

Transitions to Worker Ownership

What does it mean for workers?

A worker cooperative is a business that is owned and controlled by the people who work in the company, rather than just a handful of founders or outside shareholders. By sharing the risk and rewards of ownership, workers can build wealth, improve the quality of their jobs, develop the skills to run a successful business, and create and maintain stable jobs within their community.

What does it mean to be a worker-owner?

“Ownership” of a business gives owners the right to business profits and decisions about how the business is run. In a worker cooperative, workers can purchase a membership share that entitles them to certain rights. These rights determine how influence, money, and information flow through the company.

Influence

In a worker-owned cooperative, workers have more say in how their business is run. The workplace is governed democratically, and worker-owners elect board members to represent their interests. This board evaluates and supports management, approves the budget, and sets the strategic direction for the business. Workers who want more leadership opportunities can run for a seat on the board, and many cooperative businesses are set up so that workers comprise a majority of the board. Worker control over the business can be structured in many different ways.

Here are some of the ways this can look in practice:

- If workers like how the business is run, they can implement policies and practices to preserve the culture they've helped develop.
- Each worker-owner has a personal financial interest in making the business successful. When staff members approach their work as owners they often come up with new ways—large and small—to improve and grow the business.
- Worker cooperatives generally make policy choices that benefit workers. These can include investing in worker training, fair scheduling policies, and promoting from within.

Money

In a worker-owned cooperative, workers receive the profits generated by their work. These profits are distributed based on patronage (the number of hours worked). Worker-owners who work an equal number of hours in a year would receive the same profit share, regardless of their individual salaries or position within the organization.

Here are some of the ways this can look in practice:

- At the end of each year, worker-owners receive an annual patronage dividend paid out in cash. This is somewhat like an annual bonus but is based on hours worked rather than performance.
- Some of the patronage dividend may be allocated to each member's capital account within the business. This money is invested in the business and paid out at a later date, such as when the worker leaves the business.
- When workers implement new practices and programs that increase the revenue of the business, they receive the financial benefit of this work.

Information

Worker-owners are also entitled to information about how the business operates and how it is performing. This helps worker-owners make informed decisions about how to run the business.

Here are some of the ways this can look in practice:

- Workers receive business information and regular updates on business performance.
- Workers who want to take an active role in improving or expanding the business can access all business information, other than sensitive HR information such as individual salaries.
- Workers receive training and support on how to understand the financial statements of the business, create budgets, or facilitate an effective meeting so that they can act on the information they receive.
- Workers have access to a transparent decision-making system.

How do workers become owners?

Workers become owners by purchasing a member-share. Each cooperative sets its own share price. Generally, the price is set in proportion to the profits the worker is expected to receive for owning a share. This typically translates to a share price of roughly \$1,000 to \$5,000. The cost of a member-share can be set up as a payroll deduction that is paid over several months or years.

Contact Us

Contact the ICA Group for more information and to schedule a free consultation.

Phone: 617-232-8765

Email: info@icagroup.org

Learn more at www.icagroup.org

Is your business in New York City or Massachusetts? We have limited grant funding to support businesses who are considering converting into worker cooperatives. Let us know if you're interested in learning more about these programs.