

The Transformative Power of Worker Ownership

by Camille Kerr

One of the values underlying the solidarity economy is mutual benefit and care. This value not only applies inside a cooperative among the members but also in terms of how the cooperative moves relative to the stakeholders in its community.

I learned about the concept of worker ownership in 2011, when I was hired into a research position at the National Center for Employee Ownership. Although the idea that workers can and should own their own workplaces deeply resonated with me, it felt too technical to be a transformative tool for economic or racial justice. Worker ownership involves corporate governance, legal structures, stock. I couldn't explain it to my family or peers, or even to my nonprofit colleagues.

Since then—via positions at two other national worker ownership nonprofits, launching my own consulting firm, and service on more than a dozen boards—I have had the opportunity to design worker ownership plans and support the development of new worker-owned companies, using nearly every form of worker ownership. The projects have ranged from three-person worker cooperatives to a joint venture employing more than forty thousand workers. And although many people in my personal network still don't quite understand what I do, it is clear to me that worker ownership is a linchpin in the movement for economic justice.

Community organizations are starting new co-ops to create job access for those excluded from the economy. Unions are leveraging worker ownership to build more agency and economic security for their members. Movement builders are developing worker cooperatives as living examples of what a reimagined economy based in mutual care can look like.



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At the consulting firm I started, Upside Down Consulting, we focus on projects that connect worker ownership to larger systemic change. Our purpose is to lay the foundation for a solidarity economy;¹ we are working to create the conditions where such an alternative system can thrive. For us, worker ownership is a tool—a powerful one, but a tool nonetheless, not an outcome in itself. As Kali Akuno of Cooperation Jackson has described it, “We are very clearly not trying to build cooperatives for cooperatives’ sake . . . [but to] build base foundations of anti-capitalist society.”²

GETTING TO KNOW WORKER OWNERSHIP

Worker ownership (also referred to as employee ownership) is a broad term that encompasses a variety of structures. For several reasons, worker cooperatives are the primary form of worker ownership associated with the solidarity economy. Prominent among those reasons is democracy. In a worker cooperative, democracy is baked into the model. Worker co-ops are structured in such a way that each worker-owner has an equal vote, and they directly choose—and serve on—the governing board. (With other forms of worker ownership—such as employee stock ownership plans [ESOPs], employee stock purchase plans [ESPPs], and equity compensation vehicles—democracy is possible but not a given, and it is uncommon to see these forms of employee ownership with democracy layered on top.)

But more important, cooperatives are the closest legal form to what we might imagine a liberatory version of work looks like when we reject capitalist norms and structures—that is, a group of people coming together for mutual benefit with care for one another, each with an equal voice, moving toward a common goal. (Other forms of employee ownership, on the other hand, are primarily designed to share profits—and possibly some influence—more evenly within our current economic rules.)

Though worker co-ops are the gold standard when it comes to democratic governance, we have worked with

mission-driven organizations interested in democracy that prefer other forms of employee ownership. One reason companies we have worked with chose an ESOP or ESPP form over a cooperative one is because they were only interested in introducing a partial worker-ownership plan at the time, which is hard to structure within a worker cooperative. Others were interested in the tax benefits that come with the ESOP structure; for example, as with nonprofits, 100 percent ESOP-owned companies pay no corporate taxes. (This tax benefit also makes it more financially feasible for a company transitioning to worker ownership to manage the debt used to purchase the company from the selling owner/s at market rates.) Another rationale for preferring ESOPs and ESPPs is the wealth-building potential for workers. Workers in a cooperative receive annual dividends, but the underlying value of their share does not increase. In a company with an ESOP or ESPP, worker-owners receive the market value for their ownership stake when they sell their shares, which can result in significant financial gain. For some social entrepreneurs interested in worker ownership, this potential windfall is how they personally built wealth and is something they want to share with workers.

This structural difference between cooperatives and stock plans is analogous to housing. Limited equity housing—where the underlying value of the property only marginally increases based on a formula—keeps rates affordable and avoids a windfall for any particular resident based on current market conditions. Owners of market rate housing, on the other hand, may double their financial assets (or more) in a matter of a few years (or less) under the right market conditions. Worker cooperatives are designed to be off the market, removing the possibility of a windfall and maintaining the long-term benefits and affordability for future worker-owners.

At Upside Down, we look at this full range of democratic worker ownership options when supporting clients. However, when we are building institutions ourselves, we are rooted in worker cooperative structures, as they most closely mirror our solidarity economy values.



Figure 1: Worker Ownership Spectrum

Form	Description	Democracy	Financial Return	Solidarity Economy
Worker Cooperatives	Business owned and democratically controlled by the workers. Some states have a specific statute for worker co-ops	Fully democratic: each worker has one voting share and equal voting power	Workers receive annual profit dividends, typically based on hours worked. Underlying share does not increase in value	Build living examples of mutuality and care inside the economy. A rethinking of our relationship to work
Employee Stock Ownership Plans (ESOPs)	Federally regulated retirement plan (like a 401k) designed to hold employer stock. Often used to create 100% employee-owned companies	Limited voting rights are built in for plan participants (major corporate decisions like sale, acquisition, etc.). It is uncommon, but ESOPs can be structured to create democratic worker control	Workers receive a retirement account that goes up in value based on both annual dividends and increase in the underlying share value. Shares are valued annually	Transition large-scale, traditionally structured businesses to democratic worker ownership and control
Employee Ownership Trusts	Innovative use of existing trust law (the non-charitable perpetual purpose trust) to create a vehicle that can lock a mission and structure into a business (analogous to a land trust, but not structured as a nonprofit)	Completely flexible when it comes to governance. Can be designed with or without worker control, democracy, or any other feature	No direct ownership of shares, but workers can be given bonuses based on the performance of the company	Can be a way to structure a fully democratic worker cooperative, where a mission and/or certain policies are locked in
Employee Stock Purchase Plans (ESPPs)	Employee benefit that allows workers to purchase company stock, often at a discount. Primarily used in public companies	Democratic governance is possible but rare	Workers own different numbers of shares and receive return based on investment (instead of hours worked)	Transition vehicles to provide partial worker ownership until a full conversion can be made
Equity Compensation Vehicles	Stock options, restricted stock plans, synthetic equity, and other stock-based compensation. Primarily used to compensate management and executives, but there are examples of broad-based equity compensation plans	Equity compensation vehicles are not structured democratically (to my knowledge)	There are a variety of vehicles with different returns. Each offers some combination of the underlying share value, any increase in share value, and annual dividends	Not likely to be used to advance the solidarity economy

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DEVELOPING A WORKER-OWNED COMPANY FROM THE GROUND UP

When I started Upside Down Consulting, my goal was to be able to make enough of a living from client work to be able to spend a significant amount of time and some resources supporting the development of a new worker cooperative. Although much of the focus of the worker co-op field at the time centered on conversions—transitioning existing businesses to worker ownership—I wanted to center the needs of those who did not have access to dignified work that creates long-term wealth.

Formerly incarcerated workers, for example, and especially Black women in this group, face significant barriers to economic security, wellness, and stable family relationships post-release. Before the pandemic hit, formerly incarcerated Black women had an unemployment rate of 43 percent, compared to a rate of 23 percent for formerly incarcerated white women (and 5 percent for the general population).³ This lack of employment access, along with other factors, contributed to the fact that 75 percent of formerly incarcerated women experienced homelessness.⁴ Again, these statistics are pre-COVID; the situation has likely significantly worsened since March 2020.

In October of 2018, I brought in two organizers—Joan Fadairo and Angela “Yaa” Orokoh—to build the foundation for ChiFresh Kitchen (although the project had no name at the time). We were focused on creating liberatory work and space for formerly incarcerated Black women. Our small development team assembled an advisory board of abolitionist organizers, solidarity economy advocates, and industry experts. In line with our value of centering those most affected in the design and decision-making process, the board included three formerly incarcerated Black women who made the key decisions on how to proceed. Beyond our formal advisory board, we also had a network of cooperators sharing their wisdom and resources throughout our planning phase.

From the outset, it was clear to everyone in the room that the business would be a cooperative. We were committed

to democracy and full worker control. We were also hoping to build a long-term institution that was not meant to be sold or market valued.

The development team and advisory board went through a yearlong process of determining a business model. Our priorities were a company that paid living wages, was safe, could grow to dozens if not hundreds of people, and would provide a space where we could be in community together. We landed on replicating the model of City Fresh Foods, a Black-owned social enterprise in Boston that provides meals to schools, to nursing homes, to nonprofits, and to social programs (for example, Meals on Wheels). They were one of my clients and are now a partially worker-owned company with an ESPP that has democratic worker representation.⁵ They agreed to support us with advice and intellectual property as we got started.

Once we had the outline of a plan, we began organizing our first informational session. In the weeks leading up to our meeting, Yaa and our advisors took on recruitment. One of our advisory board members, Colette Payne, a tireless advocate for formerly incarcerated women, recruited Kimberley Britt. Kim, now the president of the board of ChiFresh and the co-op’s primary press contact, brought in three friends: Sarah Stadtfeld (who designs our gear and will oversee our retail space), Renee Taylor (secretary of the board, in charge of purchasing and inventory), and Edrinna Bryant (treasurer and head chef). Daniel McWilliams (who manages the facility and vehicles) received information about the session from his sister. We held our kickoff meeting on December 5, 2019, at the #BreathingRoom space, a community space stewarded by abolitionist organizers. Those five folks our team recruited—the ones who showed up to this first meeting—stayed with us throughout the process to become the founding worker-owners.

We met with the members weekly, sharing food and designing the business model, governance, and launch plan together. We prioritized meeting in aligned spaces: a Black-owned, coworking space in Pilsen called Blue Lacuna, and the office of an alderman, Jeanette B. Taylor, where Joan

We did not realize how embedded we would become in local movements for food justice, housing justice, and healing—working toward systemic change alongside dozens of aligned, committed partners.

Fadayiro (one of the original development team members) was working. We planned for an early summer launch—but then COVID hit. In the midst of layoffs and unemployment applications, the members wanted to expedite the launch process. We registered ChiFresh Kitchen with the State of Illinois on March 13, 2020—the last weekday before the first round of COVID-related shutdowns.

In the weeks that followed, the Chicago Food Policy Action Council (CFPAC) began convening food ecosystem actors to coordinate and support each other on a “Food System COVID-19 Response” (later renamed “Chicago Food Justice Rhizome Network”).⁶ Organizations such as Chicago Public Schools, Greater Chicago Food Depository, and YMCA were in the room alongside urban agriculture and food justice organizations, as well as mutual aid groups, local restaurants, and others. ChiFresh was not yet operational, but we had been in discussions with CFPAC about their Good Food Purchasing Program standards and how we could integrate the values of that program into our policies and practices, which is why we were invited into the space.

It was in the context of these emergency food meetings that we first began building relationships with partners who would become a critical component of our “village”: Urban Growers Collective (UGC), Grow Greater Englewood (GGE), and CFPAC. UGC and GGE are both urban farming organizations rooted in racial justice and food sovereignty. CFPAC works closely with UGC, GGE, and other aligned organizations to address larger policy needs of the Chicago food justice ecosystem. We came together around shared values centering BIPOC-led organizations—and we referred to ourselves as the “Squad.” The Squad also included our fellow worker cooperative developers at Centro de Trabajadores Unidos, who supported the development of an immigrant-owned catering company, Cooperativa Visionarias. We began to meet weekly to design our collective response to the dire food conditions that the pandemic had exacerbated, especially in the South and West Sides of the city.

During this time, we wrote each other into grants, provided letters of support for each other’s work, and even pushed funders to finance us collectively instead of reviewing our applications as separate asks. As a newer organization with fewer philanthropic connections, ChiFresh was often on the receiving end of the Squad’s fundraising work. Our work with the Squad built what I expect to be lifelong relationships, while also providing ChiFresh with critical revenue in our start-up phase during the pandemic—all while meeting an urgent and crucial community need. Since May 11, 2020, when ChiFresh provided our first meals to Hope House of Chicago (a transitional home introduced to us through UGC), the Squad has provided tens of thousands of meals to folks facing pandemic-related food insecurity—meals that included produce grown right on the farms at UGC.⁷

The ChiFresh Kitchen members rose to every new challenge as we managed these emergency meals alongside our nonprofit and school clients. We went from fifty meals a day to two hundred in a matter of weeks. Now, we make more than fourteen hundred meals daily. In December 2021, ChiFresh purchased a 6,125 square-foot building, which we are renovating and will be moving into soon, and where we can expand to five thousand meals per day or more. In March 2022, ChiFresh reached an important milestone: our first profitable month as a business.

While we had hoped for these outcomes, we did not realize how embedded we would become in local movements for food justice, housing justice, and healing—working toward systemic change alongside dozens of aligned, committed partners. During this journey, we have experienced the transformative power of worker ownership. Not only have we witnessed the benefits to the members, to us as the co-op developers, and to those receiving food from the cooperative but also how a small pilot can weave into larger economic and racial justice strategies that lay the foundation for a solidarity economy.

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BUILDING THE SOLIDARITY ECONOMY ECOSYSTEM

The New Economy Coalition defines a solidarity economy ecosystem as “an environment where all of the things a community needs are controlled and governed by everyday people,” including land, food, money, and housing.⁸ The ChiFresh and Upside Down Consulting network is full of powerful individuals and organizations moving toward this vision. Over the past two years, we have worked with many partners to form coalitions, initiatives, and new institutions that go beyond supporting each other’s projects to focusing on how we can collectively achieve larger systemic change. While much of this work is nascent, each experiment is strengthening the emerging solidarity economy ecosystem here in Chicago. Indeed, many of our partners participate in multiple networks and initiatives like these, reinforcing our alignment and deepening our relationships and trust. (See Figure 2, following page, for some of our collaborations.)

In addition to these collaborative efforts, the members of ChiFresh and Upside Down are coming together to form the Chicago Solidarity Collective (CSC). The purpose of CSC is to build new cooperatives that meet the needs of ChiFresh members and their network. The first project of CSC will be to create cooperative housing that is accessible to formerly incarcerated individuals, including the current ChiFresh members. We plan to coordinate this work with PATHS Chicago, Urban Growers Collective, and other partners committed to housing justice.



One of the values underlying the solidarity economy is mutual benefit and care. This value not only applies inside a cooperative among the members but also in terms of how the cooperative moves relative to the stakeholders in its community. Even though worker cooperatives are (usually) for-profit businesses operating in the private sector, operating with generosity, care, and reciprocity in group



dynamics is not only possible but also can lead to more creative, effective solutions for everyone involved. As U.S. Solidarity Economy Network’s Emily Kawano has written, “In contrast to the narrow self-interest, competition, and struggle to dominate others that are at the heart of racist, patriarchal capitalism, the solidarity economy is centered on a culture of solidarity, mutuality, caring, and cooperation.”⁹

There is economic theory to back up the intuitive idea that humans are capable of cooperation in scenarios where private ownership is currently the norm. In 2009, Elinor Ostrom received the Nobel Prize in Economic Sciences for documenting examples of natural systems like forests, irrigation, and pastureland that were managed as commons by stakeholders, and were more efficient, sustainable, and equitable than those of private owners. Connecting with game theory work, Ostrom argued against predictions that people will tend to behave in self-serving and ego-driven ways.¹⁰

As ChiFresh Kitchen grows and becomes more established, we are excited to share what we have learned and support other groups interested in building worker-owned companies to lay foundations for more transformative change in our economy and society overall. We are also excited to learn from our comrades in other cities with similar strategies. For example, Cooperation Jackson and Boston Ujima Project (and its sister nonprofit, Center for Economic Democracy)—to name just a couple of standout

efforts—each work to build institutions with the larger solidarity economy and political organizing work in mind, and each has had a powerful impact in their respective cities. Boston Ujima Project has a multimillion-dollar fund controlled by working class and poor people of color that finances community businesses and real-estate infrastructure. Cooperation Jackson has created a community land

trust with over forty properties to create local land sovereignty and prevent displacement. We hope to replicate those successes in Chicago, with the solidarity economy values of reciprocity and mutualism guiding our approach.

Figure 2: ChiFresh Kitchen and Upside Down Consulting Collaborative Projects

Initiative	Timeline	Areas	Description
Partners for Abolition, Transformation, Healing and Solidarity (PATHS)	Formed 2020	Solidarity economy Housing justice Abolition	Chicago-based coalition rooted in Black liberation and with a queer, feminist lens; brings together community organizers, healers, and solidarity economy practitioners to create movement-building infrastructure; embraces a “resist, build, and heal” framework that recognizes the importance of all three elements in achieving racial and economic justice
Illinois Worker Cooperative Alliance (IWCA)	Formed 2015	Solidarity economy	Membership organization for worker cooperatives and cooperative developers that houses a cooperative loan fund connected to the national Seed Commons Network
City of Chicago Community Wealth Building Initiative	Formed 2021	Solidarity economy	Community wealth building initiative, in which the City of Chicago invested more than \$15 million, designed to support worker cooperatives, housing cooperatives, and community land trusts; housed in the city’s Office of Equity and Racial Justice, which “seeks to advance institutional change that results in an equitable transformation of how we do business across the City of Chicago” ¹¹
City of Chicago Food Equity Council	Formed 2021 (formally recognized by the City of Chicago in 2022)	Food sovereignty Solidarity economy	Body that supports urban agriculture and emerging food businesses with a fund that will provide both grant and loan capital to those in our local ecosystem building food security and sovereignty; ¹² the city also passed \$10 million to promote food equity
Community Food Navigator	Formed 2021	Food sovereignty	Collectively developed platform for BIPOC growers, food businesses, mutual aid groups, and other food actors to access knowledge, resources, support, and connections

NOTES

1. For background on the solidarity economy, see Emily Kawano and Julie Matthaei, “System Change: A Basic Primer to the Solidarity Economy,” *Nonprofit Quarterly*, July 8, 2020, nonprofitquarterly.org/system-change-a-basic-primer-to-the-solidarity-economy/.
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5. Jon Chesto, “Fast-growing City Fresh Foods sells a minority stake to its employees: Partners Sheldon and Glynn Lloyd say it’s a way to address inequity,” *Boston Globe*, last modified January 7, 2021, bostonglobe.com/2021/01/07/business/fast-growing-city-fresh-foods-sells-minority-stake-its-employees/.
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9. Emily Kawano, “Imaginal Cells of the Solidarity Economy,” *Nonprofit Quarterly* 28, no. 2 (Summer 2021): 48–55, nonprofitquarterly.org/imaginal-cells-of-the-solidarity-economy/; and see Emily Kawano, “Solidarity Economy: Building an Economy for People and Planet,” in *The New Systems Reader: Alternatives to a Failed Economy*, ed. James Gustave Speth and Kathleen Courrier (New York: Routledge, 2021), 285–302.
10. Elinor Ostrom, “Collective Action and the Evolution of Social Norms,” *Journal of Economic Perspectives* 14, no. 3 (Summer 2000): 137–58; and Arturo Lara, “Rationality and complexity in the work of Elinor Ostrom,” *International Journal of the Commons* 9, no. 2 (September 2015): 573–74. See also Garrett Hardin, “The Tragedy of the Commons,” *Science* 162, no. 3859 (December 13, 1968): 1243–48.
11. “Office of Equity and Racial Justice,” City of Chicago, accessed May 5, 2022, www.chicago.gov/city/en/sites/office-of-equity-and-racial-justice/home.html.
12. See Steve Dubb, “Navigating the Environmental Justice Terrain: Two Leaders of Color Speak Out,” *Nonprofit Quarterly*, November 1, 2021, nonprofitquarterly.org/navigating-the-environmental-justice-terrain-two-leaders-of-color-speak-out/.

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