. S. credit union membership grew from 60 million to 76 million people. This tremendous growth is the result of additional membership value provided by new services such as home mortgages, business loans, retirement programs, and electronic commerce. The growth of credit union membership is verified by public opinion surveys showing that 70% of consumers believe credit unions provide better service at a fairer price than do for-profit banks.

Today, electric cooperatives serve over 30 million people, which is about 13% of the U.S. population. Electric cooperatives are expanding their services into natural gas, Internet access and satellite TV.

Many cooperatives find themselves on our nation's list of the 1000 largest corporations. For example, Farmland Industries is the largest cooperative in the U.S. with \$11 billion in sales. In total there are 11 cooperatives on the *Fortune* 1000 list giving their members tremendous power in the marketplace.

An example of how rapidly cooperatives are growing in the U.S. is Nationwide Insurance. It is our nation's largest cooperative organization and is the 5th largest insurance company in the U.S. In its first 70 years, Nationwide accumulated \$50 billion dollars in assets on behalf of their members and policyholders. Between 1996 and 1998, Nationwide doubled its assets to \$100 billion and in just the past year, Nationwide's assets grew to \$115.8 billion.

While existing cooperative membership is growing by expanding services, the growth of new cooperatives in the U.S. is even more spectacular. For example, one of the most innovative new cooperatives in the U.S. is located in New York City. The 500,000 members of cooperative housing in New York City expanded the value of membership by organizing 1st Rochdale Cooperative. This new consumer-owned cooperative provides electricity, telecommunications, energy audits, and Internet access. In its first year of operation, 1st Rochdale already has added thousands of families and businesses as members, and soon will be the largest consumer-owned energy cooperative in the United States.

Even though the U.S. economy is booming and the country remains at full employment, substantial segments of our population have difficulty in earning a living wage. Cooperatives in the U.S. believe that a living wage is about the opportunity for self-help. It is about ways that families and communities can gain power and voice and make ends meet in an increasingly competitive global economy. A living wage must meet the cost of living. But, the gap between the federal minimum wage set by the government and the cost of living is large. In the United States, the basic cost of living for a family of three is well over \$20,000, yet the minimum wage generates only \$10,300 annually. Even though millions of people are employed at the minimum wage, they are not earning a living wage.

Cooperatives in the U.S. are focused on creating jobs that provide people with a living wage. There are many examples of how cooperatives have helped families increase their purchasing power and income. Our nation is reforming our welfare system and millions of people have been cut off from their access to welfare. In many cases, the government has not provided the training needed to obtain a job with a living wage. Cooperative leaders have seen the need and are developing cooperatives to create jobs for low-income people. One successful example is Cooperative Home Care Associates. This worker cooperative was organized in 1985 to provide consistent, quality care for homebound persons, a goal its founders believed could be accomplished by generating paraprofessional jobs paying the highest combined salaries and benefits in New York City's home care industry. Most of the cooperative members are semi-skilled Latino or African American women who were on welfare. They perform health-related and personal hygiene tasks, light housekeeping, and shopping for the homebound under contracts to hospitals or health service agencies. Today the cooperative has over 1,000 members and wages and patronage refunds provide members with incomes substantially above the living wage. Start-up funding for this new cooperative was provided by the National Cooperative Bank. The cooperative has been so successful that similar cooperatives have recently been organized in Boston, Philadelphia, and Los Angeles.

Most everyone understands that affordable childcare is important to working parents, especially those transitioning from welfare to work. The childcare industry has traditionally paid low wages along with low benefits, making for high turnover rates in employees and ultimately a poorer quality of care. In addition, government sources show that only 22% of childcare companies provide employees with benefits. One solution to these problems is worker cooperatives that provide better care and involve parents in the operation of the childcare centers. Childspace is a great example of a recently organized worker cooperative in Philadelphia that provides their 35 members a living wage and benefits. Similar cooperatives have been organized in Denver and San Francisco. Funding for start up has been provided by a number of foundations and religious groups and long term financing is coming from the National Cooperative Bank.

Another successful model is under development in California. The Association of Arizmendi Cooperatives is an effort to apply some of the lessons learned from European worker cooperative networks to the United States. Individuals inspired by the European models created a technical assistance cooperative to replicate successful cooperatives in the San Francisco Bay Area. The Association's first project is creating a chain of mutually supportive bakeries based on Berkeley's Cheese Board, a 40-member, more than \$2 million a year collective founded 28 years ago. The Association's first replication, located in Oakland, has been wildly successful, and is now the training ground for the soon-to-open San Francisco bakery, the new bakery is named "Arizmendi" in honor of the Basque cooperative pioneer.

Some investor owned businesses understand the need to give the workers a larger role in the operation of the business. Merle Adams, President of Big Timberworks wanted to offer his employees a significant stake in his company. Big Timberworks specializes in timber frame construction and is one of the largest users of recycled wood in the U.S. To transfer ownership, Adams formed a worker cooperative where his employees are now the owners, share equally in profits, and the decision making for the company. The cooperative has 50 members, these new owners all have increased their incomes substantially and are expanding the business. This

cooperative is a great example of turning employees into owners, increasing incomes, and giving people power and voice.

The concentration of wealth in the farm economy has also spawned many new cooperatives. Rural communities are looking to new generation agricultural cooperatives to revitalize rural communities. One success story is Renville, Minnesota known as the Cooperative Capital. This community of 1,300 people has created over 500 jobs in the past few years by organizing new generation, agriculture cooperatives. Renville is home to 11 cooperatives that have been organized in the past five years. The community is building on the local agriculture by organizing cooperatives that create new jobs in the community. When investor- owned businesses began pulling out of the sugar beet business, the community rallied and organized the Southern Minnesota Beet Sugar Company to process beets. The cooperative now employs several hundred people. This success has been repeated with hogs, chickens, and fish. The community has diversified its economy using cooperatives to create jobs and economic activity. Many of the new cooperative employees were formally in low paying, unskilled jobs. The new generation cooperatives pay the highest wages in the community and provide job training and educational opportunities.

Other communities across the U.S. are also using value-added cooperatives to address unemployment and create jobs in their communities. Cooperatives such as the Dakota Pasta Growers which processes wheat into pasta, Cloverdale Growers Cooperative which processes hogs into value-added products, and the Santa Fe Trail Growers Cooperative which processes and markets a variety of fruits and vegetables across the U.S. These new cooperatives have built large processing plants and created thousands of new jobs.

New generation cooperatives succeed because they require more investment of capital than traditional cooperatives. Often these cooperatives require their members to invest 40% of the total capital required. And, new generation cooperatives require a written commitment of member participation. Within the past five years, over 250 new generation agriculture cooperatives have been organized in the U.S.

This job creation strategy has been so successful that President Clinton has proposed creating a private investment corporation to provide equity for new generation agriculture cooperatives. The federal government will provide \$150 million that will be matched by cooperative banks in the U.S. In addition, the Federal Government would provide \$500 million in investment guarantees to the corporation.

U. S. consumers and agricultural producers are finding new value from their cooperatives. The same is true for small business owners in the U.S as they are faced with the same global economic pressures and concentration of wealth as consumers and producers.

Owners of small businesses involved in fast food franchises, industrial supplies, construction materials, educational services, and home furnishings are saving and retaining jobs through the formation of purchasing cooperatives. Let me give you an example. NCBA helped organize AMAROK two years ago as a purchasing cooperative for building supply retailers. Today, the cooperative has empowered 74 small business members operating in 35 states, with over \$500 million in annual sales. The cooperative has pioneered national purchasing contracts, and electronic based commerce. Another success story is the Carpet Cooperative of America. Known as Carpet One, this 10-year-old cooperative with 800 small business members is now the largest retailer of carpeting materials in the U.S. with annual sales of over \$2 billion. The

cooperative has created innovative, award winning member education programs to increase member sales. Across the U. S. today, there are over 300 purchasing cooperatives for small businesses with over 100,000 small businesses as members, and combined, they have over \$100 billion in annual sales.

These small business cooperatives have saved thousands of businesses and retained hundreds of thousands of jobs and stabilized the economies of many communities across the country. These cooperatives are successfully challenging global competition and concentration of economic power in a few corporations. NCBA is now working with the federal government's Small Business Administration to track statistics measuring the impact of small business purchasing cooperatives.

This explosion of cooperative development has occurred as a reaction to the continued concentration of wealth and our global economy. We believe that to be reactive to these economic forces is not in the best interest of our cooperative membership. To achieve our goal of becoming a strong fourth sector of the economy and to organize even more cooperatives, ten cooperative development organizations in the U.S., have restructured their programs into CooperationWorks. CooperationWorks is a unified system of cooperative development centers and development partners, cultivating cooperation as a cornerstone of prosperous, sustainable communities. CooperationWorks has established national economic development priorities that will focus our resources into building partnerships with the public and private sector to establish joint ventures for creating cooperatives. Our goal is to create a seamless national cooperative development system that will encourage a new wave of cooperation that will, in turn, create jobs that pay a living wage and give people power and voice.

We believe that the cooperative sector of the economy will grow and expand because of our values. Cooperative values of self-help, self-determination, equity, equality, solidarity, and democracy make our businesses different, ensure economic freedom and give our members an advantage in the marketplace. As I have demonstrated, to improve their lives, millions of new people are drawn to cooperatives because of our values every year in the United States.

I am proud to be a cooperator and I know that the citizens of the United States of America are some of the most fortunate people in the history of the world. As a nation, we were born into privilege, but we know that we cannot achieve our economic and social goals when millions of people in the U.S., and billions of people throughout the world have no voice or self determination and live without enough food, water, adequate shelter, education, or healthcare. We cannot turn our back on these people. In the cooperative movement, by giving people voice we can stand up and fight against a global economy that rewards attitudes such as survival of the fittest; intolerance; concentration of wealth and power; and separation of people by race, economic status, and religion.

As we approach the new millennium, cooperative values are desperately needed throughout the world. In the tradition of our founders, we must build community by giving people power and voice. We must look for ways to provide service to our members. By working together, we can provide employment, reduce poverty, and provide for social integration through cooperative development.

Let us not forget the trust that cooperatives have built over a long history of helping people achieve their economic goals and improve their lives. Cooperatives have empowered millions of people throughout the world to take more control of their lives. And, we have given voice to

people over the past 155 years, from those first Pioneers of Rochdale, to the newest member of 1st Rochdale Cooperative in New York City.

I would like to end with this thought. As the global economy grows, people all over the world are seeking more control over their lives. Even in the robust U.S. economy, people are left behind and are unemployed, under employed, and living in poverty. The cooperative sector of the economy provides over 120 million people in the U.S. safe haven. In cooperatives, people have self-determination and control over their economic lives. Cooperatives in the U.S. are not an old idea, they are a vibrant part of our economy providing solutions to economic problems the for-profit sector of the economy ignores. Even President Clinton understands the power of cooperatives.

I love to go to work every day! I love my work, because no matter what the problem, challenge, or opportunity we are facing, we have a solution. This is what makes cooperatives great.

National Cooperative Business Association
1401 New York Ave., N.W.
Suite 1100
Washington, D.C. 20005, USA
phazen@ncba.org