

Catalyzing Worker Cooperative Ecosystem Development

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Abstract

Worker ownership is a proven tool for business preservation and job quality improvement. Still, cities facing wide-scale business closures, job loss, and widening racial wealth gaps are underutilizing worker ownership. To expand access to the benefits of worker ownership, communities can employ an ecosystem approach to support cooperative growth and success. Examples from across the U.S. highlight the need to ensure cooperatives are positioned to address the pressing challenges facing local economies and their workers.

- **Key Takeaways**
 - Worker ownership is most impactful with an ecosystem of intentionally coordinated support.
 - Communities across the U.S. have used worker ownership as a business preservation and job quality improvement strategy, driving the growth of cooperatives by incorporating worker ownership into existing services and taking an ecosystem approach to maximize benefits for workers.
 - Building an ecosystem of worker cooperative development refers to the coordination of actors—individuals, organizations, and institutions—that support the success of worker ownership and its ability to scale.
 - Cities of various sizes are incorporating worker cooperative development as they center workers and residents in the equitable growth of their local economies.
 - Worker-cooperative ecosystem development can take many different forms, and communities may often lack one or more essential building blocks. Still, a core set of characteristics shared across successful ecosystems exists.
 - Ecosystem development examples from New York and Chicago to San Francisco and San Jose can serve as a guide for communities to explore how they may approach catalyzing the growth of a robust ecosystem and which actors are important to engage first.

Introduction

Worker ownership is a proven tool for job quality improvement and business preservation. The business form often provides higher wages, safer working conditions, and agency for workers, and when created by transitioning ownership of a thriving conventional business, it can create immediate wealth-building opportunities for workers who otherwise lack access to the power of entrepreneurship.

These benefits have driven the growth of the worker cooperative sector over the past decade. The latest State of the Sector Report, the results of a biennial census conducted by Democracy at Work Institute (DAWI) and the U.S. Federation of Worker Cooperatives (USFWC), shows the number of U.S. worker cooperatives has increased by 140% since 2013. DAWI and USFWC estimate there are now roughly 1,300 worker cooperatives and 10,000 workers in the U.S.ⁱ

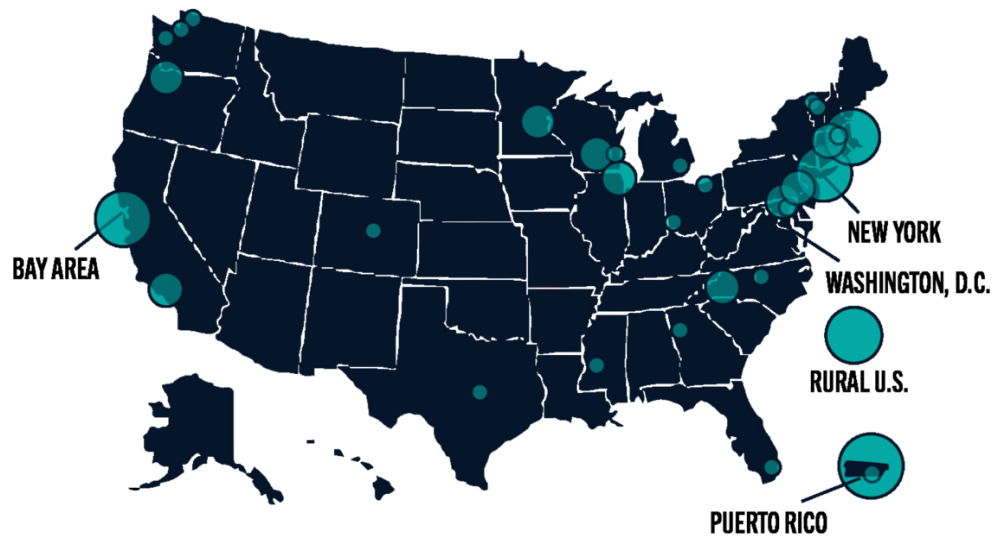
While the benefits and growth of worker ownership are well-documented, worker-owned small businesses still make up a small percentage of the national economy and often lack the structural support that helps establish and strengthen conventional small businesses. Where worker ownership is most impactful—both from a broader economic standpoint and in relation to its individual worker benefits—is within an ecosystem of intentionally coordinated support. Several such ecosystems exist and are growing across the U.S. These ecosystems (the largest among them include New York, San Francisco, Chicago, Minneapolis, and Boston) are home to actors collectively contributing to the development and strengthening of worker cooperatives as a tool for equitable economic development. They each provide valuable lessons for communities interested in scaling worker ownership to address local economic and social challenges.

The growth of worker cooperative ecosystems has occurred alongside (and in response to) compounding economic crises faced by communities across the U.S. Historically wide racial wealth gaps, COVID-related economic downturns, and the Silver Tsunami—the impending closure of millions of baby-boomer-owned small businessesⁱⁱ—have inspired communities to turn to worker ownership as a business preservation and job quality improvement strategy. Ecosystems using worker ownership to address these challenges are going beyond creating one-off worker cooperatives. They are incorporating worker ownership into existing services and taking an ecosystem approach to maximize the benefits of worker ownership for workers.

Building an ecosystem of worker cooperative development refers to the coordination of actors—individuals, organizations, and institutions—that support the success of worker ownership and its ability to scale. These actors can help establish a foundation of cooperative development, providing financing, training worker-owners and business service providers, and more. This foundation can make the difference between creating a handful of worker cooperatives and building an ecosystem in which worker ownership creates high-quality jobs and wealth-building opportunities for a significant number of workers.

No cooperative ecosystem is the same, and there is no single approach to ecosystem development. Chicago, for example, has engaged community organizations to build cooperative development skills. New York City has a long-standing record of cooperative development

support using City Council Funding. Durham, North Carolina, has engaged Black-owned businesses in learning about transitioning to worker ownership to preserve business legacy. Each cooperative ecosystem in the U.S. does some things well. No ecosystem does all things well.



Democracy at Work Institute was launched in 2013 to help build the field of worker cooperative development, expanding access to worker ownership for workers locked out of good jobs and opportunities to own businesses. In the organization’s decade of service to the field, ecosystem development has been a consistent priority. We have worked closely with leaders at the municipal, state, and federal levels to build capacity and awareness, using worker ownership as a tool for equitable economic development. Our ecosystem work has become more diverse over time. We have led economic development professionals and municipal leaders through year-long fellowships to reduce racial wealth gaps and preserve businesses through worker ownership.ⁱⁱⁱ In New York City, DAWI co-leads a city council-funded initiative that supports cooperative development and education. We provide strategic guidance, city-to-city learning opportunities, and training for community-based organizations. We’ve learned that worker ownership can be applied to address different challenges in different communities. The leading examples of ecosystem development demonstrate the power of worker ownership when supported by public, private, nonprofit, and financial actors.

Success in Ecosystem Development

New York City is home to the Worker Cooperative Business Development Initiative (WCBDI), an initiative of 14 nonprofit cooperative developers. WCBDI was the first and largest municipally funded cooperative initiative in U.S. history, launching in 2014 with an initial investment of more than \$1 million. Since then, the New York City Council has invested more than \$25 million into developing, growing, and creating worker-owned businesses from conventional firms. The funding is awarded on an annual basis to WCBDI organizations and

managed by the city's Department of Small Business Services. WCBDI organizations incubate worker cooperatives, raise awareness, and provide technical assistance to new and growing worker cooperatives.

Prior to 2014, New York was home to several experienced cooperative developers operating in New York and nationally. There were also around 20 worker cooperatives, including Cooperative Home Care Associates, which is the largest worker cooperative in the United States.^{iv} Still, funding for technical assistance and other cooperative services was lacking prior to 2014, and the broader community of business service providers was unfamiliar with the business form. An advocacy campaign developed by the existing cooperative developers and a couple of City Council champions shaped the vision for WCBDI and built support in a community that prioritizes small businesses led by immigrants and entrepreneurs of color. Today, there are more than 150 worker cooperatives in New York's five boroughs. A dozen more are currently in development.

In addition to City Council funding, New York's ecosystem has also benefited from Mayoral support. Through leadership provided by New York City Deputy Mayor Phil Thompson's office, the city became home to the country's largest municipal campaign for worker ownership in 2020 and 2021. The campaign, called Owner to Owners, reached more than 28,000 NYC business owners, educating them on transitioning to worker ownership to preserve their businesses and connecting them to technical assistance through a business support line integrated into the Department of Small Business services.

The city's historic, unparalleled investment in worker ownership has made New York City the largest worker cooperative ecosystem in the country.^v It has an established technical assistance network that continues to make it possible for low-income workers, recent immigrants, and workers of color to start and grow their own businesses. It has also inspired municipal support of worker ownership in other communities.

While the scale of New York's example may be daunting to some, it has provided a starting point for many communities to learn and adapt ecosystem development tactics to meet their communities' needs. Cities like San Jose, Boston, Durham, and San Francisco have incorporated various elements of development to start worker cooperatives, build local capacity, and raise awareness of worker ownership. Worker centers and other community-based organizations have benefitted from state and municipal funding to support excluded workers, incorporating worker cooperative development into their existing services. Cities like St. Paul, Minnesota, and Chicago, Illinois, are building multi-pronged community wealth-building initiatives that expand access to ownership of wealth-building assets, including worker cooperatives, limited equity housing cooperatives, land trusts, and community investment vehicles. These communities are shifting the economic development framework to center workers and residents on the equitable growth of their local economies.

Outside cities, rural cooperative developers are also pulling from city-focused campaigns to build supportive infrastructure for cooperative success. The Northeast Transition Initiative (NETI) is an effort led by the Cooperative Development Institute and the Cooperative Fund of

the Northeast to build capacity and pipeline for business transitions to worker ownership in New England and rural New York state. NETI received funding from Wells Fargo in 2024 to launch its regional, cohort-based program focused on equipping business service providers with the tools to educate conventional business owners about worker ownership as a succession planning option and connect to the region's existing network of technical assistance providers and financing. Developed in collaboration with ICA Group, DAWI, and rural-based service providers like the Adirondack North Country Association (ANCA), NETI is demonstrating that a networked, regional approach spanning rural communities can scale conversions and provide wealth-building opportunities to workers outside major city centers. The strategy is partially informed by New York City's Owner-to-Owner outreach campaign and benefits from peer-to-peer learning provided through communities of practice.

When cooperative developers and municipal leaders are able to benefit from formal communities of practice, their learning, strategic development, and creation of thriving cooperative businesses can be accelerated. In response to the Silver Tsunami and an opportunity to save at-risk businesses through transitions to worker ownership, DAWI convened the Workers to Owners Collaborative (W2O). W2O is a national collaborative of conversions-focused cooperative developers and CDFIs who develop and test scalable models of development, create tools, establish development model standards, train service providers, and troubleshoot existing barriers to scale. The collaborative, composed of 37 member organizations supporting conversions across the U.S., has benefited from peer-to-peer learning and information sharing. Through their work, challenges, gaps, and national priorities have been established, including a commitment to raising awareness of worker ownership and increasing the amount and kinds of capital available to support conversions.

Lessons for Ecosystem Development

As demonstrated by the examples provided above, ecosystem development can take many different forms. Not having one or more of the building blocks of ecosystem development is to be expected. There are, however, shared characteristics that contribute to success:

1. Integrating worker ownership into their existing toolboxes
Rather than developing a cooperative business support ecosystem separate from existing resources, an ecosystem is most successful when worker ownership is integrated into existing structures. The NYC worker coop initiative lives within the city's SBS agency because it's seen as a way to generate, strengthen, and retain more small businesses. This approach has helped identify business owners who may be a fit for worker cooperative conversion in particular. The city of San Francisco has used DAWI's Rapid Response Cooperative development framework through its Office of Civic Engagement and Immigrant Affairs and its Office of Workforce Development because they are working to support a core demographic in need of a different set of solutions to create access to work and improve job quality, especially in low-wage industries like home care.
2. Embracing innovation

Municipalities are taking what has worked in other places and adapting it for their communities. They are also getting creative about how to improve on these successes. Chicago's Wealth Ecosystem Building Initiative builds on NYC's WCBDI but goes a step further by looking at housing and commercial property issues.

3. Building local awareness and capacity

Municipalities understand that there has to be an investment in local know-how and relationships to make EO a widely used and successful strategy for supporting workers and building healthier communities. Ecosystem development takes time, but by investing in the organizations that work closest to communities, access to worker ownership can be expanded to reach the businesses, entrepreneurs, and workers that need it the most.

Conclusion

Cooperative development may be more important than ever as an economic development tool. Workers, finding it harder and harder to make a living wage from a single job, are turning to contingent work. The Silver Tsunami's grip on local economies will continue to grow over the next decade. Anticipated policy changes at the federal level are expected to reduce opportunities for wealth-building for the most vulnerable workers. In light of these challenges, an ecosystem approach to cooperative development will be essential to ensuring that worker ownership can sufficiently meet the dynamic needs of workers. These challenges are shared by communities across the U.S., yet those exploring ecosystem development should be mindful of two key factors: 1) ecosystem development is not a one-size-fits-all affair; 2) development is a long-term, iterative commitment, and 3) an ecosystem approach is required to unlock the potential of worker ownership for vulnerable workers.

Ecosystem development examples from New York and Chicago to San Francisco and San Jose can serve as a guide for communities to explore how they may approach catalyzing the growth of a robust ecosystem and which actors are important to engage first. Economic development and workforce development practitioners can provide training and support to small businesses. Community-based organizations can incorporate cooperative development into existing resources and drive awareness of worker ownership to build more inclusive economies. Capital providers, philanthropic funders, and municipalities can direct resources toward building local technical assistance capacity and embedding worker ownership in existing business-facing programs. When these actors coordinate efforts effectively and worker cooperatives exist within an ecosystem of support, individual businesses are better able to thrive, and worker cooperatives are able to grow in number to the point of addressing larger local economic and social challenges.

Resources for Worker Cooperative Ecosystem Development

- [The Municipal Playbook for Employee Ownership](#) (DAWI, National League of Cities)
- [2023 Worker Cooperative State of the Sector Report \(DAWI and USFWC\)](#)
- [Cooperative Growth Ecosystem Framework](#) (DAWI, Project Equity)

- Race and Gender Wealth Equity and the Role of Employee Share Ownership (Aspen Institute)
- Cooperative cities: Municipal support for worker cooperatives in the United States (Stacey Sutton)
- A New Era for Community Wealth Building (The Democracy Collaborative)

ⁱ *State of the Sector 2023, Worker Cooperatives & Democratic Workplaces in the U.S.*, Democracy at Work Institute, U.S. Federation of Worker Cooperatives, 2024.

ⁱⁱ Steve Dubb, “Can Employee Ownership Hold Back a Tsunami of Small Business Closures?” *Nonprofit Quarterly*, November 27, 2017, <https://nonprofitquarterly.org/can-employee-ownership-hold-back-tsunami-small-business-closures/>

ⁱⁱⁱ Sandra Larson, “Can Employee Ownership Preserve Legacy Businesses in Communities of Color?” *Next City*, July 15, 2019, <https://nextcity.org/features/can-employee-ownership-preserve-legacy-businesses-in-communities-of-color>

^{iv} Sanjay Pinto, “Case Studies of Worker Cooperatives in Health: Cooperative Home Care Associate,” Rutgers University School of Management and Labor Relations, December 2022.

^v *Working Together, A Report on the Ninth Year of the Worker Cooperative Business Development Initiative*, NYC Department of Small Services (2023)