



# WORKER- OWNER WORKBOOK

A guide to embracing the worker-owner culture.



Developed by Co-op Cincy  
(formerly the Cincinnati Union Co-op Initiative)

## **Your Opinion Matters!**

This Worker-Owner Workbook (WOW) represents a concerted effort on the part of our staff and volunteers. We are proud of our work and trust it will truly be helpful to you. However, we know that you will ultimately be the judge of its usefulness. **We welcome your reactions.**

Please take the time to provide feedback as you use this book. It is a work in progress; it will be updated and improved based on user comments.

Your reaction and suggestions will be of great benefit to all who use this book after you. You can provide input by filling out a feedback form/ survey that will be available on our website ([coopcincy.org/workerownerworkbook](http://coopcincy.org/workerownerworkbook)) or by contacting [info@coopcincy.org](mailto:info@coopcincy.org)

Thank you!



## **WELCOME TO THE UNION CO-OP COMMUNITY!**

You are beginning a new phase in your work life, a different kind of job experience in which you are not only working but also becoming an owner and helping to create an economy that works for all. As you can imagine, this is hard work and we applaud you for taking this leap with us.

Co-op Cincy has created this workbook to help you with this new beginning. We will be learning about the history of the U.S. labor movement, principles of worker-ownership, co-ops in the United States and in other countries, and the Mondragon network of co-ops located in Spain.

You will be part of a group studying each topic over the coming months. But you don't have to wait—this is your workbook, feel free to page through this material on your own. We are excited to have you join our community and hope that your union co-op work experience is fulfilling.

Welcome to the union co-op movement!

## How to Use this Book:

This Worker-Owner Workbook has been designed to help you develop your worker-ownership culture. You will build a worker-ownership mindset within yourself and with your co-op team members every week in your team meetings. In this workbook, you will:

- » Learn the essential concepts of and test your knowledge on the co-op movement, labor movement, and the Mondragon cooperative network of Spain
- » Understand nuts and bolts of business financials with open book management to give you true and effective power to understand and democratically participate in your co-op's day-to-day business decisions
- » Learn how to connect with ourselves and with others through solidarity building practices, one of our greatest tools to fight back against oppression of working people and build an inclusive economy that works for all

### Team Meeting

A weekly meeting with your co-op team where workers check in about personal and business-related positives and concerns, problem-solve day-to-day business items, participate in solidarity-building and conflict resolution exercises, and set team goals for personal and team performance measures.

Team meetings are generally 45 minutes to an hour long. They typically happen on the job site. We recommend that they are part of workers' paid time because they are so valuable. In Cincinnati co-ops, workers begin by sharing two positives and one concern about anything in their lives, in the co-op, or in the world. It's a good way to connect and get everyone participating from the beginning. Then, the group focuses on one of the topics you will find in this book, whether it is communication, co-ops, Mondragon, labor, finance, or something else. Sometimes we check in on goals, using the Great Game of Business. Sometimes we brainstorm solutions to issues the co-op is facing. While we always begin by sharing 2 positives and 1 concern, the topic and content changes from meeting to meeting.

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## INTRODUCTION

Below is the introduction to the **Union Co-op Template**, written in 2012 by Rob Witherell of the United Steelworkers (USW), Chris Cooper of the Ohio Employee Ownership Center (OEOC), and Michael Peck of Mondragon International USA, on the need and historical foundations for a Union Co-op Model:

*“Those who opt to make history and change the course of events themselves have an advantage over those who decide to wait passively for the results of the change.”*

– Father José María Arizmendiarieta

An economist will tell you that the “Great Recession” in the United States began in December 2007 and was officially over in July 2009 when the economy began to grow again. Looking at employment data, as well as trends in wages and compensation, however, we see that this economic growth has missed the vast majority of the population to date.

In December 2007, at the beginning of the “Great Recession,” the effective unemployment rate (more specifically, “U6” as calculated by the Bureau of Labor Statistics) was 8.8%. At the “end” of the recession, in July 2009, this unemployment rate stood at 16.5%. Two years later, the effective unemployment rate remained close to 16% throughout 2011, leaving about 25 million people in the U.S. either unemployed or underemployed.

In addition, wages have stagnated over the past 30 to 40 years, with little to no growth after accounting for inflation. As the rapidly increasing costs of health care continue to be passed to employees from their employers, net wages have actually gone down. Those of us that can find jobs are working longer hours for less pay, a continuing trend that we have lived with for decades now.

If we were to create an economy that worked for everyone, an economy that creates good, sustainable jobs and is accountable to the communities that drive it, what would that look like?

One powerful example to consider is the development of the Mondragon cooperatives in Spain.

Still devastated from the Spanish Civil War, most notoriously the bombing of Guernica in 1937, the Basque region in 1943 suffered political repression and high

unemployment. The region had little access to capital or investments and lacked any type of social safety net.

It is in this context that Father José María Arizmendiarieta started up a small technical school that was the seed for the phenomenon we know today as the Mondragon cooperatives. Thirteen years later, with the assistance of Father Arizmendi, five graduates of the school started the first Mondragon cooperative, Ulgor, a small manufacturing facility producing kerosene stoves. In a little over 50 years, that little worker-owned cooperative grew to become the Mondragon Cooperative Corporation, which today employs over 85,000 people, nearly all of them worker-owners, with 2011 annual revenues over \$24 billion.

The goal of the Mondragon cooperatives is to create competitive jobs and enterprises that can support their families and their communities, with values rooted in the ideals of social justice and worker dignity. Sharing that goal, the Mondragon example is the foundation on which we intend to build.

## **Mission & values**

The mission of the union co-op model is to create social and economic justice and worker dignity through the creation of good, sustainable jobs in viable, sustainable businesses that are accountable to both their workers and the communities in which they operate, as well as to support and sustain those communities.

In contrast to a Machiavellian economic system in which the ends justify any means, the union co-op model embraces the idea that both the ends and means are equally important, meaning that treating workers well and with dignity and sustaining communities are just as important as business growth and profitability.

Just as our union co-op model seeks to build on the foundation set by the Mondragon cooperatives, the principles and values of the union co-op model build upon the ten Basic Principles of the Mondragon cooperatives as well:

1. Open admission
2. Democratic organization
3. Sovereignty of labor
4. Instrumental and subordinate nature of capital



5. Participation in management
6. Wage solidarity
7. Inter-cooperation
8. Social transformation
9. Universality
10. Education

Creating sustainable jobs and sustainable communities requires broadening the definition of value beyond “the bottom line.” The moral values of the enterprise must matter as much, if not more so, than financial values. These values of democratic worker ownership and social and economic justice are what differentiate the union co-op model from traditional business models, making the union co-op more sustainable and giving it a competitive edge over the long term.

The union co-op model will seek to closely implement the principles and values of the Mondragon model in combination with collective bargaining in a way that not only makes the workplace more participatory and more accountable to the workers, but also further protects the interests of the workers and establishes guidelines to ensure that all workers are treated fairly.

To sustain this model, we must also ensure a dynamic labor- management relationship rooted in partnership, understanding the needs of both the worker-owners as owners and of the worker-owners as workers, and respect for the different advocacy roles each has.

Can such an idea really take root in an American culture steeped in individualism? Consider that the people who originally formed and supported the Mondragon cooperatives did so out of necessity to feed and provide for their families. They started their own schools, created their own jobs, provided their own health care and met their own banking and financing needs. Theirs is a story about self-reliance and pragmatism, not just idealism. Values such as self-reliance, ownership, and democracy obviously have deep roots in our culture and history as well.

## **Worker-owned cooperatives and labor unions**

There are natural and historical alliances between the cooperative and labor union movements. Where those have diverged, we believe today's challenges offer a historic moment and opportunity to bring them back together.

Worker-owned cooperatives have a long history dating back to the Rochdale Pioneers in Northern England in 1844 and the works and writings of Robert Owens in the 1820s and 1830s. Early worker-owned cooperatives may have been organized among a particular trade or community, but the advantages of earlier worker-owned cooperatives remain much the same as they do today: **economies of scale, mutual aid and support, full distribution of profits, full ownership and worker accountability.** Unfortunately, the growth of worker-owned cooperatives has been limited by a number of factors over the years; primarily access to low cost capital, lack of investment, misperceptions, and isolation. While the interest in, and adoption of, worker cooperatives has been growing, significant obstacles remain to accelerated adoption.

Similarly, labor unions were initially formed in the United States in the mid-1800s among a particular trade as a means of mutual aid and support, a certification of training and skills in that trade, and as a means to protect from the de-skilling and devaluation of that trade. In the 1880s, however, Terence Powderly led the Knights of Labor in organizing hundreds of thousands of unskilled workers, including women and African Americans, to improve their working conditions. The Knights of Labor were also one of the first labor unions to promote the development of worker-owned cooperatives. Since the National Labor Relations Act was passed in 1935, spurring a rapid growth in union membership, the rights and ability of workers to organize and to bargain have been constantly eroded and under attack. In recent decades, U.S. labor unions have been primarily focused on bargaining and administering contracts and only in recent years become more willing to allocate significant resources to organizing, to politics and legislative issues, and to trade issues. As union density has declined, however, so has the power of the union. Layoffs, plant closings, and the demand for contract concessions have become commonplace as we watch multinational corporations run away from the communities that supported them.

The modern experience of organized labor and employee ownership has been mixed and somewhat uneasy. In the late 1980s and early 1990s, there was a movement by some unions, such as the United Steelworkers (USW), towards employee ownership, exchanging contract concessions for ownership stakes in order to keep the business afloat. However, the creation of such Employee Stock Ownership Plans (ESOPs) frequently did not result in much change to the labor-management dynamic or to the nature of the operational structure, and as a result, “ownership” meant little to nothing to the workforce. As a result, many of those involved came to view employee ownership negatively, as just another way to wring concessions out of workers, or worse, to undercut the wages and benefits at their competitors. Conversely, like much of the general public, many of the people involved in employee ownership have been suspicious that unions could only bring internal conflict, an “us vs. them” mentality, and union demands that would put their company out of business.

This history is in many ways unfortunate, as generally labor union principles share many similarities with accepted cooperative principles, including:

- » *Democratic election of leadership based on one member, one vote.*
- » *The propensity to promote, select (and elect) leadership from the rank-and-file.*
- » *An emphasis on education, training, and collective attainment.*
- » *Concern for the community.*
- » *Co-operation with similar and/or affiliated entities.*

The few ESOP conversions from the early 1990s that have enjoyed relative success in the years since, have two principal aspects in common: **(1) a majority ownership stake; and (2) a real change in the structure and culture in the organization that made “ownership” feel like more than just the value of a share.**

It is in this context that we seek to partner labor unions and cooperatives as a potential path towards creating good, sustainable jobs that support and sustain the communities in which they operate.”<sup>1</sup>

We recommend downloading and reading the full “Union Co-op Template,” which can be accessed on our website at [coopcincy.org/resources](http://coopcincy.org/resources).

## **Endnotes**

1. Witherell, Rob, Chris Cooper, and Michael Peck. Sustainable Jobs, Sustainable Communities: The Union Co-op Template. Pittsburgh: United Steelworkers, March 26, 2012.



**THE UNION  
CO-OP  
MODEL**



## COMPONENTS OF THE MODEL

Your cooperative business is a “Mondragon-style union co-op.” That’s a complicated term, what does it mean? In the following pages, you will find information about the main concepts of this kind of business:

- » Worker-owned cooperatives
- » Mondragon
- » Labor unions

Once we have laid the foundation, we will explore how the Mondragon-style union co-op business model is put into practice and what it means for worker-owners.

### Concept #1: Worker-owned cooperatives

In a typical business, ownership and control of the business are held in the hands of a few and usually separated from the workers. In a worker-owned cooperative the business is owned and controlled by its workers.



Mondragon's worker-owners voting at 2014 annual meeting.



Mondragon's Corporate Management Model.

### Concept #2: Mondragon-style worker-owned cooperatives

Mondragon Cooperative Corporation is a type of cooperative business and one of the most successful cooperative networks in the world. In the time since they started in 1956, they have completely transformed a poverty-stricken region into thriving communities. Part of their success stems from the fact that they are not just organized as individual co-ops but each of the co-ops is part of an integrated network, a family of co-ops that share profits and employ one another's worker-owners in times of economic downturn. They also follow the Ten Mondragon Principles and they create redundant structures, such as Social Councils, to help their co-ops maintain participation and scale successfully with their values. Because of their commitment to these things, they are able to support each other and their communities to create sustainable jobs with living wages.



Members of a Labor Management Partnership meeting to discuss labor relations of the organization NAVAIR. (U.S Navy photo). Public Domain.

### **Concept #3: Labor Unions**

In this business model, unions protect the day-to-day interests of the worker- owners as workers. This is achieved through the creation of a **union committee**. The union committee offers a formal structure allowing worker owners more input in the day-to-day operations. Such structure is crucial as a cooperative grows in size. In the Mondragon-style union co-op business model, management is required to engage in collective bargaining with the union committee over issues such as wages, benefits and working conditions.

Further, union support protects the co-ops as they grow and keeps members connected to the broader goal of creating a more just economic system for everyone.



# I.I CO-OPS

The first step in embracing the union co-op culture is to understand the history of the cooperative movement. What is a co-op, what are the benefits of this form of business ownership? In this section we will learn some background information on co-ops, their advantages and challenges.

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## CO-OP BREAKDOWN

### What is a co-op?

At its most basic, a **co-op** is any association of people united to meet their common needs and aspirations through a jointly owned and democratically controlled enterprise.

A cooperative business is owned and controlled by its members, whether those members are workers, customers or producers. Depending on who the members of any given co-op are, it will fall into one of five categories of co-ops, which we will discuss later.

Since a democratically controlled co-op is focused on meeting the common needs and aspirations of its members, co-ops are not about making big profits for shareholders. They are about benefiting their members and the community.

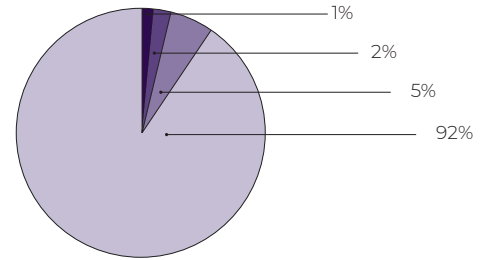
There are seven cooperative principles of the International Cooperative Alliance (ICA), which guide all cooperatives in putting their values into practice. The Mondragon cooperatives adapt and expand on these principles in the ten Mondragon Principles, which we also use. You'll see these further ahead.

Ownership in a share of the business means that each member has an equal vote in major policy and governance decisions. Co-ops are owned by their members, not by a single individual, a corporation or business investors.

**Cooperative:** an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

**worker co-op:** a business where the people who work in the company own and control the business on a democratic basis of "one worker, one vote."

## 5 Types of co-ops



92%



Mountain View REI by Coolcaesar at the English language Wikipedia (CC BY-SA 3.0).

### Consumer co-ops

- » Owned by consumers. Consumer co-ops sell a wide variety of products and services, with all profits shared equitably among the members, who are the consumers.
- » Examples: REI, credit unions, rural electric co-ops, Nationwide Mutual Insurance Company

5%



Two Organic Valley dairy producers at the 2017 NCBA Co-op Festival by the USDA (public domain).

### Producer co-ops

- » Owned by producers of commodities or crafts who have joined forces to process and market their products. Producer co-ops provide income opportunities for small producers and help increase their market share. The members are the producers.
- » Examples: Ocean Spray, Organic Valley, Cabot Creamery, Land O'Lakes

2%



Ace Hardware HQ by Scott Lewis (flickr) with Creative Commons license SA 2.0.

### Purchasing co-ops

- » Owned by a group of organizations that band together to improve their purchasing power. Examples of member organizations might be independent businesses, or municipalities. The members are the purchasers.
- » Examples: Ace Hardware, True Value, Best Western, NAPA Auto Parts

Language adapted from Van Gelder, Sarah. "How Cooperatives Are Driving the New Economy." *YES! Magazine*, Spring 2013, p.26-28.

1%



Arizmendi Bakery by Will (flickr) with Creative Commons license SA 2.0.

## Worker co-ops

- » Owned and democratically governed by employees, who become co-op members. Worker-owned cooperatives create or maintain employment, and provide workers with opportunities seldom available in conventional business settings. These include the ability to build wealth through ownership of the business, and to determine the conditions of their work, including the mission and vision of their co-op.
- » Examples: Cooperative Healthcare Associates, Mondragon Cooperative Corporation, Equal Exchange, Union Cab of Madison Cooperative



Hiper Eroski Leioa supermarket in Leioa by Javierme Javier Mediavilla Ezquibela (CC BY 3.0).

## Multi-stakeholder co-ops (included in the percentages above)

- » Multi-stakeholder co-ops combine two or more membership types, based on common interests. The most common form of multi-stakeholder co-op is owned by both workers and consumers. For example, Mondragon's Eroski grocery chain is owned by the store's workers, while shoppers also have the option to become members. Workers and consumers have different levels of membership, and both groups share the rights and responsibilities of business ownership.
- » Examples: Eroski, HealthPartners, 5th Season Cooperative, Weaver Street Market, CareShare Cooperative

Language adapted from Van Gelder, Sarah. "How Cooperatives Are Driving the New Economy." *YES! Magazine*, Spring 2013, p.26-28.

## Co-op impact in the United States

The following graphics show a snapshot of the extent of various kinds of co-ops by sector of the U.S. economy and the relative scale of worker co-ops.

**1 IN 3**  
AMERICANS  
ARE CO-OP MEMBERS



**65,000**  
COOPERATIVE  
ENTERPRISES OPERATE  
ACROSS THE U.S.

CO-OPS GENERATE  
**\$75 BILLION**  
IN ANNUAL WAGES AND  
**\$650 BILLION**  
IN REVENUE

### ELECTRIC CO-OPS <sup>1</sup>



ELECTRIC CO-OPS POWER  
**1 IN 8**  
AMERICANS



ELECTRIC COOPERATIVES  
ARE ENERGY PROVIDERS  
AND ENGINES OF ECONOMIC  
GROWTH FOR  
**42 MILLION**  
AMERICANS



ELECTRIC COOPERATIVES  
INVEST  
**\$12 BILLION**  
ANNUALLY IN LOCAL  
ECONOMIES AND  
THE SECTOR CONTRIBUTES  
**\$88.4 BILLION**  
TO THE U.S. GDP ANNUALLY

### FOOD CO-OPS <sup>2</sup>



CUSTOMERS SUPPORT  
**185 LOCAL FARMS AND  
PRODUCERS**  
WHEN THEY SHOP AT THEIR CO-OP



**1 OUT OF EVERY 3**  
PRODUCTS SOLD AT THE AVERAGE  
FOOD CO-OP IS  
**ORGANIC**



**24,100 POUNDS**  
OF HEALTHY, EDIBLE FOOD IS  
DONATED TO FOOD PANTRIES BY  
THE AVERAGE FOOD CO-OP

<sup>1</sup> "The Economic Impact of America's Electric Cooperatives." *FTI Consulting*, March 2019, jointly commissioned by NRECA and NRUCFC.

<sup>2</sup> "You are the Co-op Difference." ICA Group, 2017, commissioned by National Co+op Grocers.

*Annual Report 2019: Cooperatives Build a Better World.* PDF. Reprinted by permission from National Cooperative Business Association 3/24/2017. For additional resources please visit <http://ncca.coop>.

## CREDIT UNIONS



**85,400**  
CREDIT UNIONS  
WORLDWIDE SERVE  
**274 MILLION**  
MEMBERS<sup>3</sup>



CREDIT UNIONS' INSURANCE FUNDS ARE  
**MORE STABLE**  
AND  
**LESS LIABLE**  
TO RISK THAN BANKS  
DURING FINANCIAL  
CRISES<sup>5</sup>



**52%**  
OF CREDIT UNION  
CEOs ARE WOMEN,  
**10X HIGHER**  
THAN BANK CEOs<sup>4</sup>



CREDIT UNIONS HAVE  
**DOUBLED**  
SMALL BUSINESS  
LOANS OVER THE PAST  
DECADE<sup>6</sup>

## WORKER CO-OPS<sup>7</sup>



PAY AN AVERAGE  
HOURLY WAGE OF  
**\$19.67**



**465**  
WORKER CO-OPS  
AROUND THE U.S. WITH  
AN ESTIMATED  
**6,454**  
WORKERS



WORKER CO-OPS  
EXIST IN A VARIETY OF  
INDUSTRIES INCLUDING  
**CHILD CARE,  
PROFESSIONAL  
SERVICES,  
RETAIL, AND  
HOME CARE**



THE WORKFORCE AT  
WORKER CO-OPS IS  
**62.5% FEMALE**  
AND  
**35.8% MALE**

## HOUSING CO-OPS



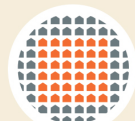
CO-OP OWNED  
COMMUNITIES SELL  
FOR  
**MORE**  
AND  
**FASTER**  
THAN HOMES IN  
COMMERCIAL PARKS<sup>8</sup>



CO-OP COMMUNITIES  
HAVE INVESTED  
**\$50 MILLION**  
IN HEALTH  
AND SAFETY  
IMPROVEMENTS SINCE  
2008<sup>10</sup>



EMPOWERED HOUSING  
CO-OP RESIDENTS ARE  
**MORE LIKELY**  
TO BE ENGAGED  
CITIZENS<sup>9</sup>



**3,000**  
HOUSING CO-OPS IN  
THE U.S. PROVIDE  
**300,000**  
UNITS OF HOUSING<sup>11</sup>

## AGRICULTURE CO-OPS



**1.9 MILLION**  
FARMER MEMBERS



VALUE OF ASSETS  
OWNED BY  
AGRICULTURE CO-OPS:  
**\$92 BILLION**



FROM GRAINS TO  
DAIRY, MEAT TO FRUIT,  
VEGETABLES AND  
NUTS, AND MUCH  
MORE, AMERICANS  
RELY ON CO-OPS TO  
HELP PROVIDE THE  
FOOD WE EAT AND  
THE CLOTHES  
WE WEAR.



PROVIDE  
**300,000 JOBS**  
AND A TOTAL PAYROLL  
OF OVER  
**\$8 BILLION**

<sup>3</sup> World Council of Credit Unions 2017 Statistical Report. September 2018

<sup>4</sup> "CUs Must Continue Investment in Diverse Populations to Succeed." *CUNA News RSS*, CUNA News, 1 May 2019

<sup>5</sup> "Frequently Requested Credit Union and Bank Comparisons." *Credit Union National Association*, 2016.

<sup>6</sup> "Member Business Lending by Credit Unions." *Credit Union National Association*, 2013.

<sup>7</sup> 2019 Worker Cooperative State of the Sector Report

<sup>8</sup> Ward, Sally K, Charlie French and Kelly Giraud. "Ownership in New Hampshire's

"Mobile Parks: A Report on Economic Outcomes," The Carsey Institute at the University of New Hampshire, March 2010.

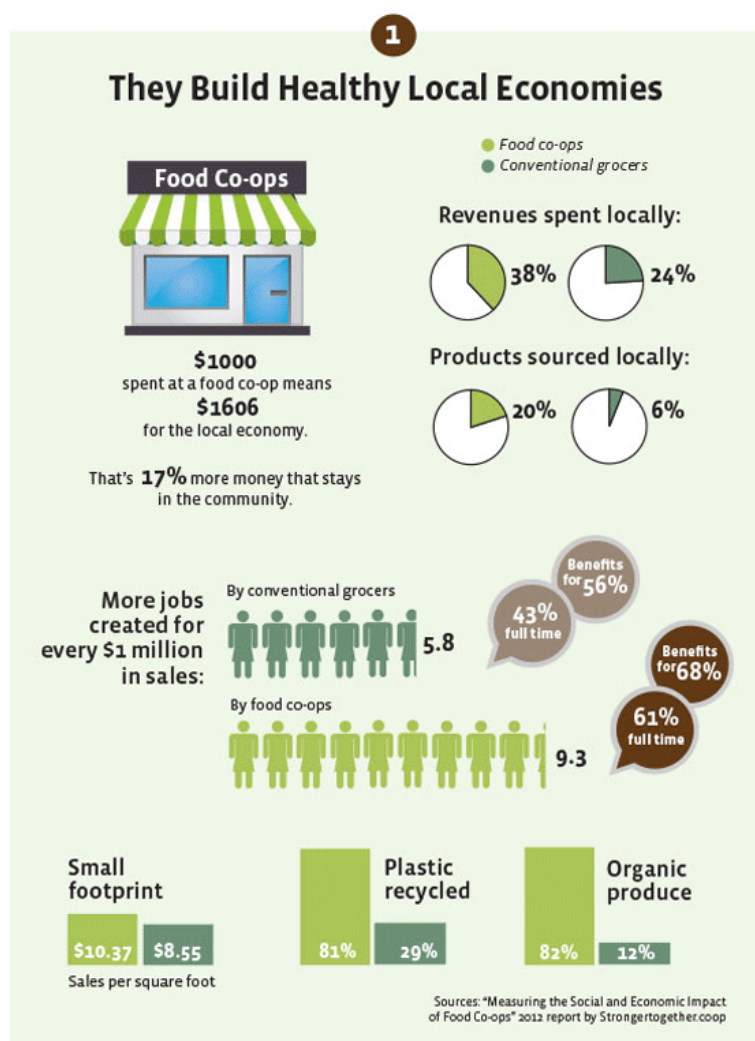
<sup>9</sup> ROC USA, "Sustainably Scaling Resident Ownership: Leadership and Impact," Strategic Plan: July 2018-June 2021, 2018

<sup>10</sup> ROC USA, "Sustainably Scaling Resident Ownership: Leadership and Impact," Strategic Plan: July 2018-June 2021, 2018

<sup>11</sup> "Counting Limited Equity Co-ops," Research Update, Urban Homestead Assistance Board (UHAB), February 2016

## BENEFITS OF COOPERATIVES

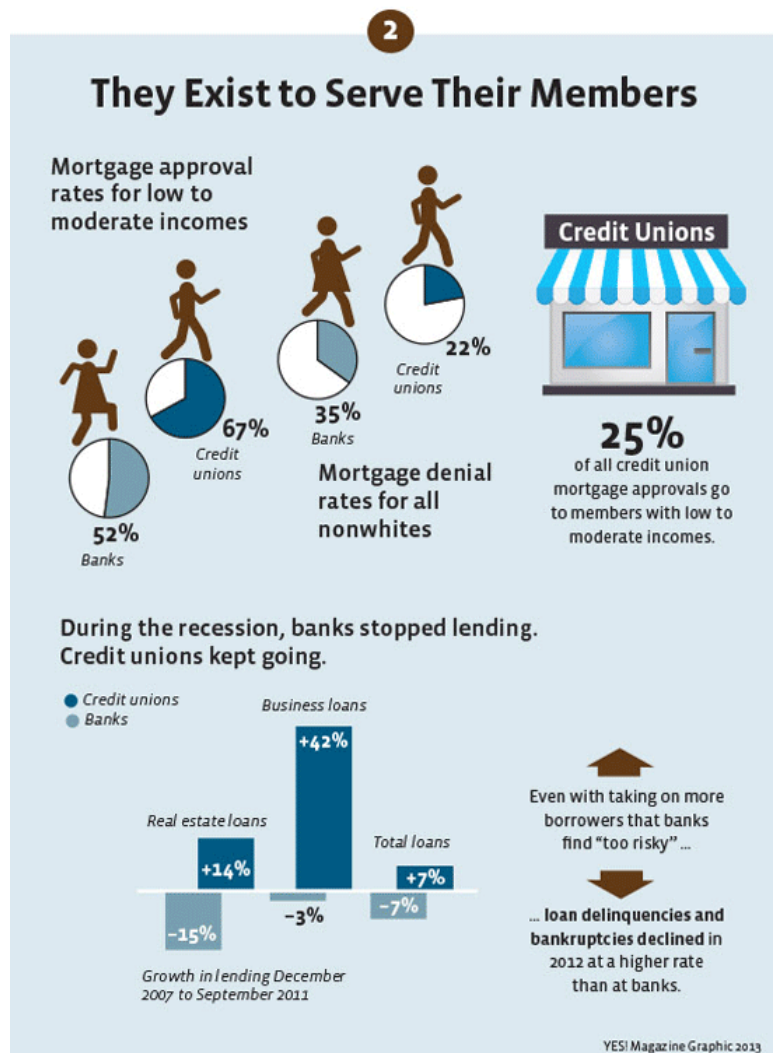
- » **Involvement** “Because worker cooperatives are owned and run by them, their employees have far more say in the business, from day-to-day concerns through to major strategic issues.”
- » **Productivity** “Because the employees are the owners with a stake in the future of the business, worker cooperatives are more productive than conventional businesses, with staff working harder and the organization harnessing their skills more effectively.”
- » **Job security** “Because the employees themselves are in control, when there is a downturn in the economy or the market, worker cooperatives have consistently taken the decision to drop wages rather than lose jobs.”<sup>1</sup>



Reprinted with permission from Van Gelder, Sarah 3/15/2017. "How Cooperatives Are Driving the New Economy." YES! Magazine, Spring 2013.



- » Profits do not go to distant investors, but instead go directly to the workers; stimulating the local economy and building community wealth.<sup>2</sup>
- » Create meaningful change for underserved populations: “More than half of worker cooperatives in the United States today were designed to improve low-wage jobs and build wealth in communities most directly affected by inequality, helping vulnerable workers build skills and earning potential, household income and assets.”<sup>3</sup>
- » Create quality jobs: “Workers have a meaningful role in the business, as they contribute to and benefit from the success of a company they co-own. Jobs at worker cooperatives tend to be longer-term, offer extensive skills training, and provide better wages than similar jobs in conventional companies.”<sup>4</sup>



Reprinted with permission from Van Gelder, Sarah 3/15/2017. “How Cooperatives Are Driving the New Economy.” YES! Magazine, Spring 2013.

## CHALLENGES CO-OPS FACE

In the United States, there are an estimated 40,000 cooperative businesses, with 2 million workers. However, worker-owned co-ops are a small part of this picture with only 7,000 total workers in 400 co-ops. Why is this form of cooperative so rare in our country?

### Barriers for co-ops

Barriers to the formation of co-ops account for their scarcity in the U.S. Several factors discourage the formation of new businesses as worker-owned co-ops



1. **Capital is hard to come by.** Co-ops generally do not offer outside investors an equity position in the co-op, and bank loans are difficult to obtain for any startup business.<sup>5</sup>



2. **Business management expertise,** usually obtained by working in conventional businesses, is **generally lacking** in the non-profit world that aspires to create co-op enterprises.<sup>6</sup>



3. **Underlying factors in American society** also account for the absence of worker-owned co-ops. **Individualism, capitalism** and the **profit motive** are dominant American characteristics.
  - a. The American Dream—hard work and persistence leading to financial success— is typically envisioned as an individual achievement, the result of competition, not collaboration. Material success and accumulation of wealth are highly valued in the U.S. ethos, more commonly aspired to than broader goals of job creation, employment stability and community enhancement.<sup>7</sup>



4. Historically, **large corporations have actively opposed** the growth of co-ops. Worker-owned businesses formed after the Civil War were considered a threat to big corporations, and were driven out of business.

## Lack of a network

External support can greatly boost the likelihood of success for new worker-owned businesses. As you will read about in the next chapter, the Mondragon Cooperative Corporation, a network of co-ops can help to nurture new co-ops. Established co-ops can provide training in participatory management skills, help newer co-ops locate financing, and help worker-owners fulfill their new responsibilities. Once established, co-ops have a better survival rate than conventional businesses, according to studies of Canadian and European firms.



Created by Co-op Cincy

Participation in a network of co-ops, rather than operating as a standalone entity, can greatly enhance a worker-owned co-op's likelihood of success. The Mondragon experience is one example of this. Research on worker co-ops in the United States has identified **five success factors: ongoing training/cultivation of cooperative culture; long-term support; "patient" capital;**



Created by Co-op Cincy

**strong management; and good governance.**<sup>8</sup> The institutional knowledge and longevity of a network of cooperatives can offer several of these factors to its constituents. Interconnected co-ops can readily provide guidance in establishing effective training programs and can demonstrate cooperative culture.

Ongoing businesses within the network have the longevity to share business expertise and management experience. Established enterprises may be able to provide capital or share

their experience in accessing external sources. Experienced managers in sister co-ops can be a resource to startups.



Images created by Brad Goodwin and Josua Mormann from the Noun Project.

## CASE STUDY: NORTHEAST COOPERATIVES

The experience of Northeast Cooperatives, a natural foods distributor, illustrates the difficulty of sustaining a co-op without the support of an integrated network. Northeast Cooperatives was forced to merge with a larger competitor because of intense price competition in a consolidating industry. Relatively minor price advantages were enough to entice co-op members into purchasing from outside vendors instead of their own warehouses. Declining sales volumes further reduced price competitiveness. As revenues and market shares declined, banks began to withdraw financing from Northeast Cooperatives. The co-op's merger resulted in the loss of jobs that paid a living wage, reduced service to rural customers, and a decline in storefront natural foods co-ops.

In the words of Northeast Cooperatives' then-board president and chairperson Tim Kraus, this outcome could have been different:


*"Because we did not have the structural supports like Mondragon, we could not survive any serious mistakes or setbacks like predatory competitors. Recently, Mondragon's Fagor appliance division collapsed because they could not survive in the world market. Maybe they made some serious mistakes in going global and that is why the business failed, but the worker owners of Fagor did not lose their jobs, because they were absorbed by the rest of the cooperatives. In the end, our food cooperative warehouses were capital starved by an economic system that didn't care whether we were a co-op or a for-profit business. There was no national cooperative infrastructure to help us get back on our feet (e-mail communication to author, August 25, 2014)."*

## WORKSHEET: COOPERATIVES

### Introduction

Take a few minutes and think about the following prompts. Use the 'thoughts' column to collect your thoughts on each prompt. Thoughts can be positive, negative or neutral. Share as many ideas, opinions, beliefs, and experiences that you have had or you believe others may have.

There are no wrong or right responses. Then, use the 'discoveries' column to record what you learned, *after* discussing the factsheet with your co-op team. The purpose of this exercise is to foster dialogue and learning about cooperatives.

Learning Goals	<ul style="list-style-type: none"> <li>» Strengthen self-awareness</li> <li>» Think about what you already know</li> <li>» Discuss how and why ideas, perceptions, &amp; experiences differ</li> <li>» Boost your knowledge of cooperatives</li> </ul>
	

PROMPT	THOUGHTS	DISCOVERIES
A. What does the word <i>cooperative</i> mean?		
B. Describe a cooperative.		
C. What makes a cooperative different from other businesses?		

PROMPT	THOUGHTS	DISCOVERIES
D. List the types of cooperatives.		
E. What are some of the benefits of cooperatives?		
F. What are some of the challenges cooperatives face?		

Have you ever been a member of a cooperative? If yes, which one(s):

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Have you ever worked for a cooperative? If yes, which one(s):

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Additional thoughts or comments:

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## FACTSHEET: COOPERATIVES

### Learning goals

This exercise is designed to provide a safe, nonjudgmental opportunity to share and learn. Ideas and thoughts that are not your own should not be shared outside this group. Honest sharing is the best way to get the most out of this exercise.

PROMPT	DISCOVERIES
<p>A. What does the word <b>cooperative</b> mean?</p>	<ul style="list-style-type: none"> <li>» an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.</li> </ul> <p>"About Cooperatives." 2012 - International Year of Cooperatives. Accessed November 28, 2017.</p>
<p>B. Describe a cooperative.</p>	<ul style="list-style-type: none"> <li>» a group of people acting together to meet the common needs and aspirations of the members</li> <li>» sharing ownership and making decisions democratically</li> <li>» not about making big profits for shareholders</li> <li>» have and follow specific values and principles</li> </ul> <p>Language adapted from the International Cooperative Alliance</p>
<p>C. What makes a cooperative different from other businesses?</p>	<ul style="list-style-type: none"> <li>» Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.</li> <li>» Co-ops are owned by their members—not by a single individual, a corporation, or business investors.</li> <li>» Ownership in a share of the business means that each member also has an equal vote in decisions made about the operation of the business.</li> <li>» In order to be a member, a person must buy a share of the business.</li> </ul> <p>Language adapted from Cabot Creamery &amp; the National Cooperative Business Association</p>

PROMPT	DISCOVERIES
<p>D. List the types of cooperatives.</p>	<ul style="list-style-type: none"> <li>a. <b>Consumer</b> <ul style="list-style-type: none"> <li>» Examples: REI, credit unions, rural electric co-ops, Madelia Mobile Village, Nationwide Mutual Insurance Company</li> </ul> </li> <li>b. <b>Producer</b> <ul style="list-style-type: none"> <li>» Ocean Spray, Organic Valley, Cabot Creamery</li> </ul> </li> <li>c. <b>Worker</b> <ul style="list-style-type: none"> <li>» Cooperative Home Care Associates, Mondragon Cooperative Corporation, Equal Exchange, Union Cab of Madison Cooperative, Sustainergy Cooperative</li> </ul> </li> <li>d. <b>Purchasing</b> <ul style="list-style-type: none"> <li>» Ace Hardware, True Value, Best Western, NAPA Auto Parts</li> </ul> </li> <li>e. <b>Multi-Stakeholder</b> <ul style="list-style-type: none"> <li>» GemCityMarket, Eroski, HealthPartners, 5th Season Cooperative, Weaver Street Market, CareShare Cooperative</li> </ul> </li> </ul>



PROMPT	DISCOVERIES
<p>E. What are some of the benefits of cooperatives?</p>	<ul style="list-style-type: none"> <li>» <b>Involvement:</b> “Because worker cooperatives are owned and run by them, their employees have far more say in the business, from day-to-day concerns through to major strategic issues.”</li> <li>» <b>Productivity:</b> “Because the employees are the owners with a stake in the future of the business, worker cooperatives are more productive than conventional businesses, with staff working harder and the organization harnessing their skills more effectively.”</li> <li>» <b>Job security.</b> “Because the employees themselves are in control, when there is a downturn in the economy or the market, worker cooperatives have consistently taken the decision to drop wages rather than lose jobs.”<sup>9</sup></li> <li>» <b>Profits do not go to distant investors, but instead go directly to the workers;</b> stimulating the local economy and building community wealth.<sup>10</sup></li> <li>» <b>Create meaningful change for underserved populations:</b> “More than half of worker cooperatives in the United States today were designed to improve low-wage jobs and build wealth in communities most directly affected by inequality, helping vulnerable workers build skills and earning potential, household income and assets.”<sup>11</sup></li> <li>» <b>Create quality jobs:</b> “Workers have a meaningful role in the business, as they contribute to and benefit from the success of a company they co- own. Jobs at worker cooperatives tend to be longer-term, offer extensive skills training, and provide better wages than similar jobs in conventional companies.”<sup>12</sup></li> </ul>
<p>F. What are some of the challenges cooperatives face?</p>	<ul style="list-style-type: none"> <li>» Competition</li> <li>» Access to capital</li> <li>» Attracting and retaining quality personnel</li> <li>» Business management expertise</li> <li>» Underlying factors in American Society (i.e. individualism, competition, etc.)</li> </ul> <p style="font-size: small; margin-top: 10px;">Adapted from Hilary Abell, . 2014. “Worker Cooperatives: Pathways to Scale.” The Democracy Collaborative, Tahoma Park.</p>

## Endnotes

- 1 “Research reveals the benefits of worker co-operatives.” Co-operatives UK Newsroom. December 04, 1970. Accessed November 28, 2017. <https://www.uk.coop/newsroom/research-reveals-benefits-worker-co-operatives>.
- 2 “The Benefits of Worker Cooperatives.” The Benefits of Worker Cooperatives | Democracy at Work Institute. Accessed November 28, 2017. <http://institute.coop/benefits-worker-cooperatives>.
- 3 “The Benefits of Worker Cooperatives” 2017.
- 4 “The Benefits of Worker Cooperatives” 2017.
- 5 Hilary Abell, . 2014. “Worker Cooperatives: Pathways to Scale.” The Democracy Collaborative, Tahoma Park.
- 6 *ibid.*
- 7 *ibid.*
- 8 “The Benefits of Worker Cooperatives” 2017.
- 9 “Research reveals the benefits of worker co-operatives.” Co-operatives UK Newsroom. December 04, 1970. Accessed November 28, 2017. <https://www.uk.coop/newsroom/research-reveals-benefits-worker-co-operatives>.
- 10 “The Benefits of Worker Cooperatives.” The Benefits of Worker Cooperatives | Democracy at Work Institute. Accessed November 28, 2017. <http://institute.coop/benefits-worker-cooperatives>.
- 11 “The Benefits of Worker Cooperatives” 2017.
- 12 “The Benefits of Worker Cooperatives” 2017.

# I.2 MONDRAGON

One of the world's leading co-op networks is called Mondragon, a global organization with headquarters in Spain. Mondragon is a mutually supportive network of individual co-ops that follow 10 basic principles. Mondragon is an example of how co-ops can transform a local economy and meet the needs of the people.

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## OUR INSPIRATION: THE MONDRAGON MODEL

The Mondragon Cooperative network has transformed a war-torn, devastated region of Spain rife with poverty and unemployment into thriving, vibrant prosperous communities. Mondragon is one of the world's most successful networks of worker-owned industrial cooperatives.

### Forces that Shaped Mondragon

At the end of the Spanish civil war, the Basque country in the northern part of Spain was left in ruins. Its citizens faced widespread hunger, persecution, illness, extreme poverty, and deplorable living conditions. It was under these conditions that Father Jose Maria Arizmendiarieta, a visionary Catholic priest, developed the Mondragon cooperative concept.

In 1941, Fr. José Maria Arizmendiarieta, whose name is often shortened to Arizmendi, was assigned to a parish in Mondragon, a town of 8,500 inhabitants in the Basque Country. He found the town still suffering from the aftermath of the Civil War and struggling with severe unemployment.

Father Arizmendi was determined to find a way to assist his community. He realized that economic development—namely, the creation of jobs—was the key to tackling the town's problems. After a period of time of meeting and reflecting on the challenges and the society they wanted to see, Fr. Arizmendi and community members decided that cooperatives were the best tools for the type of economic development to meet their goals. Both consumer and worker cooperatives and self-help organizations had a long tradition in the Basque Country but had collapsed as a result of war. Arizmendi believed that **participatory humanism**, developing technical skills, and building knowledge were crucial to transformative change in the region.



Fr. Arizmendi with his bicycle in 1955 from [canonizacionarizmendiarieta.com/es/fotos/](http://canonizacionarizmendiarieta.com/es/fotos/)

**Participatory Humanism:** Working together, without exclusion, for the common good of the human race

### Father José Maria Arizmendiarieta

Arizmendiarieta (Arizmendi), was the oldest son of a middle class family. He lost an eye in a childhood accident, so he could not join the Basque Army in the fight against Francisco Franco's troops. Instead, he became a journalist for Basque language newspapers. His views and actions led him to be arrested. Once released, he went on to become a priest.

To learn more about Father Arizmendiarieta, you can read the “Arizmendiarieta” issue of TULankide, the magazine of Mondragon, available on Co-op Cincy’s resource page. ([coopcincy.org/resources](http://coopcincy.org/resources))

### The Early Years

Long before the first cooperative was launched, Fr. Arizmendi set up a soccer team to rebuild personal relationships among people in the Basque region. He also organized a medical clinic to aid the sick and encouraged cooperative community living.

During these early years, the focus was on training, education, and literacy. Arizmendi recognized that socializing knowledge led to democratized power. In other words, distributing knowledge equally would facilitate democratic decision-making.

Arizmendi opened the Escuela Profesional (technical college) in 1943. Its goal was to expand educational opportunities for anyone in the community. The school would prepare future technicians and a skilled workforce. Arizmendi would engage students in conversations about cooperative values and concern for others.

Eventually the Escuela Profesional became the engineering college of the present-day Mondragon University.

Now, long after Fr. Arizmendi set out to better the lives of his congregation and community, Mondragon continues to place a high value on training and education.

### The First Mondragon Cooperative



Fagor creators. From [www.mondraberri.com](http://www.mondraberri.com) article “Over half a century of history.”

Fr. Arizmendi encouraged five young men to continue their higher education while they worked. He provided space for students to study at the Escuela Profesional while the students pursue their university studies.

In 1956 these five young men formed Talleres Ulgor. Recognized as the first Mondragon cooperative, the business manufactured kerosene stoves. Eventually, the cooperative expanded and began manufacturing other household appliances.

In 1959, the cooperative was registered and branded as Fagor. In the following years, many more cooperatives emerged. This was also the year Mondragon's bank, Caja Laboral (now Laboral Kutxa) was formed.<sup>1</sup>

## 02 The start

1956 Father José María Arizmendiarieta was blessing the **foundation stone of ULGOR**.

1957 Ministry Education and Science **official recognition** of "Escuela Profesional".

1958 At the end of the year, by order of the Ministry of Labour, members of cooperatives were excluded from the General Social Security System. It was decisive in setting in motion the actions to create what is today **Lagun Aro**, a Voluntary Mutual Benefit Organisation

1959 Father José María Arizmendiarieta initiated **Caja Laboral Popular**. What makes Caja Laboral different from the grassroots co-operatives is the **mixed composition of its social bodies**, based on both **worker-members** and representatives from the **associate co-operatives**

1960 **Fagor Arrasate**

1963 In 1963 the following theory was put forward regarding **Democracy**: "Democracy is one of the rules of the game for the co-operative movement. Democracy has to be conceived as the method and procedure for **combining the interests of the individual with those of the group**... You have to **socialise knowledge** to be able to democratise power effectively"

1985- On 1st March the co-operatives' Group Council was set up, which was the historical embryo of **Mondragon Corporación Cooperativa**, what is now **MONDRAGON**.

1987- At the **1st Congress of the Mondragon Co-operative Group** the **Basic Principles** of the Co-operative Experience were approved together with the bases for setting up the Inter-co-operative Solidarity Funds.



**KNOWLEDGE**  
VOCATIONAL TRAINING  
CENTRE TO  
DEMOCRATISE ACCESS  
TO QUALIFICATIONS

1943



**INITIATIVE**  
STARTS THE  
CO-OPERATIVE  
EXPERIENCE

1956



**EVOLUTION**  
COMPLEMENTS THE  
STRUCTURE CREATING  
AND INTEGRATING  
NEW CO-OPERATIVE  
ENTERPRISES

1960



**DEVELOPMENT**  
CONSOLIDATION AND  
INTERNATIONAL  
EXPANSION

1991

"Mondragon & the UN Millennium Project" presented by Ibon Zugasti, LKS, Mondragon's cooperative consultancy, to the Social Innovation Summer University (SUMSIC) in Bologna, July 2017.

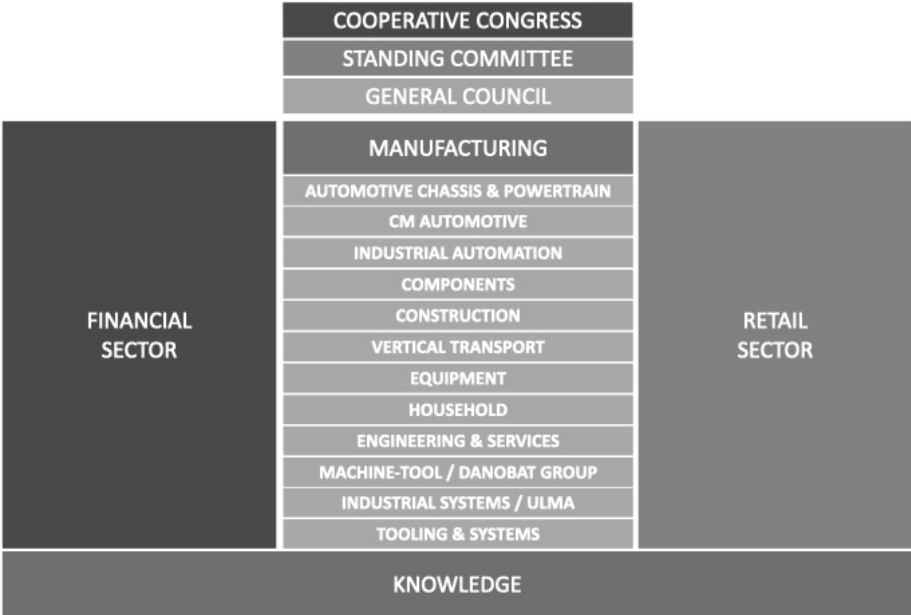
*"Those who have faith and hope in the possibilities of humankind are those who will push it forward."*

– Fr. Arizmendi,  
from Reflections of Don Jose Maria Arizmendiarieta  
(Pensamientos)

## MODERN DAY MONDRAGON

As of 2016, Mondragon had over 100 cooperatives on five continents that own 140 subsidiary companies. It was the largest industrial cooperative group in the world and the tenth largest business group in Spain, with over 70,000 employees and 12 billion euros (about 14.5 billion US dollars) in total revenue. Mondragon has nine corporate offices, 15 research and development centers, and over 450 patents. The keys to their success include:

- 1. Democratic workplace ownership
- 2. Commitment to the ten Mondragon Principles
- 3. Development of a network of economically integrated cooperatives, schools, support organizations, research institutions, and financial institutions (a co-op of co-ops)<sup>2</sup>
- 4. Reinforcing structures, which help Mondragon's co-ops maintain their values while they grow and scale



DeLanda, Fernando. 2013. "Mondragon Corporation Democratic Organization." Powerpoint presentation at the 1st biennial Union Co-op Symposium, Cincinnati, Ohio, Fall 2013.

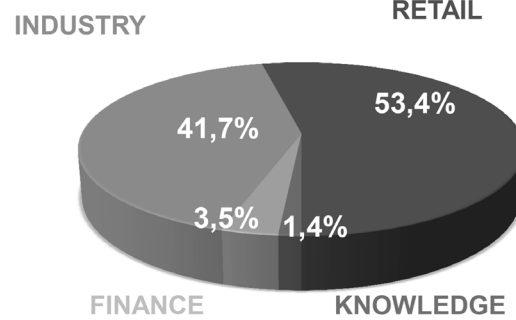


## Importance of industrial sector

Mondragon is considered the world's biggest worker cooperative. The industrial sector is the driver of raising the standard of living for all employees:

- » Creates value and jobs
- » Helps provide above-average wages (have inherently higher profit margins), especially for skilled positions
- » Plays a critical role in generating economic growth and employment opportunities
- » Manufacturing usually is the sector with higher investment capacity, for long-term investment and for the creation of quality employment and innovation

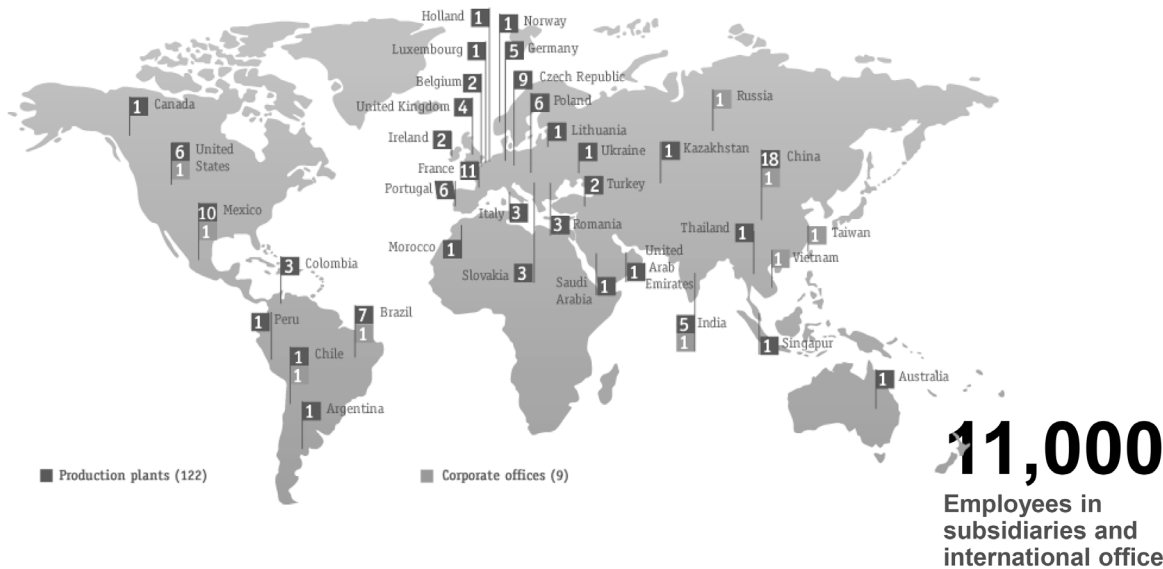
DISTRIBUTION OF EMPLOYMENT BY AREAS



"Mondragon & the UN Millennium Project" presented by Ibon Zugasti, LKS, Mondragon's cooperative consultancy, to the Social Innovation Summer University (SUMSIC) in Bologna, July 2017.

# 07 On the global stage

NATIONAL AND INTERNATIONAL PRESENCE



"Mondragon & the UN Millennium Project" presented by Ibon Zugasti, LKS, Mondragon's cooperative consultancy, to the Social Innovation Summer University (SUMSIC) in Bologna, July 2017.

Note: The workers outside of Spain are not co-op members.



## 10 MONDRAGON PRINCIPLES

The basic principles of the Mondragon cooperatives are below:

10 MONDRAGON PRINCIPLES	
<b>Open admission</b>	Anyone who can do the work and supports these 10 principles can become a worker-owner. There will be no discrimination.
<b>Democratic organization</b>	Our co-ops are democratically organized companies governed by a General Assembly through one-worker one-vote. The General Assembly has the highest power in the company, elects the Board of Directors, and collaborates with managerial personnel.
<b>Sovereignty of labor</b> (People are more important than money)	Labor has been the driving force behind every major change to society and the natural world throughout human history. The co-op is centered around labor, the people doing the work. The wealth created is distributed in terms of the labor provided, and there is a firm commitment to the creation of new jobs. Worker-owners receive competitive and just salaries and dividends based on the profitability of the cooperative.
<b>Instrumental and subordinate nature of capital</b>	Capital, money invested, is a necessary tool for creating businesses that provide jobs. External investors should be compensated fairly for their investment, but not in a manner that drains the business of value, or prioritizes investors over workers. Profits are to be invested to ensure the long term survival and success of the co-op, with a focus on creating more jobs.
<b>Participation in management</b>	“Ownership” must become more than just the value of a share. Workers have a meaningful role in decision-making based on full access to information about the business. Systems for participation, including training, internal promotion and transparent sharing of information, must be created. Workers take full responsibility for the health of the co-op.
<b>Wage solidarity</b>	Wage solidarity means there is less disparity among workers and the communities in which they live, reinforcing the equality and quality of ownership. In most cases, the highest paid worker in the Mondragon co-operative network makes no more than 6 times the lowest paid worker. The Mondragon Cooperative Experience declares sufficient payment based on solidarity to be a basic principle of its management. Solidarity is manifested both internally and externally, as well as at the corporate level. Compare this to CEOs in the U.S. who are sometimes paid thousands of times as much as their workers.

# 1.2 MONDRAGON

10 MONDRAGON PRINCIPLES	
<b>Intercooperation</b>	An interdependent network of co-ops promotes solidarity and business efficiency by facilitating the sharing of common resources (finances, research and development, training, etc...) and enables co-ops to succeed by supporting each other during downturns and upturns in local and global markets. Our co-ops will engage and share resources with other businesses in the cooperative movement nationally and internationally.
<b>Social transformation</b>	The co-op movement is more than just creating cooperative businesses. It is about partnering with others to bring about a freer, fairer and more caring society.
<b>Universality (Solidarity)</b>	Co-op members stand in solidarity with those who work for economic democracy, justice, and peace. Solidarity means recognizing that whatever happens to one directly, happens to all indirectly.
<b>Education</b>	To promote the establishment of these 10 principles it is essential to set aside sufficient human and financial resources for cooperative, professional, and youth education. Education and lifelong learning provide the tools for worker-owners to adapt and improve the cooperative so that it endures and inspires.

### Summary Table of Principles

10 Mondragon Cooperative Principles	
<b>Open admission</b>	Co-ops will not discriminate in hiring
<b>Democratic organization</b>	One worker, one vote
<b>Sovereignty of labor</b>	Workers run the cooperative
<b>Participation in management</b>	Development of adequate systems for participation, transparency, consultation, and negotiation
<b>Instrumental &amp; subordinate nature of capital</b>	Providing and creating jobs is prioritized over increasing the return on investments
<b>Wage solidarity</b>	Highest paid workers earn no more than 3-7 times more than lowest paid workers
<b>Inter-cooperation</b>	Working cooperatively with other co-ops is valued and essential
<b>Universality</b>	Solidarity with all those who work for economic democracy
<b>Social transformation</b>	Support and invest in social change
<b>Education</b>	To promote establishment of these principles

## WORKSHEET: TEN PRINCIPLES IN ACTION

The union co-op model builds upon these 10 basic principles of the Mondragon cooperatives. This table provides a brief description of each of the basic principles. While you review these principles, think about how your union co-op demonstrates each principle.

BASIC PRINCIPLE	DESCRIPTION	HOW DOES YOUR UNION CO-OP DEMONSTRATE THIS PRINCIPLE?
Open admission	Anyone who can do the work and supports these 10 principles can become a worker-owner. There will be no discrimination.	
Democratic organization	Our co-ops are democratically organized companies governed by a General Assembly through one-worker one-vote. The General Assembly has the highest power in the company, elects the Board of Directors, and collaborates with managerial personnel.	
Sovereignty of labor (People are more important than money)	Labor has been the driving force behind every major change to society and the natural world throughout human history. The co-op is centered around labor, the people doing the work. The wealth created is distributed in terms of the labor provided, and there is a firm commitment to the creation of new jobs. Worker-owners receive competitive and just salaries and dividends based on the profitability of the cooperative.	

# 1.2 MONDRAGON

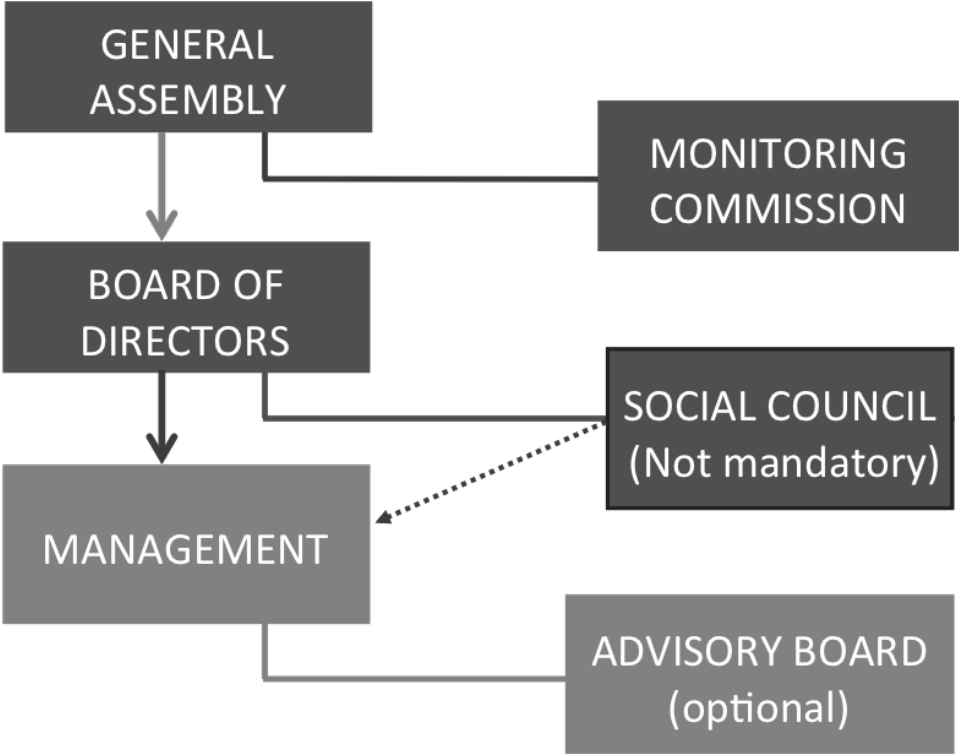
BASIC PRINCIPLE	DESCRIPTION	HOW DOES YOUR UNION CO-OP DEMONSTRATE THIS PRINCIPLE?
<p><b>Instrumental and subordinate nature of capital</b></p>	<p>Capital, money invested, is a necessary tool for creating businesses that provide jobs. External investors should be compensated fairly for their investment, but not in a manner that drains the business of value, or prioritizes investors over workers. Profits are to be invested to ensure the long term survival and success of the co-op, with a focus on creating more jobs.</p>	
<p><b>Participation in management</b></p>	<p>“Ownership” must become more than just the value of a share. Workers have a meaningful role in decision-making based on full access to information about the business. Systems for participation, including training, internal promotion and transparent sharing of information, must be created. Workers take full responsibility for the health of the co-op.</p>	
<p><b>Wage solidarity</b></p>	<p>Wage solidarity means there is less disparity among workers and the communities in which they live, reinforcing the equality and quality of ownership. In most cases, the highest paid worker in the Mondragon co-operative network makes no more than 6 times the lowest paid worker. The Mondragon Cooperative Experience declares sufficient payment based on solidarity to be a basic principle of its management. Solidarity is manifested both internally and externally, as well as at the corporate level. Compare this to CEOs in the U.S. who are sometimes paid thousands of times as much as their workers.</p>	

BASIC PRINCIPLE	DESCRIPTION	HOW DOES YOUR UNION CO-OP DEMONSTRATE THIS PRINCIPLE?
Intercooperation	An interdependent network of co-ops promotes solidarity and business efficiency by facilitating the sharing of common resources (finances, research and development, training, etc...) and enables co-ops to succeed by supporting each other during downturns and upturns in local and global markets. Our co-ops will engage and share resources with other businesses in the cooperative movement nationally and internationally.	
Social transformation	The co-op movement is more than just creating cooperative businesses. It is about partnering with others to bring about a freer, fairer and more caring society.	
Universality (Solidarity)	Co-op members stand in solidarity with those who work for economic democracy, justice, and peace. Solidarity means recognizing that whatever happens to one directly, happens to all indirectly.	
Education	To promote the establishment of these 10 principles it is essential to set aside sufficient human and financial resources for cooperative, professional, and youth education. Education and lifelong learning provide the tools for worker-owners to adapt and improve the cooperative so that it endures and inspires.	

## ORGANIZATIONAL STRUCTURE

Below is a review of the organizational structure of an individual co-op within Mondragon. Each cooperative maintains its own organizational structure and legal status. Similar cooperatives are grouped into associations to create an efficient inter-cooperative network. All cooperatives are part of Mondragon Cooperative Corporation, a co-op of co-ops.

## INDIVIDUAL CO-OP STRUCTURE



Landa, Fernando Fernández de. 2013. "Mondragon Corporation Democratic Organization." Powerpoint presentation at the 1st biennial Union Co-op Symposium, Cincinnati, Ohio, Fall 2013.



## **General Assembly**

- » Highest authority in the cooperative
- » Composed of all worker-owners, also known as members
- » Each member has one vote
- » Members are bound to decisions carried by majority vote

### **Main Functions:**

- › Approval of general policies, strategies and budgetary decisions. Votes for Board of Directors
- › Agreements related to internal legislation (statutes, internal legislation, other rules)

## **Monitoring Commission**

- » Organization responsible for accounting policies and financial controls
- » Consists of three members
- » Four-year terms, can be re-elected

### **Main Functions:**

- › Auditory and accounting oversight
- › Review of financials, year-end closing, profit and loss accounts
- › Review of accounting and legal documents when necessary
- › Oversight of all matters related to the General Assembly: votes, calling of meetings, counting of votes, meeting minutes, etc

## Board of Directors

- » Organization responsible for governance and management
- » Consists of three to twelve members; Four-year terms; Half of the members are elected every two years, and are eligible for re-election
- » Not eligible to be part of the board if currently: General Manager, accounting auditor, inactive member, a contributing member, or a member disqualified for disciplinary reasons

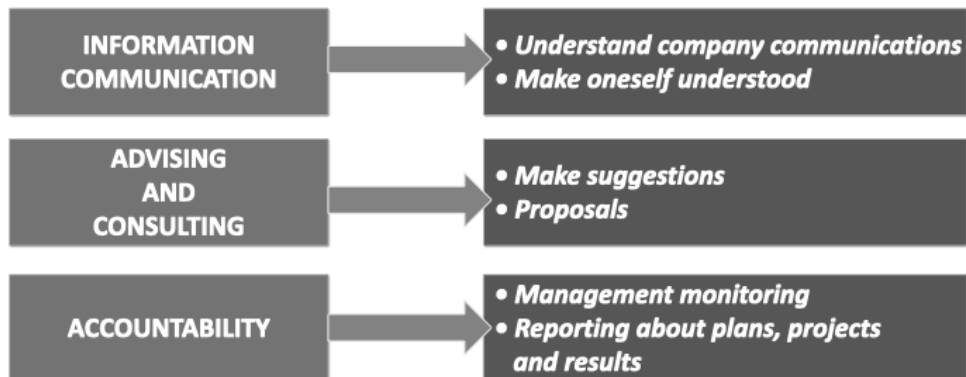
### Main Functions:

SOCIAL	FINANCIAL	LEGISLATIVE and INSTITUTIONAL
<ul style="list-style-type: none"><li>• Functions related to membership: becoming members, member removal, professional qualifications, leave of absence, ...</li><li>• Designation and dismissal of Managers and Directors, granting positions, functions and obligations, ...</li><li>• Implementation of labor and disciplinary rules.</li></ul>	<ul style="list-style-type: none"><li>• Proposal Review and Decision-making offered by Managers for: credits, investments, participations, expenses, etc., that exceed the Managers' level of autonomy/decision.</li><li>• Monthly follow-up of economic activity.</li><li>• Annual Account presentation to the General Assembly and proposals for the distribution of net surplus or losses.</li></ul>	<ul style="list-style-type: none"><li>• Call and manage the General Assembly, and the execution of agreements.</li><li>• Proposal of changes of bylaws or rules to the General Assembly.</li><li>• Definition of management, procedure or regulation rules.</li><li>• Act as representative of the cooperative.</li></ul>

Landa, Fernando Fernández de. 2013. "Mondragon Corporation Democratic Organization." Powerpoint presentation at the 1st biennial Union Co-op Symposium, Cincinnati, Ohio, Fall 2013.

## Social Council

Advisor and Information/Communication organization



### Main Functions:

- » To inform and advise Administrators, Management and Directors on all aspects related to the business, including:
  - › Work organization, work hours, holidays, festivals, leaves, professional classification, functional and geographical mobility, leaves of absence, suspension or obligatory dismissal for economic or force majeure (unforeseeable circumstances, extraordinary events) reasons, and any other issue directly related to the rights and obligations derived from social security benefits.
- » To suggest policies in the following areas:
  - › Human resources
  - › Working relations
  - › Working conditions
  - › Compensation
  - › Reorganization
  - › Security & safety
  - › Social provisions
  - › Development of written rules that protect the workers (Mondragon calls these “social statutes and regulations,” and we can think of them like collective bargaining agreements and employee handbooks in the U.S.)

Landa, Fernando Fernández de. 2013. “Mondragon Corporation Democratic Organization.” Powerpoint presentation at the 1st biennial Union Co-op Symposium, Cincinnati, Ohio, Fall 2013.

All of these functions are similar to the role that labor unions play in the United States, representing this set of interests, on behalf of all of the co-op's workers.

### **Management**

- » Management, as well as its responsibilities and powers, is appointed by the Board of Directors
- » Critical role – Management has a strong influence on the healthy functioning of the cooperatives

#### **Main Functions:**

- › Manage the cooperatives according to guidelines given by the Board of Directors
- › Suggest and preside over the Advisory Board

### **Advisory Board**

- » Body that oversees the coordination of the Management Team
- » Composed of the General Manager and directors
- » The President of the Board of Directors is, *ex officio*, member of Advisory Board, but has no voting power.

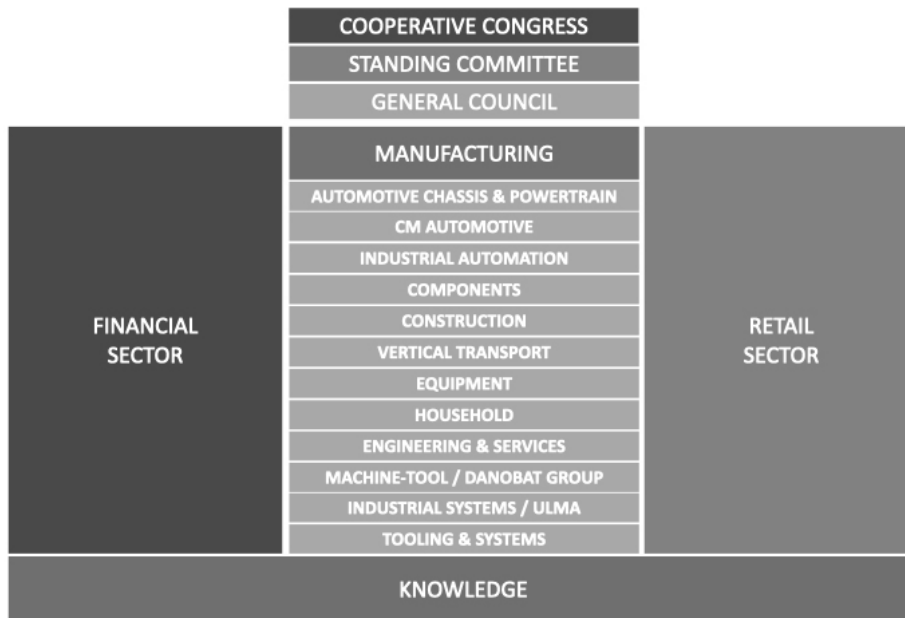
#### **Main Functions:**

- › Provides support and advice to management regarding development and growth of their businesses<sup>3</sup>

## STRUCTURE OF THE CO-OP NETWORK

Individual co-ops are in sectoral groups within Mondragon. All co-ops are part of the Mondragon Cooperative Corporation. Education is at the foundation of all the co-op efforts. Manufacturing has been at the center of Mondragon's development and the engine of economic growth and employment opportunities. Manufacturing (which they often refer to as the industrial sector) has been the driver of raising the standard of living of all employees. The financial sector or area-- Mondragon's bank--came into existence to serve the needs of

the co-ops and their members. Mondragon's retail sector has been growing substantially in recent years. The Cooperative Congress, made up of representatives of the co-ops, meets every five years to set direction for the integrated network. They elect a standing committee, which helps move the work in the years between cooperative congresses.



DeLanda, Fernando. 2013. "Mondragon Corporation Democratic Organization." Powerpoint presentation at the 1st biennial Union Co-op Symposium, Cincinnati, Ohio, Fall 2013.

### Intercooperation between cooperatives

In Mondragon, one of the key principles is the intercooperation between cooperatives. This is embodied in the cooperative in network multiple ways including when one co-op needs to lay off staff the other co-ops do what they can to absorb these workers into their workforce. Additionally, there is no internal competition between the various co-ops within Mondragon. In other words, if one co-op makes rail road ties, no other co-op within the network can make the same product. Co-ops also share profits. For example, within Mondragon between 15-40% of the gross profits

## 1.2 MONDRAGON

is typically paid into a joint fund that supports co-ops which are struggling within their sector and to the overarching co-op of co-ops, Mondragon Cooperative Corporation. Additionally, 10% of the net profit is contributed to a joint fund that supports education, a loss reserve fund and more. Lastly, the co-ops also practice solidarity in pay by using the same pay scale within the network and they share important data from operations with one another.

## CASE STUDY: FAGOR ELECTRODOMÉSTICOS

### The failure of Fagor Electrodomésticos and the solidarity shown by Mondragon – A U.S. perspective

by Phil Amadon and Kristen Barker

The failure of Fagor Electrodomésticos and the early successes of the union co-op movement in the U.S. are two sides of the same coin. Our movement here was inspired by the Mondragon–United Steelworkers agreement in 2009, based on the resiliency of the Mondragon model. Most working people around the world seem to know more clearly than any other social group that economic disaster is not only possible, but also probable in our modern day global economy. The failure of Fagor may frighten some, but workers who know the facts take real comfort in the solidarity that the Fagor worker-owners were shown by their compatriots in the rest of Mondragon.

Founded in 1956, Fagor grew to 6,000 employees and was the largest European appliance maker. Heavy losses during the European financial crisis and the associated restriction of capital markets forced Fagor into bankruptcy. The business was acquired by competitors and its products are still marketed under the Fagor label.

The failure of Fagor is not surprising to many working class activists. What is remarkable is the success of Mondragon's network of interconnected co-ops and their efforts to relocate, find early retirement, or give support to the worker-owners at Fagor. The level of aid and support in real money, job offers, and retirement benefits far outweighs the usual response to a plant shutdown in the United States or in many other places in the world. We know that businesses will fail and that cooperatives will go under. The international cooperative movement must learn from Mondragon how to give real aid, comfort, and solidarity to our brothers and sisters who will be the victims of these inevitable business failures.

We understand that some people in Mondragon are afraid that their cooperative system no longer works properly. We, in the heart of the most powerful capitalist country on earth, respectfully disagree. In the United States, working people have witnessed plant closings and economic displacement over and over again without any solidarity or real help for the workers who suffer. We are impressed when we see a real effort to help people get back on their feet after an inevitable failure. Because of the uneven development of modern capitalism, a multi-sector association of co-ops is the only form of cooperative organization that can take advantage of opportunities in certain sectors and buffer periodic

crises in other sectors, thereby protecting workers who are suffering from crisis in any one sector of the economy.

Without the Mondragon model of a cooperative of many cooperatives tied together by organization, monetary relations, and common rules and practices, we are left with individual co-ops that will flounder

on their own, sinking in a sea of economic hardship with no one to help them except for people throwing platitudes rather than actual life preservers. Many people in the U.S. cooperative movement cry out for autonomy, individuality and independence when the seas are smooth, but when a ship starts sinking in heavy seas, the watchwords are unity, solidarity, and survival.

Many in the international worker cooperative movement have learned that worker-owned cooperatives have had a rough time raising capital for over 150 years and always will. We argue that the search for growth and the search for expanding opportunities for the international cooperative movement cannot be based solely on the search for money. It must be based on the search for more allies integrated in a broader co-op movement, based on Mondragon principles, across many countries.<sup>4</sup>



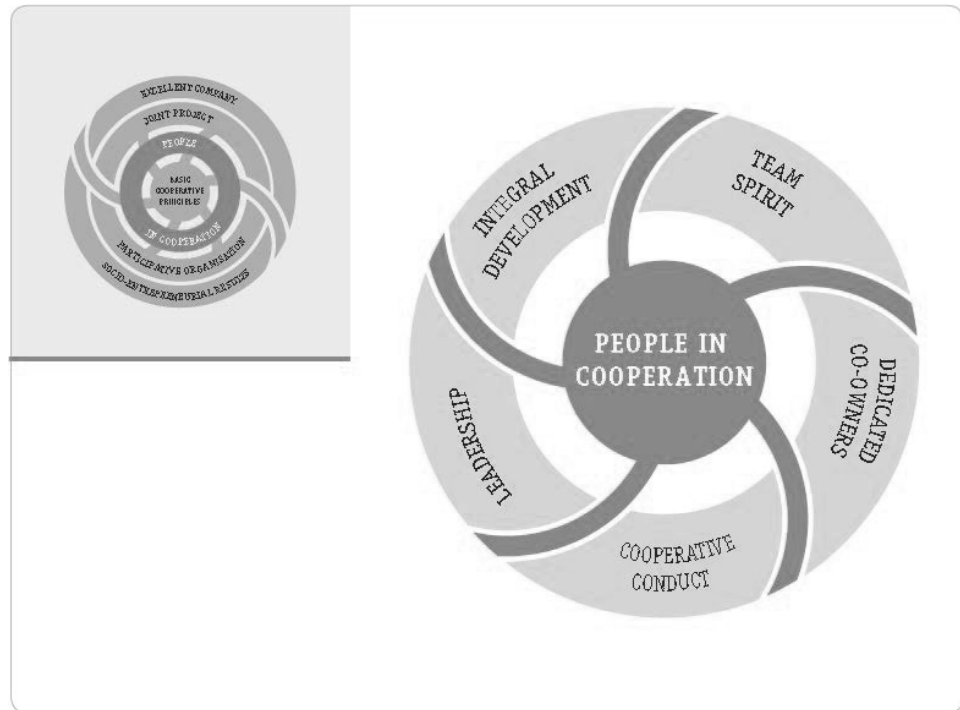
## CORPORATE MANAGEMENT MODEL



Source: Mondragon Corporation, "Corporate Management Model," March 2012.

### Cooperative Identity and Commitment

Mondragon tracks an incredible number of indicators, to make sure that the network of cooperatives is living up to its goals in 10 different areas. Most are considered mandatory for compliance. For example, hours of training per person, percentage of total staff who are members (worker-owners), percentage with capital holdings, percentage with a share in earnings, carbon footprint, creation of local jobs, and health and safety measures such as rates of accidents and absenteeism are all mandatory, along with additional indicators from their Organizational Culture Survey and their regular self assessment of their overall Corporate Management Model. Many of us have heard the phrase, "What you pay attention to grows." Mondragon has identified many important indicators of success -- and their success in each area has grown over the decades.



Source: Mondragon Corporation, "Corporate Management Model," March 2012.

### **People In cooperation**

People are the main protagonists of the Cooperative Management Model. We don't see them as a passive element that needs to be satisfied. Instead our people work as a team, cooperating with each other, with a team spirit of belonging, acting as enterprising businesspeople. In other words, they are dedicated co-owners, not only with cooperative ideas, but also with the cooperative conduct that upholds them, who exercise leadership in their milieu, and who aspire to integral development through personal and professional growth.<sup>5</sup>

## VALUES INTO PRACTICE: WEALTH SHARING

*“We don’t exist only to accumulate capital...we want to leave future generations something better than what we found.”*

- Anonymous

In Mondragon, two of the most important principles are interrelated: the Sovereignty of labor and the Subordinate nature of capital. In other words, while capital and profits are important to running a successful business, the capital exists to serve the people who work in the co-op. The principal reason the Mondragon co-ops were founded was to create good family sustaining jobs, not to maximize profit for individual owners. The goal is to create broad-based intergenerational wealth.

Mondragon offers an example for how capital can be a tool for equality. Once wealth is created through successful businesses, the cooperative structure enables a more equitable distribution of this wealth to the workers and their community. Evidence of this is through the Gini index, or Gini coefficient, a tool researchers use to measure inequality. The higher the value between 0 and 1, the more unequal the society. The USA’s Gini coefficient is 0.41. Norway, the most equal society by the Gini Index, boasts a Gini coefficient of 0.22. In an interview in 2015, former Mondragon International President, Josu Ugarte proudly stated how effective the Mondragon system has been in achieving positive social outcomes saying, “Here in the Basque country, Mondragon’s home base, we are at 0.24. So we are close to the best society in terms of equality, and for us that is really important.”<sup>6</sup>

The way this value is lived out is through the cooperative structure and the working practices that are a part of a worker cooperative. For example, the foundation of the democratic governance structure of a worker cooperative is “one worker one vote.” Related to this, as profits are generated, all of the worker-owners share in the profit they have created, proportionally to the time they have put into the co-op. This practice creates powerful impacts including a better quality of life for the workers, who then spend and invest in the local economy, which creates more jobs and intergenerational community wealth.

Other values that Mondragon holds dear, and have broad community impacts, include Solidarity with other social movements, and Mondragon’s strong emphasis on the Education principle. As such the Mondragon co-ops have had an enormous impact on stabilizing and preserving the Basque community.

### Endnotes

- 1        Fernández, José Ramón. 2012. Mondragon 1956 – 2012. Mondragon Cooperative Corporation.
- 2        “Economic and financial indicators.” Web MONDRAGON Corporation. Accessed November 28, 2017. <https://www.mondragon-corporation.com/en/about-us/economic-and-financial-indicators/>.
- 3        Landa, Fernando Fernández de. 2013. “Mondragon Corporation Democratic Organization.” Powerpoint presentation at the 1st biennial Union Co-op Symposium, Cincinnati, Ohio, Fall 2013.
- 4        Barker, Kristen, and Phil Amadon. “Fagor Electrodomesticos – A U.S. Perspective.” [1worker1vote.org](http://1worker1vote.org). May 05, 2014. Accessed February 2017. <http://1worker1vote.org/fagor-electrodomesticos-a-u-s-perspective/>
- 5        *ibid.*
- 6        “A Manufacturer of Equality”. Interview with Josu Ugarte. June 1, 2015. <http://toomuchonline.org/this-business-manufactures-equality/>

# I.3 LABOR

Organized labor plays a key role in protecting the rights of workers and improving the standard of living. Unions as we know them today are the result of heroic leaders and grass roots efforts in the 19th and 20th centuries.

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8-Hour-Day Poster



Minnesota Women's Labor Union button



Moore Shipyard workers led by world-famous baritone Paul Robeson sing the Star Spangled Banner at their lunch hour, 1942.

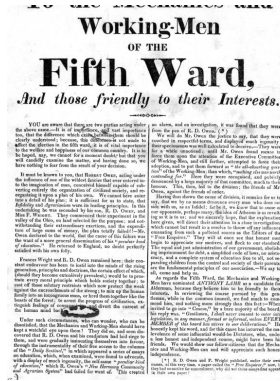
## START OF THE U.S. LABOR MOVEMENT

In the United States, the **labor movement** is responsible for ending child labor, providing health benefits to workers, compensation for workers who are injured on the job, as well as income in retirement.

The labor movement in the United States is responsible for many improvements in working conditions—ending child labor, advocating for a 40-hour work week, and compensating injured workers. These improvements have benefited everyone in the labor force, regardless of whether or not they were union members themselves. Today we tend to take these improvements for granted. To put the union movement in context, it's helpful to consider U.S. working conditions before unions.

The Industrial Revolution created vast numbers of jobs, but laborers were routinely exploited. Working conditions varied among industries and locations, but extremely long work days were the norm. In the 1830s, work days averaged 10 to 12 hours, and 14 -hour days were not uncommon. The standard work week was six days long.<sup>1</sup> Child labor was rampant. In 1820, over 40% of the mill workers in some New England states were children. Children as young as 7 were working full time. The first textile mill in America was staffed entirely by children under 12 years old.

**Labor Movement:**  
Organized labor, or its programs and policies



"To The Mechanics and Working Men of the Fifth Ward condemned the working conditions in Philadelphia." Library of Congress, Public Domain.

Mill owners preferred women and children as their workers, because they could pay them less than men. Health and safety standards were nonexistent. There were no laws mandating compensation for injured workers.<sup>2</sup>

In 1827 in Pennsylvania, the first Mechanics Union of Trade Associations (MUTA) was formed. It was the first central labor council in the nation and is recognized as the beginning of the American Labor Movement. It represented workers as a class, not by their specific craft. MUTA advocated for a 10-hour work day and engaged in political activism, strikes and demonstrations, and workers' education.<sup>3</sup>

However, the U.S. labor movement also began as a disjointed, partially-organized rebellion against excessive work hours, low pay, political corruption, and **chattel slavery**. In the U.S., chattel slavery for the most part only applied to people of African descent. The chattel slavery system was institutionalized in the South where agriculture was the core of the economy. Intensive, back-breaking labor such as growing and harvesting cotton were the main industries in which chattel slavery was clearly profitable. In the American Civil War between the North and the South, the South's lack of industry and dependence on agriculture contributed to its defeat. This lack of industry was primarily the result of the dominance of the slave labor system and the growth of "king cotton" as the main source of profit; whereas in the North, manufacturing was well developed and central to the economy.

The labor movement at this time was a central opponent of the slave system. The leading spokesperson for this movement was Abraham Lincoln and he clearly argued that slavery harmed the interests of the European American working class. This was an important part of the developing labor movement. There was an entire economic system, chattel slavery, that workers opposed even if they were not slaves themselves because it directly undermined their working conditions, standard of living and economic and political prospects for their future. It was clear to Lincoln and his supporters, such as the "Wide Awake" movement, that the new states of the Western United States had to be free states (or not allow chattel slavery), in order to enable working class European American people to prosper. The economics of chattel slavery was the root of the construction of racism against African Americans in this country, and anti-Black racism more generally. This construction has influenced every part of our

**Chattel slavery:**

involuntary servitude, the legally sanctioned ownership of a person by another individual. The slave owner was typically expected to feed, clothe, and house these individuals, but did not pay wages.

Additionally, the children that are born to enslaved people are also considered the property or "slaves" of these business owners and could be sold to other free individuals.



society, from economics to psychology and beauty standards. And from the very beginning of the labor movement, racist treatment of African Americans has been a central problem.

## THE EARLY LABOR MOVEMENT

In April of 1865, as the Civil War came to an end, slavery was abolished and the United States began to have a single labor market over the whole of its territory. With the end of the war and chattel slavery system, the number one economic issue became the struggle of the working class for fair wages and conditions, which dominated every aspect of American life – cultural, intellectual, and social. A key element of this struggle for better wages and working conditions was--and continues to be--the struggle against racism, so that Black workers and white workers could unite to improve conditions for everyone.

Starting in 1869, the **Knights of Labor (KOL)** became a prominent national workers' rights movement and organization. The KOL promoted the social and cultural uplift of working people, the end of child and convict labor, a progressive income tax, and an eight-hour day.

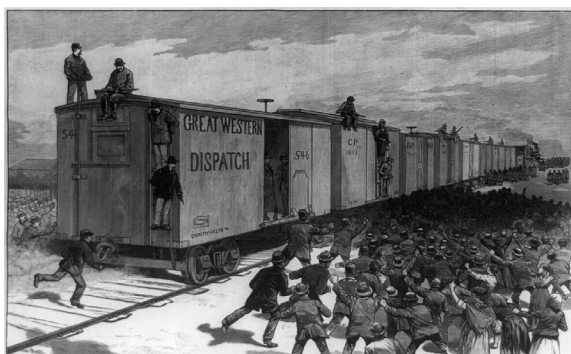
The KOL was the first national organization that combined all elements of the labor movement including organizing, politics, co-ops, and strikes. Besides organizing politically, providing education for workers and giving strike support, and bargaining support for improved conditions, they also organized worker cooperatives. According to historian Steve Leikin, the Knights of Labor represented over 750,000 members and 185-200 worker, consumer, and producer cooperatives at their peak in 1886.<sup>4</sup> One of their slogans was "Vote as you strike, strike as you vote, and build the cooperative common wealth." The KOL enrolled Black and white members, men and women, and included all crafts and types of workers. The KOL were becoming a modern national

union of workers in the United States.

The large corporations that dominated post-Civil War America developed strong opposition to the KOL and the potential that they represented: an alternative society and an economy that worked for all. This stance was

### Knights of Labor:

An early industrial union founded in 1869. The Knights of Labor were also one of the first labor union organizations to promote the development of worker- owned cooperatives. After 1878 they accepted women and people of color.



"Creative Commons Great Railway Strike 1886 - E St Louis" by Nebinger, G. J. is licensed under CC BY PD-US.

strengthened in 1886, when the KOL led a strike of the southwest rail system, standing up to and against railroad baron Jay Gould, which included workers from the Missouri Pacific, and other railroads.<sup>5</sup> A railroad strike at this time was equivalent to a modern-day strike that would involve trucks, airlines, and trains all at the same time. In other words, a total commercial transportation paralysis – people, mail, and freight. It stopped all forms of commercial communications and logistics. Corporations acted decisively to crush the organizing efforts of the KOL. Within two years of this strike, all of the co-ops organized by the Knights of Labor were destroyed. According to the book, *For All the People*:

*“The viability of the cooperatives had been tied to the strength and solidarity of the local assemblies and burgeoning organization, and through the good will and support of the local communities. Earlier the KOL cooperatives had great community support. In large part, the public saw the Knights and the labor movement as representing the constructive interests of the American working people, and went out of their way to patronize them...As the organization was attacked continually and painted in the press as the source of violence and destructive lawlessness, the cooperatives lost much of their clientele and markets...Customers stayed away and some proved afraid to patronize them in an environment of alarm...Hard times, capitalist backlash, and shrinking membership ultimately doomed both (KOL assemblies and co-ops).”<sup>6</sup>*

When the labor movement was just organizing and not building co-ops or building co-ops and not organizing, they were not seen as much of a threat, but when the KOL organized this extremely successful railroad strike and over 200 co-ops at the same time the industrialists saw just how powerful they could be and retaliated against them. In a way, this was the official end of the first wave of the original American union co-op movement. It started right after the Civil War with the founding of the KOL in 1869 and ended in 1889.

### The strike at the heart of labor history



"Fight for Your Rights! The Pullman Strike" by WakeUpChicago. Screenshot from video.

During the major economic depression of the early 1890s, the Pullman Palace Car Company cut wages in its factories. Discontented workers led by Eugene V. Debs joined the American Railway Union (ARU), which supported their strike by launching a boycott of all Pullman cars on all railroads.

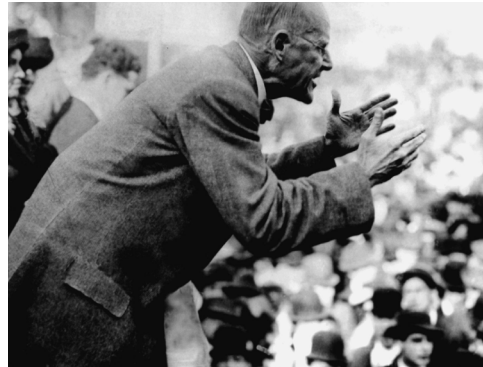
ARU members across the nation refused to switch Pullman cars onto trains. When these switchmen were disciplined, the entire ARU struck the railroads on June 26, 1894. Within four days, 125,000 workers on 29 railroads had opted to quit work rather than handle Pullman cars.<sup>28</sup>

The strike was broken up by United States Marshals and some 2,000 United States Army troops sent in by President Grover Cleveland under the premise that the strike interfered with the delivery of U.S. Mail.<sup>29</sup> During the strike, many people were killed and wounded.

## LABOR FEDERATIONS

The American Federation of Labor (AFL) was a national federation of labor unions in the United States. It was founded in Columbus, Ohio, in May 1886 by an alliance of **craft unions** who left the Knights of Labor.<sup>7</sup> As the Knights of Labor were suffering under repressive actions of corporate America, the AFL was developing a reputation of being a pure and simple craft union organization for skilled workers. Many skilled tradesmen wanted a better quality of life and high wages. Their unions were designed to get the members what they wanted and they were not particularly concerned with co-ops or unskilled workers who needed a union. The goal of the AFL was to get its members out of poverty as quickly as possible, and keep them out.

The AFL opposed the organization of cooperatives by unions and socialists of that day who advocated that workers form a “cooperative commonwealth.” The AFL organized mostly white male workers and openly advocated that unions only take on issues such as better wages and hours and safer working conditions. They argued that working towards a new society would weaken the union’s focus and make the unions more vulnerable to repression.



Eugene V. Debs delivering his anti-war speech in Canton, Ohio on June 16, 1918. He would later be jailed for the speech. Public domain.

Eugene Victor Debs, the most widely known labor leader and socialist of his time, advocated a much broader **industrial unionism** than the AFL craft unionism. Debs believed broader social change was also necessary to advance workers rights.

In his leadership of the American Railway Union, he provided cutting edge guidance of the most powerful workers’ organization of his day. Because of his dynamic

leadership during a second famous Pullman strike in 1894, he was imprisoned and his union organization destroyed by the federal government. industrial unionism and the “cooperative commonwealth” created a prominent reputation that Debs used upon his release to help form the U.S. Socialist Labor Party in 1900. The Socialist Labor Party advocated for industrial unions rather than craft unions unity of the whole working class regardless of race, nationality, or gender; and a “cooperative commonwealth.”<sup>8</sup>

**Craft union:** A labor union where workers are organized based on the craft or trade they do. (e.g. electricians, sheet metal workers, etc.)

**Industrial union:** A labor union where all workers in the same industry are part of the same union regardless of their skill, craft, or trade.

It was not until the Great Depression that the old AFL formula for narrow prosperity fell apart. The general crisis of capitalism robbed the skilled trades of the foundation of their prosperity, as their employers could no longer offer high-paying work.

Erupting out of the Great Depression and the New Deal, the Congress of Industrial Organizations (CIO) broke away from the AFL because of the refusal to organize the mass of unskilled workers, pushing back against narrow craft unionism. The CIO wanted to organize everyone in each industry into one big union.

The United Mine Workers of America (UMWA) were the seedling that sprouted the CIO. Wherever coal deposits were found, oppressed miners were digging for starvation wages in unsafe conditions.

Wherever oppressed miners were found, the UMWA was organizing with great energy, discipline and courage. The UMWA was an industrial union before these were common, established as one union for all miners in the industry regardless of job title or craft. The UMWA regularly admitted African American miners, even in the South.

The UMWA leader at the time, John L. Lewis, brought hundreds of thousands of mine workers into the union from steel mills, especially those in Pennsylvania and the Ohio valley.<sup>9</sup> He led the formation of the Steelworkers Organizing Committee (SWOC) and out of that beginning came the United Steelworkers, the United Auto Workers, the United Rubber Workers and the United Electrical Workers. These unions together, organized the vast majority of workers in the industrialized parts of America, and they achieved some of the most dramatic gains that workers in the U.S. have ever seen.

The CIO organized all workers in a given industry into one big union under one contract with the employers of that industry. This principle of one contract per industry led to the best contracts in American history for all workers.

After the defeat of the Fascist powers in 1945 and the death of Franklin D. Roosevelt, the business elite of the United States launched an all-out effort to roll back the gains of the workers both in the U.S. and worldwide. This resulted in the “Red Scare” of the McCarthy era and the union movement; leftists of all varieties were labeled as communists and driven out of the unions. This also resulted in the passage of the Taft-Hartley Act in 1947, the first anti-labor legislation in many years. Organized labor sustained a direct blow, the effects of which are felt to this day.

### The Taft-Hartley Act

The pro-corporate majority in the House and Senate guaranteed the passage in 1947 of the anti-labor Taft-Hartley Act, which was passed over President Truman's veto and despite the opposition of all organized labor. The Taft-Hartley Act replaced the pro-union spirit of the **Wagner Act**, which had been signed into law by President Roosevelt in the mid-1930s, during organized labor's greatest expansion, giving crucial aid to labor's rise. The hero of the anti-labor business community that crafted this law was a lawyer that worked for the law firm Taft, Stettinius & Hollister in Cincinnati, Ohio. The law was designed to hasten labor's fall.

One of the devastating features of the Taft-Hartley Act was that it opened the door to "right-to-work" legislation. **Right-to-work** laws allow workers protected by a union contract to opt out of paying the expenses that the union incurs while guaranteeing the rights of all employees. This limits unions' resources, which in turn weakens the ability of workers to have a say about their jobs and drives down everyone's wages, benefits and living standards. Clearly, the real agenda of the Taft-Hartley Act and its supporters is the limitation of union power and the destruction of union rights.

*Twelve of the 15 states with the worst pay gaps between men and women are "right-to-work" states.<sup>30</sup>*

## UNIONS, CO-OPS AND THE CIVIL RIGHTS MOVEMENT

A. Philip Randolph & W.E.B. DuBois were socialist co-op activists and supporters of unions.<sup>10,11</sup> Randolph was the leader of the first African American trade union to win a collective bargaining agreement with a major corporation. The Brotherhood of Sleeping Car Porters (BSCP) was also the backbone of the grassroots **Civil Rights Movement** across the U.S. South during the 1940s and 1950s. Randolph was able to persuade Franklin Delano Roosevelt to issue Executive Order 8802, that helped to integrate the defense industry during World War II.



"Brotherhood of Sleeping Car Porters founder A. Philip Randolph, the public face of the union, as he appeared in 1942." By Gordon Parks for Office of War Information. Public Domain

### Civil Rights Act:

Federal legislation that outlaws discrimination in public accommodations and employment on the basis of race, color, sex, religion or national origin

One of the crucial union co-op contributions to the U.S. Civil Rights Movement came from the BSCP, during the Montgomery Bus Boycott of 1955 and 1956. In Montgomery, Alabama, E.D. Nixon was the local president of the BSCP. Nixon applied his skills as a labor organizer, including tactics he learned from the BSCP, to the Civil Rights struggle in Montgomery. E.D. Nixon worked side-by-side with another working-class activist, Rosa Parks.<sup>12</sup> Rosa Parks was secretary of the Montgomery NAACP chapter and E.D. Nixon was the president. They worked together for 12 years before the Montgomery bus boycott. The BSCP had also been organizing co-op training, education and organizing for 30 years through its Ladies Auxiliary. The Montgomery Bus Boycott began after the

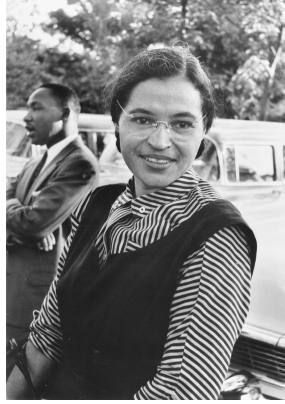
*"In our glorious fight for civil rights, we must guard against being fooled by false slogans, such as 'right to work.' It is a law to rob us of our civil rights and job rights. Its purpose is to destroy labor unions and collective bargaining..."*

— Martin Luther King Jr.

famous incident when Rosa Parks refused to move to the back of the bus, as she was told by the white bus driver.

The Montgomery Improvement Association (MIA) formed in the days following the December 1955

arrest of Rosa Parks, to oversee the Montgomery bus boycott<sup>13</sup> E.D. Nixon and the activists from his union who were participating at the MIA recognized that many of the ministers there were either too conservative or too afraid to lead the organization effectively. Dr. King was a very powerful speaker, and as a young minister, he was far less conservative than the others.



Photograph of Rosa Parks with Dr. Martin Luther King jr. (ca. 1955). [Public domain], via Wikimedia Commons.

E.D. Nixon and Rosa Parks provided the clear working-class leadership that helped to organize the transportation for African American worker when the bus boycott began. Although it was important for the movement to withhold both dollars and validation from the bus system, people still needed to get to work. The carpooling to get Black workers to their jobs was brilliantly structured much the same way as a cooperative would be.<sup>14</sup>

Initially, Montgomery's 18 Black-owned cab companies transported boycotters for 10 cents per ride, instead of the standard 45 cents. Police and city officials threatened to arrest anyone who didn't charge 45 cents per ride. The MIA organized a rideshare carpool program in 1956, and 300 cars participated. Car owners drove according to a certain schedule and then were eligible for rides on other days.<sup>15</sup>

E.D. Nixon and Rosa Parks combined working class consciousness and union solidarity with a clear and vigorous stand for racial justice. Their experiences with the Brotherhood of Sleeping Car Porters, the leadership of A. Philip Randolph, and their practical experience as working-class activists and community civil rights leaders brought them to leadership at one of the crucial moments in the history of the modern Civil Rights movement.

The union co-op movement has had a great impact, even when it hasn't been recognized.





AFL-CIO Headquarters in Washington, D.C. Taken by Matt Popovich and released under a CC-BY-3.0 license.

## THE MERGING OF THE AFL-CIO

Up until the 1950s, the strategies of the KOL and the CIO resulted in a US Labor Movement that increased in both size and influence. The AFL's strategy of "pure and simple" trade unionism, focusing only on improving the wages, benefits, and working conditions of their current membership, was effective until the late 1800's. By the 1950s, a third of all workers were members of labor unions. However, during the 1950s there was a strong bias against anything associated with left wing ideas, and sometimes co-ops were categorized as such. After the passage of the Taft-Hartley Act in 1947, labor found itself under attack, and the AFL and the CIO merged as a response to these new threats. From this period on, the attacks against working people's organizations have continued, and become increasingly sophisticated and well-funded. Our labor unions have had a hard time keeping up, and membership rates, real wages, benefits and other worker protections have declined steadily.

The twenty-first century AFL-CIO is a merger of the history and culture of its two organizations, and continues to balance the many different point of view and political orientations of its member unions.

### THE MODERN-DAY LABOR MOVEMENT

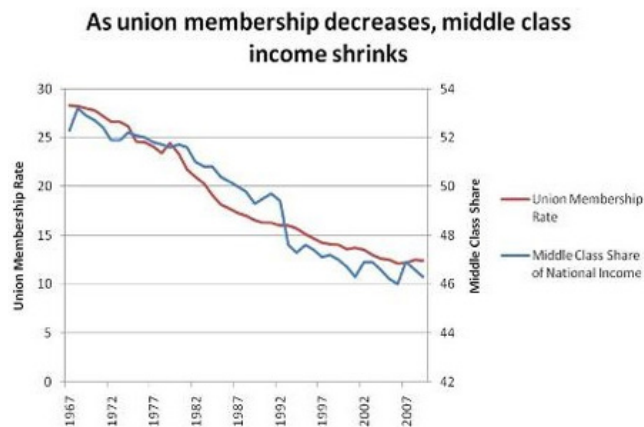
The modern day labor movement has had to face systematic efforts by right wing politicians to destroy the movement in its entirety, starting in 1894 with President Cleveland's blow against labor during the Pullman strike. The passage of the Taft-Hartley Act in 1947 completely reversed the "pro-labor" legal environment and great labor victories of the 1930s. In the resultant hostile legal environment, strikes became fearsome fights to the finish and union workers found themselves permanently and legally replaced. 1981 brought the watershed moment in which President Reagan openly broke a union engaged in a legitimate strike over safety issues. Air traffic controllers sought additional personnel to assist weary controllers. Exhaustion was creating unsafe travel conditions. Instead of addressing safety issues, Reagan fired the workers, which caused further slow-downs in the aftermath of the strike. Reagan set a precedent that it was acceptable to adopt a strategy of crushing unions instead of negotiating difficult issues.

In addition to political policies, by the 1970s and '80s, free trade policies and deindustrialization were in full effect, rapidly increasing the flow of imports. Goods such as automobiles, steel and electronics from Germany and Japan, and clothing and shoes from Asia, undercut American producers,<sup>16</sup> and led to the offshoring of hundreds of thousands of jobs, decimating union membership. In the domestic steel industry alone over 4.5 million steel jobs were lost between 1980-2005.<sup>17</sup> In response, labor and community leaders and organizations came together to try to stem the losses. They used strategies such as eminent domain and Employee Stock Ownership Plans (ESOPs) to take back their companies. ESOPs allowed workers to use their retirement funds as collateral to help save businesses (which were often failing, or in danger of being relocated overseas by their previous owners). Unfortunately, much of the time this tactic did not live up to the hopes of the workers or the community and many plants ended up being closed anyway, destroying workers' retirement savings in the process. One of the positive developments during this time period was an organization called the Mon Valley Steel Authority, which has saved thousands of jobs since the 1990s.

During this time, there was also a large-scale shift in employment with fewer workers in high-wage sectors and more in lower-wage sectors.<sup>18</sup> Many companies closed, relocated overseas, or moved their factories to Southern states (where unions were weak, due to laws that weakened them systematically over time).<sup>19</sup>

Once company ownership started threatening to close or relocate companies, strikes became far less effective.<sup>20</sup> The number of major work stoppages fell from 381 in 1970, to 187 in 1980.<sup>21</sup> The accumulating weaknesses were exposed when President Ronald

Reagan—a former union president—broke the Professional Air Traffic Controllers Organization (PATCO) strike in 1981.<sup>22</sup> The decline in the number of major work stoppages fell even more dramatically after that, and was down to only 11 in 2010.<sup>23</sup> As union membership decreases, middle class income shrinks.



Think Progress 2011.

The labor movement has been fighting to remain relevant and reinvent itself.

Recent campaigns have raised public awareness regarding the impacts of corporate greed, and some have resulted in broad-based

improvements in wages and working conditions for working people. Despite an early experience of police brutality against striking janitors at Century City in Los Angeles, the Service Employees International Union (SEIU)'s Justice for Janitors campaign unionized and improved the lives of hundreds of thousands of janitors around the country, who were previously believed to be "unorganizable" because of the subcontracted nature of their industry and the large numbers of immigrants doing this work.

Later, the Coalition of Immokalee Workers (CIW) organized with an even more vulnerable workforce of migrant farmworkers in Florida. The CIW's Campaign for Fair Food, which began in the 1990s, has successfully increased wages for farm workers by pressuring big end consumers such as fast food restaurants and grocery chains to pay more for their produce.<sup>24</sup> On-the-ground organizing has also improved safety and working conditions in the fields.

During the 1999 'Battle of Seattle' and subsequent protests around the world, labor and the social justice community, affectionately dubbed "Teamsters and Turtles," came together to push back against the World Trade Organization and global neoliberal policies. The United Food and Commercial Workers Union's Wake Up Walmart campaign in the 2000s put a black eye on the world's largest employer and has forced Walmart to change some of its business practices.<sup>25</sup>

The Labor Movement also played an essential role in helping elect the first African American President in 2008 and 2012, and shaping and advocating for policy initiatives such as the Affordable Care Act.

Most recently, SEIU's Fight for \$15 has resulted in minimum wage increases of at least \$68 billion (as of November 2018). According to the National Employment Law Project (NELP), this total increase was 14 times larger than the total increase received the last time the federal minimum wage was increased, which was approved in 2007. Most of this increase in income was due to \$15 minimum wage laws won in California, New York state, Massachusetts, Flagstaff, Los Angeles, San Jose, San Francisco, Washington DC, Montgomery County, Minneapolis, St. Paul, Seattle and SeaTac before the NELP report in 2018.<sup>26</sup> By November of 2020, local and state governments continued to raise minimum wages, with Florida voters approving a ballot initiative raising its minimum wage during the presidential election that also elected Joe Biden, who made an increase in the federal minimum wage a plank in his platform.<sup>27</sup>

## THE SECOND WAVE OF THE UNION CO-OP MOVEMENT

A strategy that the labor movement has returned to as it has tried to reinvent itself, getting back to its KOL roots, is proactively working to create union worker cooperatives. This form of organizing kicked off in 2004 when the largest worker-owned cooperative in the country, Cooperative Home Healthcare Associates in the Bronx, which has more than 2,000 workers, became union with SEIU.

The decisive event in creating a broader union co-op movement in the U.S. was the 2009 agreement between the United Steelworkers, the United States' largest manufacturing union, and Mondragon, the world's largest network of worker-owned cooperatives. The two organizations agreed to collaborate on forming union worker cooperatives in the United States. These two events, which straddled the 2008 economic crisis, sparked the new wave of union co-op organizing.

In 2011, a small group of community, labor, and immigrant organizers in Cincinnati decided to bring the Mondragon-USW agreement to life for their communities, and Co-op Cincy was born. (The organization was originally called the Cincinnati Union Cooperative Initiative.)

As of 2020, Co-op Cincy has supported the creation of 8 start-up cooperatives, and has begun to support retiring business owners who are interested in selling their businesses to their employees. Co-op Cincy has also created a local loan fund and inspired the creation of the national network of union co-ops, 1 Worker 1 Vote, and union co-op networkers in other cities, including Los Angeles, Dayton and New York City.

Some of the largest union worker cooperatives that have been created since the 2009 Mondragon-USW agreement include the Communication Workers of America's taxi cooperative in Denver, with over 600 drivers, and the International Association of Machinists' lobsterman's co-op in Maine which had over 500 members as of the Fall of 2017.

The union co-op movement has encountered unions with a lot of professionalism in some areas and a lot of shortcomings in others. Which is to be expected, since the labor movement is the broadest coalition of working people from different backgrounds in the United States.

The working class, as Mondragon founder Father Arizmendiarieta understood it, owns no productive property and so must sell its labor power on the market in order to earn a living. The working class creates more wealth than what it is paid, and job loss or


an economic slowdown can send thousands of workers into poverty. Historically, only working-class solidarity has improved the economic and social standing of workers. Workers respond to the concepts of Mondragon cooperatives because they truly reflect our sovereignty, and are based on the principles commonly understood by workers: solidarity, group action, and worker self-management.

The union co-op movement is a dynamic answer to the dilemma of working class people losing economic ground while still having a considerable amount of organizational power within the shrinking labor movement.

## WORKSHEET: UNIONS

### Introduction

Take a few minutes and think about the following prompts. Use the middle column to collect your thoughts on each prompt. Thoughts can be negative, neutral, or positive. Share as many ideas, opinions, beliefs and experiences you have had or you believe others may have. There are no wrong or right responses. This exercise is to foster dialogue and learning about labor unions.

<b>Learning Goals</b>	<ul style="list-style-type: none"> <li>» Strengthen self-awareness</li> <li>» Think about what you already know</li> <li>» Discuss how and why ideas, perceptions, &amp; experiences differ</li> <li>» Boost your knowledge of types of workers who have unionized, what unions do, why unions are established, and which union supports your work</li> </ul>
	

PROMPT	THOUGHTS	DISCOVERIES
A. What does the word <i>union</i> mean to you?		
B. Describe a labor union.		
C. What kinds of skills, industries, professions and trades have unions?		

# 1.3 LABOR

PROMPT	THOUGHTS	DISCOVERIES
D. How are unions formed?		
E. What are your thoughts about the misconceptions about unions?		
F. How would a union benefit you?		
G. How can a union benefit an employer?		

Have you ever been a member of a union? If yes, which one(s):  
\_\_\_\_\_

Do you know anyone who is a member of a union? If yes, which one(s):  
\_\_\_\_\_

Additional thoughts or comments:



## FACTSHEET: UNIONS

### Learning Goals

This exercise is designed to provide a safe, nonjudgmental opportunity to share and learn. Ideas and thoughts that are not your own should not be shared outside this group. Honest sharing is the best way to get the most out of this exercise.

PROMPT	DISCOVERIES
<p><b>A. What does the word union mean to you?</b></p>	<p><b>Union</b>                      :an organization of workers formed to protect the rights and interests of its members                      :an act of joining two or more things together                      :a group of states or nations that are ruled by one government or that agree to work together                      :something formed by a combining or coalition of parts or members</p> <p><b>Labor Union</b>                      :an organization of workers formed for the purpose of advancing its members' interests in respect to wages, benefits, and working conditions</p> <p>Merriam-Webster Dictionary</p> <p>Notes: _____                      _____                      _____                      _____                      _____                      _____</p>
<p><b>B. Describe a labor union.</b></p>	<p>Unions have made life better for all working Americans by:</p> <ul style="list-style-type: none"> <li>» passing laws ending child labor</li> <li>» establishing the eight-hour day</li> <li>» protecting workers' safety and health</li> <li>» helping create Social Security, unemployment insurance and the minimum wage</li> </ul> <p>Language adapted from Los Angeles Federation of Labor, AFL-CIO Website</p> <p>Notes: _____                      _____                      _____                      _____                      _____</p>

# 1.3 LABOR

PROMPT	DISCOVERIES					
<p><b>C. What kinds of skills, industries, professions and trades have unions?</b></p>	<p>A wide range of people, including many women and immigrants, are joining unions.</p> <table border="1" data-bbox="487 331 1396 1451"> <tr> <td data-bbox="487 331 779 1451"> <ul style="list-style-type: none"> <li>Flight attendants</li> <li>Air traffic controllers</li> <li>Postal workers</li> <li>Seafarers</li> <li>Pottery workers</li> <li>Elevator constructors</li> <li>Musicians</li> <li>Railroad workers</li> <li>Ironworkers</li> <li>Bricklayers</li> <li>Shipbuilders</li> <li>Die stampers</li> <li>Letter carriers</li> <li>Insulators</li> <li>Utility workers</li> <li>Engineers</li> <li>Nurses</li> <li>Roofers</li> <li>Waterproofers</li> <li>Pilots</li> <li>Mine workers</li> <li>Teachers</li> <li>Molders</li> <li>Stage employees</li> <li>Mail handlers</li> <li>Forestry workers</li> <li>Energy workers</li> <li>Taxi workers</li> <li>Office employees</li> </ul> </td> <td data-bbox="779 331 1071 1451"> <ul style="list-style-type: none"> <li>Cement masons</li> <li>Painters</li> <li>Police</li> <li>Factory workers</li> <li>Plasterers</li> <li>Government employees</li> <li>Publishing employees</li> <li>Painters</li> <li>Football players</li> <li>School employees</li> <li>Actors</li> <li>Transportation workers</li> <li>Boilermakers</li> <li>Aviation safety</li> <li>Electrical workers</li> <li>Bakery</li> <li>Writers</li> <li>Pipefitters</li> <li>Engravers</li> <li>Novelty workers</li> <li>Machinists</li> <li>Firefighters</li> <li>Laborers</li> <li>Glass workers</li> <li>Longshore workers</li> <li>Sheet metal workers</li> <li>Auto workers</li> <li>Grain millers</li> <li>Steelworkers</li> </ul> </td> <td data-bbox="1071 331 1396 1451"> <ul style="list-style-type: none"> <li>School administrators</li> <li>Communication workers</li> <li>Plumbers</li> <li>Agricultural workers</li> <li>Radio artists</li> <li>Plastic workers</li> <li>Variety artists</li> <li>Television artists</li> <li>Aerospace employees</li> <li>Production workers</li> <li>Rubber workers</li> <li>Tobacco workers</li> <li>Train dispatchers</li> <li>Broadcast employees</li> <li>Newspaper employees</li> <li>Food &amp; commercial Workers</li> <li>Printing employees</li> <li>Farm workers</li> <li>College professors</li> <li>Janitors</li> <li>Airport workers</li> <li>Security officers</li> <li>Meat packers</li> <li>Cashiers</li> <li>Home care workers</li> <li>Child care workers</li> <li>Fast food workers</li> <li>Bus drivers</li> <li>Teaching assistants</li> </ul> </td> </tr> </table>			<ul style="list-style-type: none"> <li>Flight attendants</li> <li>Air traffic controllers</li> <li>Postal workers</li> <li>Seafarers</li> <li>Pottery workers</li> <li>Elevator constructors</li> <li>Musicians</li> <li>Railroad workers</li> <li>Ironworkers</li> <li>Bricklayers</li> <li>Shipbuilders</li> <li>Die stampers</li> <li>Letter carriers</li> <li>Insulators</li> <li>Utility workers</li> <li>Engineers</li> <li>Nurses</li> <li>Roofers</li> <li>Waterproofers</li> <li>Pilots</li> <li>Mine workers</li> <li>Teachers</li> <li>Molders</li> <li>Stage employees</li> <li>Mail handlers</li> <li>Forestry workers</li> <li>Energy workers</li> <li>Taxi workers</li> <li>Office employees</li> </ul>	<ul style="list-style-type: none"> <li>Cement masons</li> <li>Painters</li> <li>Police</li> <li>Factory workers</li> <li>Plasterers</li> <li>Government employees</li> <li>Publishing employees</li> <li>Painters</li> <li>Football players</li> <li>School employees</li> <li>Actors</li> <li>Transportation workers</li> <li>Boilermakers</li> <li>Aviation safety</li> <li>Electrical workers</li> <li>Bakery</li> <li>Writers</li> <li>Pipefitters</li> <li>Engravers</li> <li>Novelty workers</li> <li>Machinists</li> <li>Firefighters</li> <li>Laborers</li> <li>Glass workers</li> <li>Longshore workers</li> <li>Sheet metal workers</li> <li>Auto workers</li> <li>Grain millers</li> <li>Steelworkers</li> </ul>	<ul style="list-style-type: none"> <li>School administrators</li> <li>Communication workers</li> <li>Plumbers</li> <li>Agricultural workers</li> <li>Radio artists</li> <li>Plastic workers</li> <li>Variety artists</li> <li>Television artists</li> <li>Aerospace employees</li> <li>Production workers</li> <li>Rubber workers</li> <li>Tobacco workers</li> <li>Train dispatchers</li> <li>Broadcast employees</li> <li>Newspaper employees</li> <li>Food &amp; commercial Workers</li> <li>Printing employees</li> <li>Farm workers</li> <li>College professors</li> <li>Janitors</li> <li>Airport workers</li> <li>Security officers</li> <li>Meat packers</li> <li>Cashiers</li> <li>Home care workers</li> <li>Child care workers</li> <li>Fast food workers</li> <li>Bus drivers</li> <li>Teaching assistants</li> </ul>
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<p><b>D. How are unions formed?</b></p>	<p>When workers decide to come together to improve their jobs, they work with a union. Once a majority of workers votes that they want a union, sometimes employers honor the workers' choice. If the workers win union representation, they negotiate a contract with the employer that spells out each party's rights and responsibilities in the workplace.<sup>1</sup></p>					

<sup>1</sup> Language adapted from Los Angeles Federation of Labor, AFL-CIO Website

PROMPT	DISCOVERIES
<p><b>F. How would a union benefit you?</b></p>	<p>Unions are about a simple proposition: By joining together, working people gain strength in numbers so they can have a voice at work about what they care about. They negotiate a contract with their employer for things like:</p> <ul style="list-style-type: none"> <li>» fair and safe workplace</li> <li>» better wages</li> <li>» a secure retirement</li> <li>» family-friendly policies such as paid sick leave and scheduling hours</li> <li>» respect on the job</li> <li>» fairness</li> <li>» training opportunities</li> <li>» a voice at work</li> </ul> <p>Workers have a say in:</p> <ul style="list-style-type: none"> <li>» how their job gets done</li> <li>» creating a more stable, productive workforce that provides better services and products</li> </ul> <p>Training programs and apprenticeships</p> <ul style="list-style-type: none"> <li>» The labor movement trains more than 450,000 workers annually</li> <li>» Through union apprenticeship programs, individuals gain life-changing skills</li> <li>» Unions harness public workforce resources to help working people gain access to training</li> </ul> <p>No matter what type of job workers are in, by building power in unions, they can speak out for fairness for all working people in their communities and create better standards and a strong middle class across the country.</p>
<p><b>G. How can a union benefit an employer?</b></p>	<p>How unions help employers:</p> <ul style="list-style-type: none"> <li>» They create a more stable, productive workforce and workplace atmosphere</li> <li>» Health and safety regulations result in fewer injuries and work-related health issues</li> <li>» Workers are better trained</li> <li>» Less job turnover</li> <li>» Improved workplace communication contributes to higher product/service quality</li> </ul>
<p><b>Additional Information</b></p>	<ul style="list-style-type: none"> <li>» On average, union workers' wages are 30% higher than their nonunion counterparts</li> <li>» 68% of union workers have guaranteed pensions; 14% of nonunion workers do</li> <li>» More than 97% of union workers have jobs that provide health insurance benefits; only 85% of nonunion workers do<sup>2</sup></li> </ul>



## ADDRESSING PERCEIVED DRAWBACKS OF UNIONS

### What is a union?

At its core, a union is a group of workers, who have come together to improve their lives, by improving their jobs.

Unions tend to be most successful when there are laws that protect and recognize their existence, as organizations. However, there are incredible examples of people organizing successfully despite unfavorable conditions. For example, the United Farm Workers (UFW) adopted Dolores Huerta’s rallying cry of “Sí se puede,” despite farm workers being excluded from the protections of the National Labor Relations Act, and the many additional risks faced by their immigrant members.

A traditional American union is an institution organized and created by workers to pool their resources, in order to bargain collectively with management about their conditions of

employment. Conditions can include pay, benefits, hours of work, leave time, health and safety protections, nondiscrimination policies, ways to balance work with personal life, and more. Unionization is a way to solve workplace problems.

Just like any other organization in our society, a union is not perfect. No institution is. However, corporate business interests have put a lot of resources into vilifying unions, and caused a lot of misunderstandings through very smart and concerted communications strategies. Because of this, it is important to review the key principles of our unions, to gain a better understanding of the role they play at work, and in our society. Some of the propaganda promoted by corporate interests is listed under the “perceived potential drawbacks” of unions below, and the labor leaders’ stance on these issues are listed under “counter.”

As you take this all in, ask yourself:

**“Who benefits from this way of thinking: everyday people, or corporations?”**

PERCEIVED & POTENTIAL DRAWBACK	COUNTER
<p><b>Workers do not fully understand business — the financials, the trends, how to evaluate the viability of a business, or the importance of the bottom line.</b></p>	<p>Workers and union leaders are just like anyone — willing to learn and ask questions. Workers and management share the goal of creating and maintaining a viable and profitable company.</p> <p>This goal is best achieved when workers and management come together and share business insights and communicate important details. When both are transparent, a company can increase profitability, encourage versatility and boost and strengthen effective communication beyond negotiations.</p> <p>Notes: _____ _____</p>

# 1.3 LABOR

PERCEIVED & POTENTIAL DRAWBACK	COUNTER
<p><b>Unions ask for things that are impossible</b></p> <p>or</p> <p><b>Unions refuse to make concessions</b></p>	<p>This idea is counterintuitive. Workers need a business to succeed, because with no business they have no jobs.</p> <p>Transparency and clear communication allows workers and management to create a Collective Bargaining Agreement (CBA) that is beneficial to everyone.</p> <p>Notes: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p><b>It is unfair for all workers to pay union dues, even if they do not belong to the union</b></p>	<p>Unions are 100% democratic.</p> <p>Regardless of union membership, all workers at a unionized company benefit from the protections and pay negotiated in the contract.</p> <p>This Collective Bargaining Agreement (CBA) was negotiated on behalf of all workers regardless of union status. In addition, when there are more union members in a given industry, state, or country, all workers benefit from higher wages, even if they do not have a union at their specific workplace.</p> <p>Example: We vote in local, state, and national government elections. Sometimes the candidate we vote for doesn't get enough votes to be elected. Our vote against them does not exclude us from being represented by the winning person.</p> <p>Notes: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

PERCEIVED & POTENTIAL DRAWBACK	COUNTER
<p><b>Union dues and initiation fees are expensive</b></p>	<p>Since unions are 100% democratic, members vote on the dollar amount of union dues and initiation fees.</p> <p>If you are not a union member, you are not eligible to vote on the cost of dues or initiation fees.</p> <p>Union dues are used to help form a strong, helpful, pertinent union organization and structure. These characteristics ensure the negotiations and other services provided by unions are top-notch.</p> <p>Dues are used for:</p> <ul style="list-style-type: none"> <li>» Hiring first-rate, competent staff</li> <li>» The cost of organizing together</li> <li>» Office equipment &amp; administrative expenses</li> <li>» Attorneys to assist in negotiations, grievances and arbitration</li> <li>» Training</li> <li>» Research into companies and industries to gather information to improve negotiations and organizing</li> <li>» Accountants to analyze the company’s books and understand how much the company can really afford to pay</li> </ul> <p>Notes: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

# 1.3 LABOR

PERCEIVED & POTENTIAL DRAWBACK	COUNTER
<p><b>Advancements and promotions are only given based on seniority, not merit</b></p> <p>or</p> <p><b>It is difficult to fire a unionized employee, even if there is just cause</b></p>	<p>Unions and their members want a company to be successful. They agree with management that hiring and promoting the best person for a job is crucial to success and business viability.</p> <p>Some CBAs include guidelines on how promotions are given, although it is more common to include protections against unfair firings, layoffs, or unfair discipline. In particular, many unions have strengthened their companies' nondiscrimination language, and improved compliance with nondiscrimination language that was on the books but not being followed.</p> <p>The terms of the CBA eliminate favoritism and cronyism. They ensure that seniority is valued, and considered fairly when promotions are available. Employees with seniority who may lack a skill should be given a set amount of time to develop the necessary skills to advance in their company.</p> <p>It makes no sense to hire, advance, or employ someone who cannot competently do the job. The CBA provides guidelines to ensure these processes are done fairly, and with the workers' best interests in mind.</p> <p>Notes: _____            _____            _____            _____</p>
<p><b>Union leaders have high salaries</b></p>	<p>Unions make all decisions democratically.</p> <p>Union members elect an Executive Committee. This committee determines the salaries of union staff. Salaries need to be competitive and fair to attract the best professionals and hardest-working organizers available.</p> <p>Union members also ratify a constitution by majority vote. This constitution often provides guidelines on staff salaries.</p> <p>Notes: _____            _____            _____            _____            _____            _____</p>



## LABOR AND UNION KEY TERMS

**Arbitration:** formal process of resolving a dispute between two parties (usually union and management) by a third party following a hearing on an issue

**Bargaining:** process of settling what each party will give and take or perform and receive during a specific contract period

**Bargaining agent:** worker organization authorized and certified to represent employees in a bargaining unit or firm

**Bargaining unit:** group of workers combined for purposes of employee representation

**Benefit:** various types of non-wage compensation provided to employees in addition to their normal wage or salaries: vacation and sick time, childcare, health insurance, tuition reimbursement, retirement benefits, profit sharing, housing, food allowances, etc.

**Civil Rights Act:** federal legislation that outlaws discrimination in public accommodations and employment on the basis of race, color, sex, religion or national origin

**Collective Bargaining:** the process in which working people, through their unions, negotiate contracts with their employers to determine their terms of employment, including pay, benefits, hours, leave, job health and safety policies, ways to balance work and family, etc.<sup>28</sup>

**Collective Bargaining Agreement (CBA):** result of negotiation between employer representatives and a labor union over wages, hours, working conditions or other disputed issues or concerns

**Contract:** a binding, enforceable agreement between two parties such as labor and management

**Eight-hour movement:** workers' campaign in the 1880s to gain the eight-hour workday as the standard. The eight-hour day was finally established in the 1930s.

**Fair Labor Standards Act:** legislation enacted in 1938 establishing minimum wage and maximum hour protection

**Grievance:** a complaint against an unjust act or practice, actual or perceived, presented for adjudication through union procedures

**Journeyman:** an individual who has completed an apprenticeship and is fully educated in a trade or craft

**Knights of Labor (KOL):** an early industrial union founded in 1869. The Knights of Labor were also one of the first labor union organizations to promote the development of worker-owned

cooperatives. After 1878 they accepted women and people of color as members, which was considered very progressive for that time.

**Labor Council:** a city-wide coalition of labor unions providing a unified voice for the worker community

**Labor Movement:** organized labor, or its programs and policies

**Labor Union:** a labor organization formed when workers enter an association and pool their interests and resources for purpose of collective bargaining with management over wages, hours, and conditions of employment

**Lockout:** the withholding of employment by an employer or closure of a plant in order to gain concessions from employees

**Minimum Wage:** the lowest wage, determined by the law or contract that an employer may pay an employee for a specific job

**Monopoly:** exclusive ownership or control of the market for a commodity by a single firm or corporation

**Negotiation:** discussion aimed at reaching an agreement

**OSHA:** the Occupational Safety and Health Administration, a federal agency responsible for monitoring safety in the workplace

**Overtime:** payment at time-and-a-half for hourly labor in excess of a 40- hour week

**Picket:** a person stationed in front of a business establishment in order to dissuade workers or shoppers from entering the premises during a strike

**Picket Line:** a line of strikers or other demonstrators

**Steward:** a union member elected as the union representative in a shop or department workplace

**Strike:** worker or union work stoppage to compel an employer to comply with demands or negotiate differences

**Unfair Labor Practice:** management practices prohibited by federal law

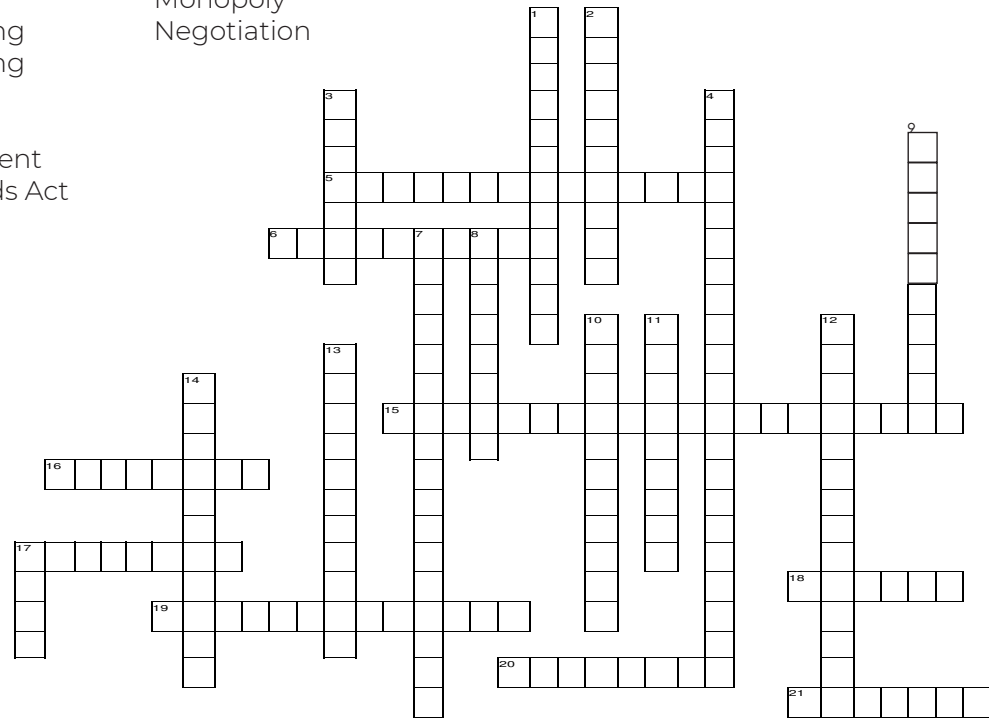
**Union Card:** a card certifying an individual's membership in a labor union

**Union Shop:** a plant or business establishment in which management may hire non-union workers or union members, but may maintain non- union workers on payroll only on condition of their becoming union members within a specific period of time

## KEY TERMS CROSSWORD: LABOR

arbitration  
 Bargaining  
 Bargaining agent  
 Bargaining unit  
 Benefit  
 Civil Rights Act  
 Collective Bargaining  
 Collective Bargaining  
 Agreement  
 Contract  
 Eight-hour movement  
 Fair Labor Standards Act  
 Grievance  
 Journeyman  
 Knights of Labor

Labor Council  
 Labor Movement  
 Labor Union  
 Lockout  
 Minimum Wage  
 Monopoly  
 Negotiation  
 OSHA  
 Overtime  
 Picket  
 Picket Line  
 Steward  
 Strike  
 Unfair Labor Practice  
 Union Card  
 Union Shop



### DOWN

1. A city-wide coalition of labor unions, providing a unified voice for the community of workers
2. A line of strikers or other demonstrators
3. The withholding of employment by an employer
4. Legislation enacted in 1938 establishing the protections of minimum wages and caps on the number of hours worked
7. Workers' campaign in the 1880s to win the eight-hour workday as the standard
8. Exclusive ownership or control of the market for a commodity by a single firm or corporation

### ACROSS

5. One of the first labor union organizations to promote the development of worker-owned cooperatives
6. An individual who has completed an apprenticeship and is fully educated in their trade or craft
15. The process in which working people, through their unions, negotiate a contract with their employers to determine their terms of employment
16. Various types of non-wage compensation provided to employees in addition to their wages or salaries

# 1.3 LABOR

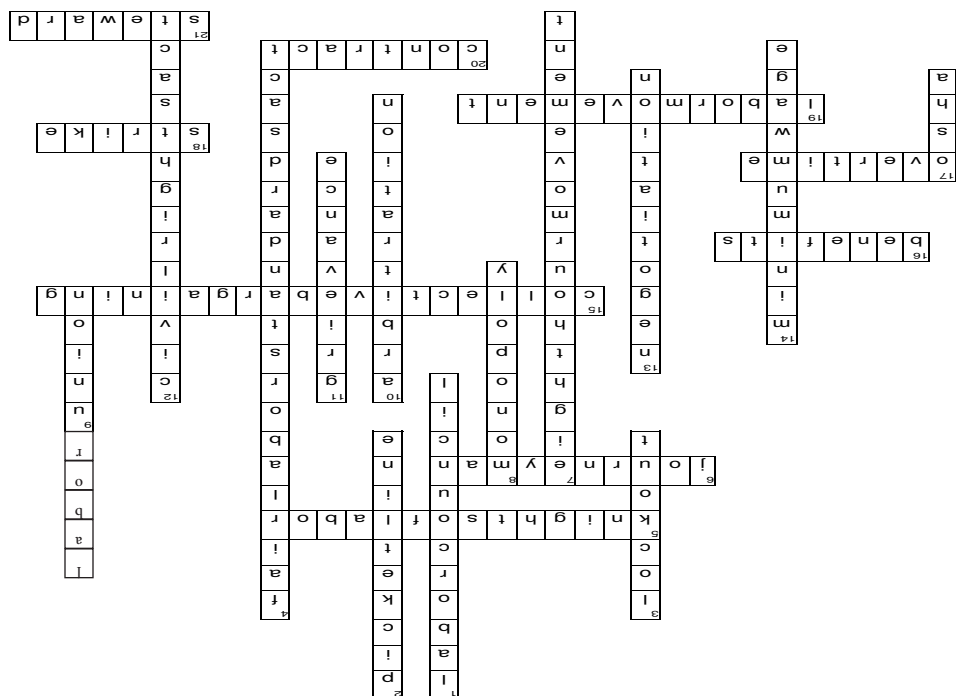
(Down continued)

- 9. A labor organization formed when workers enter an association and pool their interests and resources for the purpose of collective bargaining with management
- 10. Formal process of resolving a dispute between two parties by a third party, following a hearing on an issue
- 11. A complaint against an unjust act or practice, presented through union procedures
- 12. Federal legislation that outlaws discrimination in public accommodation and employment on the basis of race, color, sex, religion or national origin
- 13. Discussion aimed at reaching an agreement
- 14. The lowest wage that an employer may pay an employee for a specific job
- 17. A federal agency responsible for monitoring safety in the workplace

(Across continued)

- 17. Payment at time-and-a-half for hourly labor in excess of a 40-hour week
- 18. Worker or union work stoppage to compel an employer to comply with demands or negotiate differences
- 19. Organized labor, or its programs and policies
- 20. A binding, enforceable agreement between two parties
- 21. A union member elected as the union representative in their workplace

## Answers



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# I.4 THE UNION COOPERATIVE MODEL

An historic partnership: the United Steelworkers Union and Mondragon International is pioneering the growth of union co-ops in the US. This initiative combines the benefits of union representations and worker ownership to create family sustaining jobs.

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## THE UNION CO-OP MODEL

The Union Co-op Template provides the following description, useful in building understanding of the model:

*“A **union co-op** is a unionized worker-owned cooperative in which worker-owners all own an equal share of the business and have an equal vote in overseeing the business.*

*Traditionally in larger scale worker-owned cooperatives, worker-owners elect a Board of Directors from among themselves and the Board appoints people to manage the day-to-day operations of the cooperative.*

*Although it may be common within larger co-ops to elect people to look out for the day-to-day interests of the worker-owners as owners; it's decidedly less common within co-ops to elect people to look out for the day-to-day interests of worker-owners as workers. Towards this end, the Mondragon cooperatives have created Social Councils which offer a formal structure that allows shop floor worker-owners more input and dialogue on a day-to-day basis on issues including wages, benefits, and working conditions, but are generally limited to an advisory role.*

*The union co-op model replaces the Social Council with a Union Committee. As with other businesses, in a union co-op the appointed Management would have an obligation to engage in collective bargaining with the Union Committee over issues such as wages, benefits, and working conditions.*

*The bargaining unit represented by the Union Committee would ideally encompass all non-supervisory worker-owners in the co-op, although smaller bargaining units could be carved out, using National Labor Relations Board (NLRB) criteria as a general guideline.*

*As historically proven, worker-owned cooperative businesses can be highly competitive with businesses that have a conventional corporate structure. Where ownership means more than just a value of a share, worker-owners tend to be more self-motivated, more productive, and more creative, helping their business thrive, grow, and remain profitable.*

*A unionized worker-owned cooperative that has a*

**Union co-op:** a unionized worker-owned cooperative, in which all worker-owners have an equal share in the business and an equal vote in overseeing it.

## 1.4 THE UNION CO-OP MODEL

*collective bargaining agreement which provides guidelines over wages, benefits and working conditions, builds upon the historical strengths of worker-owned cooperatives but also helps to ensure that all worker-owners are treated fairly, have access to due process, and that worker-owners as workers are more engaged in the business on an ongoing basis.*

*With three separate but equal groups elected or selected from within the cooperative (elected Board of Directors, selected Management, and elected Union Committee members), no worker-owner would be allowed to serve in more than one of those capacities at any one time. However, nothing should prevent a worker-owner from serving in multiple roles on a consecutive basis; for example, someone elected to the Union Committee could later be elected to the Board of Directors if they are no longer serving on the Union Committee.*

*The experience of the Mondragon cooperatives has also shown that a broader support system is key to sustainability and growth. While we can't expect to immediately replicate a Mondragon system that has developed over many decades, a union cooperative has the advantage of being part of the broader union and cooperative support systems, not only drawing on shared experience and knowledge, but also with the ability to tap into union benefit plans, such as health insurance plans that may provide lower cost options due to the union's collective buying power and defined benefit retirement plans that share risk and maximize returns.*

*--Union Co-op Template, pp. 6-7*

As with any model, the specific provisions of the Union Co-op Template may not be workable in every application. Each worker-owned co-op and co-op network will be established in a particular place and time, with its own unique circumstances. The model can be adapted in ways that make it practical, guiding the formation and growth of a viable business.

## WHY THE UNION CO-OP MODEL?

In 2009, the United Steelworkers and Mondragon International signed an historic agreement to combine the power of collective bargaining and the Mondragon cooperative model with the intention of creating more family-sustaining jobs in the United States.

This agreement has the potential to be transformative for both the co-op movement and the labor movement. Mondragon and the United Steelworkers are coequal

organizations that paved the way for the worker-owned co-op movement to be a part of the labor movement, and for the labor movement to connect with the co-op movement in a powerful and direct way.



Mondragon North American delegate, Michael Peck, speaking at the historic United Steelworkers and Mondragon International agreement signing in 2009.

The co-op movement in the United States can benefit from the solidarity that is found in the best practices of the labor movement. Mondragon has thrived in part as a result of deep solidarity – their co-ops share their profits with the greater whole of other co-ops in their network and absorb worker-owners from other co-ops during downturns. Just like the solidarity in Mondragon came out of lived experience—the only way the people of Mondragon could lift themselves out of such dire economic straits was to combine their forces—the solidarity in the labor movement is also based in reality: workers have realized that they have much more bargaining power when they band together.

Another benefit of the worker co-op movement in the United States partnering with the labor movement is related to scale and amplifying its voice. At this time, the worker-owned co-op movement in the U.S. is small, thus it is difficult to affect the economy or change anyone’s consciousness without the help of the broader labor movement. The labor movement today represents 17.5 million workers in the United States and is still considered a political force. Union members have the ability to amplify the co-op movement’s voice.<sup>1</sup> Additionally, the labor movement protects the wages and conditions of whole industries—without the labor movement, the co-op movement cannot achieve good wages or working conditions for people whose co-ops function in industries where other workers are underpaid.

This is not a one-sided relationship. For a long time, the capitalist

# 1.4 THE UNION CO-OP MODEL

market economy has provided jobs and benefits for the majority of workers. But the ability for the modern day economy to provide family-sustaining jobs for the majority working class is over. The co-op movement demonstrate here the economy should be heading; working class people should have control over their economic future by owning their own jobs.

The co-op movement is the only place in a modern, capitalist market economy where workers can own the means of production. Workers can own a car, a television, new shoes, but unless they are part of a co- op, they can't buy their jobs. Owning one's job is important in a society that has permanent unemployment and a constant threat of layoffs.

Once the co-op movement grows in size and strength, we will be responsible for raising industry-wide wages and conditions as well.

Below is a copy of the United Steelworkers/Mondragon agreement:

### Framework Agreement

Between

The United Steelworkers (USW) and MONDRAGON Internacional, S.A.

The United Steelworkers (USW) and MONDRAGON Internacional, S.A. intend to collaborate in the United States/Canadian marketplace by adapting collective bargaining principles to the MONDRAGON cooperative model and worker ownership principles.

The goals of this collaboration are to develop and grow manufacturing jobs in the United States and Canada, to improve the quality of life of workers, and to create sustainable jobs in a sustainable economy that supports stronger communities and sustainable environmental practices.


This collaboration further intends to demonstrate that the MONDRAGON worker-ownership model can be highly effective as adapted to an organized workforce and North American culture.

Specifically the USW/MONDRAGON Internacional, S.A. collaboration aims to:


1. Increase participative "one class" employee ownership of businesses through understanding, adopting, and practicing the MONDRAGON Corp. cooperative model as it may apply in hybrid combinations for USW-represented companies.
2. Integrate collective bargaining with MONDRAGON Corp's cooperative practices and model, such as having the Union's Bargaining Committee also serve as the Social Council.
3. Further explore next generation hybrid approaches to collective bargaining that allow deeper worker participation and union/management collaboration.
4. Explore co-investing models and opportunities using successful precedents such as the USW's participation in the Quebec Solidarity Fund, which invests back into the greater Quebec community, and the MONDRAGON Corp. Eroski Foundation, which has similar goals and a fully integrated community ownership structure.

Agreed and signed this 27<sup>th</sup> day, month of October, 2009.

For the United Steelworkers:

  
Leo Gerard  
International President

For MONDRAGON Internacional, S.A.

  
Josu Ugarte  
President  
MONDRAGON Internacional, S.A.



## POWER OF THE MODEL: UNIONS & COOPERATIVES TOGETHER

As evidenced by Mondragon, an integrated network of co-ops:

- » Creates jobs without barriers that allow people to accumulate assets
- » Pools resources, distributes, recycles and multiplies local expertise and capital within a community
- » Fills market gaps that other private businesses ignore (e.g. providing affordable healthy foods in food deserts)
- » Develops human and social capital, and economic independence

### Why worker ownership?

- » Real ownership provides competitive advantages Ownership:
  - Increases worker motivation, productivity and creativity
  - Gives workers a chance to earn an equity stake in a profitable enterprise
  - Engenders workplace democracy and civic equity
  - Improves business profitability and customer service
  - Anchors businesses, jobs and capital locally<sup>2,3</sup>
- » Companies with broad-based ownership are more stable, produce fewer job losses and outperform other companies that have greater disparities between employee wages and executive compensation.
- » Worker-owners at employee-owned businesses tend to earn more in income and retirement than their counterparts at traditional firms.
- » Worker and union cooperatives appear to be more resilient and have a higher rate of surviving the first five critical startup years.<sup>4</sup>
- » Worker-owned businesses were better at

maintaining their fiscal health during the 2008 Great Recession.

- » Worker-owned cooperatives have shown themselves to be more resilient during the COVID-19 pandemic.<sup>5</sup>

### **What do unions add to the co-op movement?**

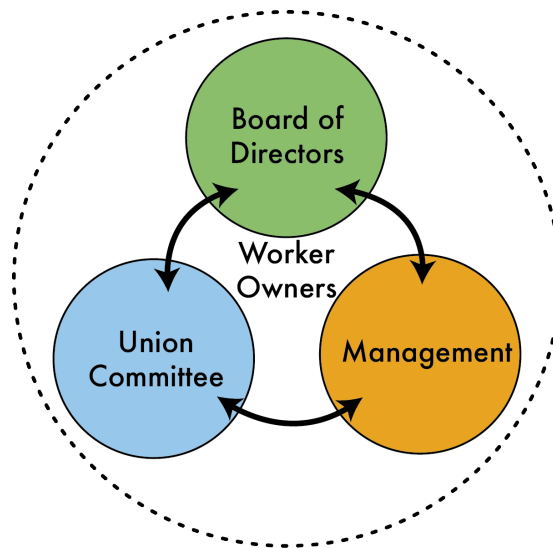
- » Advocating for workers and worker-owners as workers, by bargaining over workplace conditions
- » Creating a more harmonious, collaborative work environment through day-to-day dispute resolution on the shop floor
- » Access to improved and affordable benefits through union benefit funds
- » Balance out the democratic work environment and protect from discrimination
- » A platform for acting in solidarity with other workers
- » A direct connection to a movement of workers in the same industry pushing for better pay and working conditions industry-wide

## ORGANIZATIONAL STRUCTURE

The Organizational Structure of Union Cooperatives is based on the Mondragon model with the social council replaced with a union committee. It centers on the principle of “one worker, one vote” majority rules.

### Union and worker cooperative structure

- » Worker-owners elect the Board of Directors
- » The Board appoints the Management
- » Non-management workers elect the Union Committee
- » The Union Committee and Management negotiate wages, hours and working conditions



### Annual Meeting (General Assembly)

The General Assembly holds the ultimate authority in the co-op:

- » Similar to the Mondragon model
- » Each independent union cooperative business has its own annual meeting
- » Attendees are the union co-op worker-owners. In the case of a multi-stakeholder co-op, other owners (like consumers or producers) also participate.
- » Each worker-owner of the co-op has an equal vote
- » Worker-owners elect members of the Board of Directors

- » Multi Stakeholder co-ops are made up of different kinds of members. They can be workers, consumers, and/or producers. Every co-op owner has an equal vote, but different types of members has a weighted percentage of voting power. For example in the CareShare Cooperative, worker-owners received 75% of the voting power, and parents (who are consumers) receive 25%.

### **Board of Directors**

Oversees the long-term health and development of the business:

- » Worker-owners hold the majority of seats in a worker-owned cooperative, after the co-op is up and running successfully.
- » Management positions are selected by the Board of Directors
- » Terms of board members and election cycles are determined by the bylaws
- » Board members may include outside members, in addition to worker owners—the ratio is determined in each co-op's bylaws.

### **Management**

Management runs the day-to-day business of a union cooperative and looks after the best interest of the business. Management is:

- » Selected by the Board of Directors
- » Subject to removal by the Board or the General Assembly



## Union Committee

Like the Social Council at Mondragon, the **Union Committee** has responsibility to communicate on a day-to-day basis between the individual worker-owners and the management team. However, Mondragon's Social Council only has the ability to advise Management on workplace matters such as compensation and working conditions. Our Union Committees have the authority to help worker-owners to **bargain collectively**. A Union Committee:

- » Is elected on a representational basis, from different areas within the co-op, by all workers
- » Works closely with the management team and the board to adapt to changes in the business and/or the operation, as well as to create an ongoing communication and collaboration process with Management
- » Negotiates a collective bargaining agreement with the Board of Directors and/or the management team
- » Looks out for the best interest of workers
- » Ensures fair treatment of all workers on a day-to-day basis
- » Union Committee members cannot serve on the Board of Directors or in the role of management at the same time as they serve on the Union Committee\*

\*Note: This separation of roles becomes crucial as co-ops grow in size. The roles of worker-owners in smaller co-ops may have to overlap a bit; for example, in a very small co-op, a worker serving on the Union Committee may also be a member of the Board.

**Union committee:** the defined channel for individual worker to communicate with management on a day-to-day basis regarding wages, benefits and working conditions; also helps workers and management resolve conflicts in a clearly and fairly.

**Collective bargaining:** process that allows working people, through their unions, to negotiate contracts with employers to determine the terms of their employment. Collective bargaining is a way to solve workplace problems and to proactively improve our workplaces.



## WORKING FOR A MONDRAGON-STYLE UNION CO-OP

Working at a Mondragon-style **union cooperative** has many advantages. Co-op workers will have the opportunity to learn more about the business model as they work. For now, this fact sheet provides some basic information to help you understand and consider the new and unique opportunities this type of job offers. People can become **worker-owners** after they have been with the co-op for 6 months to a year, attended the weekly team meetings, and have begun paying towards their membership share.

### Roles of a worker-owner in a union co-op:

A worker-owner wears two distinct hats. They are both a worker at the business, and an owner of that same business.

#### Worker

- » Given a job title and job description Perform assigned goals and tasks
- » Work with co-workers and are part of a team Have a supervisor
- » Participate in an orientation on company policy and procedures
- » Receive on-the-job training specific to their job description
- » Participate in decision-making

#### Owner

- » Long-term business investment
- » Contribute to, and approve business plans each year
- » Understand marketing and sales strategies
- » Have a voice in innovation, direction, and success of the company
- » Gain knowledge of business financials
- » Ability to participate in key business decisions Building Business development skills
- » Learn from unsuccessful or slow times for their business
- » Able to be a part of a dynamic team of individuals with similar goals
- » Have a stake in the business, through profit sharing

A **Union Cooperative** is:

- » A for-profit business
- » Owned and directed by workers
- » Business model that uses the collective bargaining process
- » Guided by the 10 Mondragon principles

**Worker-Owner:**

Worker- owners are employees of a union cooperative and own one share of that co-op. Their role as employee is the worker part of worker-owner.

## ROLES & RESPONSIBILITIES...OF WORKER-OWNERS

### Responsibilities of governance participation

- » Communicate, share information
- » Learn about business and industry
- » Develop leadership, accountability, and mutual trust
- » Balance individual needs/interests with business needs/interests, and also often with community needs/interests

### Responsibilities of financial participation

- » Investment of Labor
- » Productivity
- » Membership fee/capital requirement
- » Share in risk

### Rights of governance participation

- » Vote for board of directors (one member, one vote)
- » Serve on board of directors
- » Participate in decision making

### Rights of financial participation

- » Investment of Labor
- » Share in profit

## DIVISIONS OF POWER IN A WORKER-OWNED COOPERATIVE

WORKER-OWNER MEMBERS	BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER (CEO)
Adopt and amend bylaws	Define yearly goals, and prepare budgets, production policies and marketing plans to accomplish goals.	Prepares budgets, production plans, marketing plans, and all other plans necessary for the implementation of the goals and policies approved by the board
Elect Board of Directors	Select CEO, define CEO duties, and sets salaries	Defines duties of the division and department heads
Ratify the goals of the business plan each year (and review twice a year)	Controls finances: Ratifies financing plans and budget, approves changes to them, and approves loans	Hires and fires, within the framework of personnel policies. This power may be delegated.
Ratify any major alterations of the business plan or overall philosophy	Ratify personnel policies, with the exception of hiring and firing. In the latter case, recommend policies to the membership, who then make the final decision	Coordinates the implementation and administration of all policies.
Review any sale or purchase of any major assets, such as a building	Evaluates CEO's performance	Evaluates employees. This power may be delegated

Reformatted from Frank T. Adams and Gary B. Hansen, "Putting Democracy to Work: A Practical Guide for Starting Worker-Owned Businesses." Worker Cooperative Toolbox p.9

## ...OF BUSINESS OWNER AND TOP MANAGEMENT

Traditional Business  
Owner, Entrepreneur or  
Sole Proprietor



Has a BIG IDEA or a  
GREAT OPPORTUNITY

### A TRADITIONAL BUSINESS OWNER OR TOP MANAGEMENT IS SOLELY RESPONSIBLE FOR TASKS SUCH AS:

- » Researching business viability
- » Understanding the market
- » Research & developing business strategy
- » Knowing the competition
- » Personally financing the business
- » Finding shareholders & investors
- » Developing products
- » Shouldering business risks
- » Determining location
- » Hiring staff
- » Marketing and advertising
- » Human resources
- » Purchasing
- » Accounting
- » Watching the bottom line
- » Reviewing balance sheet
- » Implementing changes
- » Shaping company culture
- » Identifying problems
- » Finding solutions
- » Defining business success
- » Enjoying business success
- » Return on investment

## ... OF WORKER-OWNERS, MANAGEMENT & PARTNERS

### IDEA

A team of individuals committed to exploring a potential business idea come together



### CO-OP CINCY

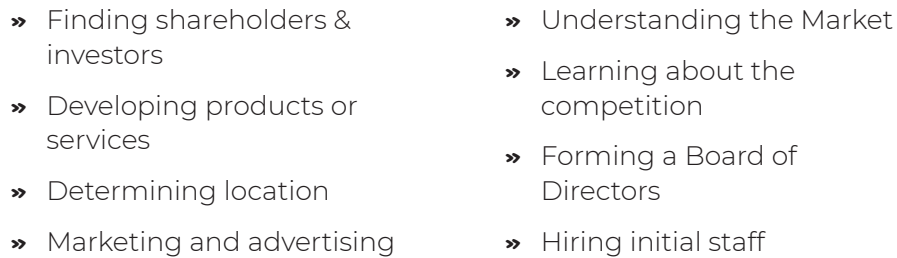
Co-op Cincy works with this team to connect key partners, assist in finding funding and in conducting a feasibility study for the business



## MONDRAGON-STYLE UNION COOPERATIVE

### INCUBATION:

Co-op Cincy incubates the newly-formed business. This partnership works on all the tasks necessary to launch a new business.

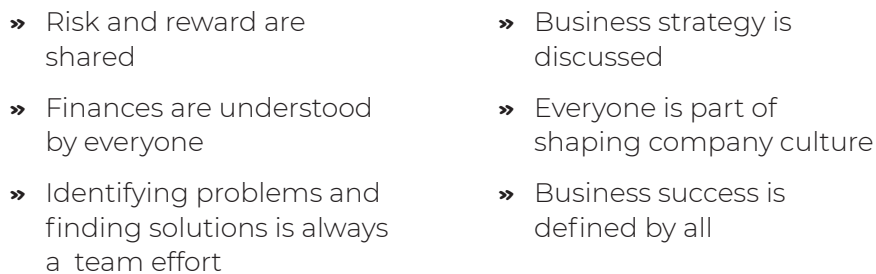
- 
- » Finding shareholders & investors
  - » Developing products or services
  - » Determining location
  - » Marketing and advertising
  - » Understanding the Market
  - » Learning about the competition
  - » Forming a Board of Directors
  - » Hiring initial staff



### LAUNCH:

When a Mondragon-style union cooperative is launched, the responsibilities of the business are balanced among:

Board of Directors	Management	Worker-owners
--------------------	------------	---------------

- 
- |  |   |
|--|---|
| » Risk and reward are shared   | » Business strategy is discussed              |
| » Finances are understood by everyone                                | » Everyone is part of shaping company culture |
| » Identifying problems and finding solutions is always a team effort | » Business success is defined by all          |

## WORKSHEET: YOUR ORGANIZATIONAL STRUCTURE

**Name of Your Union Co-op:**

Date of last Annual Meeting:

Date of next Annual Meeting:

Name the members of each organizational body.

### **Board of Directors:**

Give an example of the kinds of decisions they make:

### **Union Committee:**

Give an example of the kinds of decisions they make:

### **Managers:**

Give an example of the kinds of decisions they make:

### ARTICLES OF INCORPORATION AND BYLAWS

All enterprises operate according to their governing documents, the **articles of incorporation** and **bylaws**:

- » The articles of incorporation are like the constitution of the company
- » The bylaws determine how the cooperative will be run. Details about the structure of the co-op are reflected in the bylaws

Bylaws are typically set up with the following sections:

1. **Article I: Corporate Affairs** – Includes the basic information about the co-op, such as its name and purpose
2. **Article II: Members and Shareholders** – Determines who the worker-owners are, what powers they have, how they'll vote on issues and the powers of non-worker shareholders (if there are any)
3. **Article III: Internal Capital Account System** – Lays out how money flows through the co-op
4. **Article IV: Meetings of Members** – Outlines when the Annual Meeting will happen and what issues should be addressed
5. **Article V: The Board of Directors** – Defines who is eligible to serve on the Board, how they are selected, what their term will be and how often the Board will meet
6. **Article VI: Officers** – Lists the officers' positions (President, Treasurer, Secretary, etc.) and their roles and responsibilities
7. **Article VII: Amendments** – Lays out how changes to the bylaws will be made
8. **Article VIII: Operating Rules** – Allows the Board to set its own operating rules



### A COLLECTIVE BARGAINING AGREEMENT

A **collective bargaining agreement (CBA)** sets out the wages, hours, and working conditions for workers. It is negotiated between the workers in the union and the management of the company.

A CBA allows workers to directly hold management accountable on a day-to-day basis by establishing guidelines and policies.

A CBA ensures fair treatment and due process.

Another aspect of the CBA in the union co-op model that is essential in order for union co-ops to survive and thrive long-term is solidarity with workers locally, regionally, nationally and globally.

A collective bargaining agreement consists of sections that outline policies that range from conditions of employment to grievance procedures.

In order for employees to use the document at work, the CBA needs to be clear and easy to navigate. It is broken up into sections and subsections so that employees can quickly look up potential violations in the contract without disrupting the workflow and refer to the specific procedure in question when writing a grievance.

**Collective bargaining agreement (CBA):** the document that is the product of collective bargaining. A CBA generally addresses pay, benefits, hours, leave time, health and safety policies on the job, and more.

### Endnotes

- 1 United States Department of Labor. 2017. "Union Members Summary." Bureau of Labor Statistics. January 26. Accessed November 2017. <https://www.bls.gov/news.release/union2.nr0.htm>
- 2 Co-operatives UK. "Research Reveals the Benefits of Worker Co-operatives." News release, January 07, 2016. Accessed November 28, 2017. <https://www.uk.coop/newsroom/research-reveals-benefits-worker-co-operatives>.
- 3 "The Benefits of Worker Cooperatives." Democracy at Work Institute. Accessed November 28, 2017. <http://institute.coop/benefits-worker-cooperatives>.
- 4 Blasi, Joseph. "Sharing Ownership, Profits, and Decision-Making in the 21st Century" *Advances in the Economic Analysis of Participatory & Labor-Managed Firms*, Volume 14 109-124
- 5 Truthout.org, "Pandemic Crash Shows Worker Co-ops Are More Resilient than Traditional Businesses," Brian Van Slyke, May 8, 2020.



# **FINANCIAL LITERACY**



# 2.1 FINANCIAL LITERACY

One of the best competitive advantages in business is when all employees know the ins and outs of their business financials and how they directly affect their work. In your co-op you will play an open book management game to understand basic business Financials. This will help you solve problems effectively and make your business more successful financially.

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## OPEN BOOK MANAGEMENT

The Mondragon-style union cooperative business model believes in teaching workers about business and giving workers the knowledge and tools to help them understand:

- » what business success looks like
- » how to track, measure and improve performance
- » how to share in a self-funding stake in the outcome... to win or lose as a team

The ultimate goal is to create a for-profit business with workers who think, act and feel like the owners that they are. **Open book management** is one of the key components of our approach.

*“The best, most efficient, most profitable way to operate a business is to give everybody in the company a voice in saying how the company is run and a stake in the financial outcome, good or bad.”*

– *The Great Game of Business*

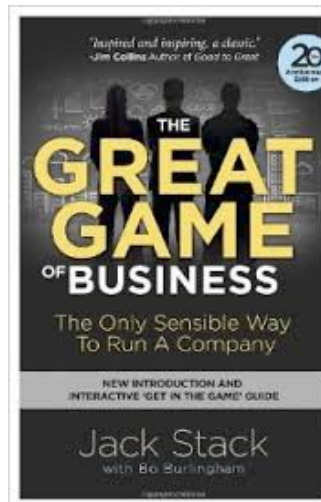
### What is open book management?

The basis of open book management is that the information received by employees should not only help them do their jobs effectively, but help them understand how the company is doing as a whole. “The technique is to give employees all relevant financial information about the company so they can make better decisions as workers. This information includes, but is not limited to: revenue, profit, cost of goods, cash flow, and expenses.”<sup>1</sup>

This management style is relatively new.

After years of developing, implementing and tweaking an open book management model, Jack Stack laid out his model and findings in a book called *The Great Game of Business*.

Turning open book management into a game is a fun and active way to help employees understand their business. *The Great Game of Business* is one of the approaches we turn to in order to teach financial literacy and demonstrate open book management.



#### Open book management:

Technique used to give employees all relevant financial information about the company so they can make better decisions as workers. This information includes, but is not limited to: revenue, profit, cost of goods, cash flow, and expenses. The information received by employees should not only help them do their jobs effectively, but help them understand how the company is doing as a whole.

### THE GREAT GAME OF BUSINESS

According to the Great Game of Business website, the way to play the Game is as follows:

#### Know & teach the rules

- » **Business transparency & education:** Opening the books only works when people are taught to understand them.
- » **High involvement planning:** When the game is created with broad participation – especially with the people who are closest to the action and who understand the realities – it creates a level of commitment and alignment that can't be matched.
- » **The critical number:** This is the financial or operational number that defines winning. When correctly identified through high involvement planning, targeted, and tied to a reward, the critical number becomes the focus of the game for everyone in the organization.

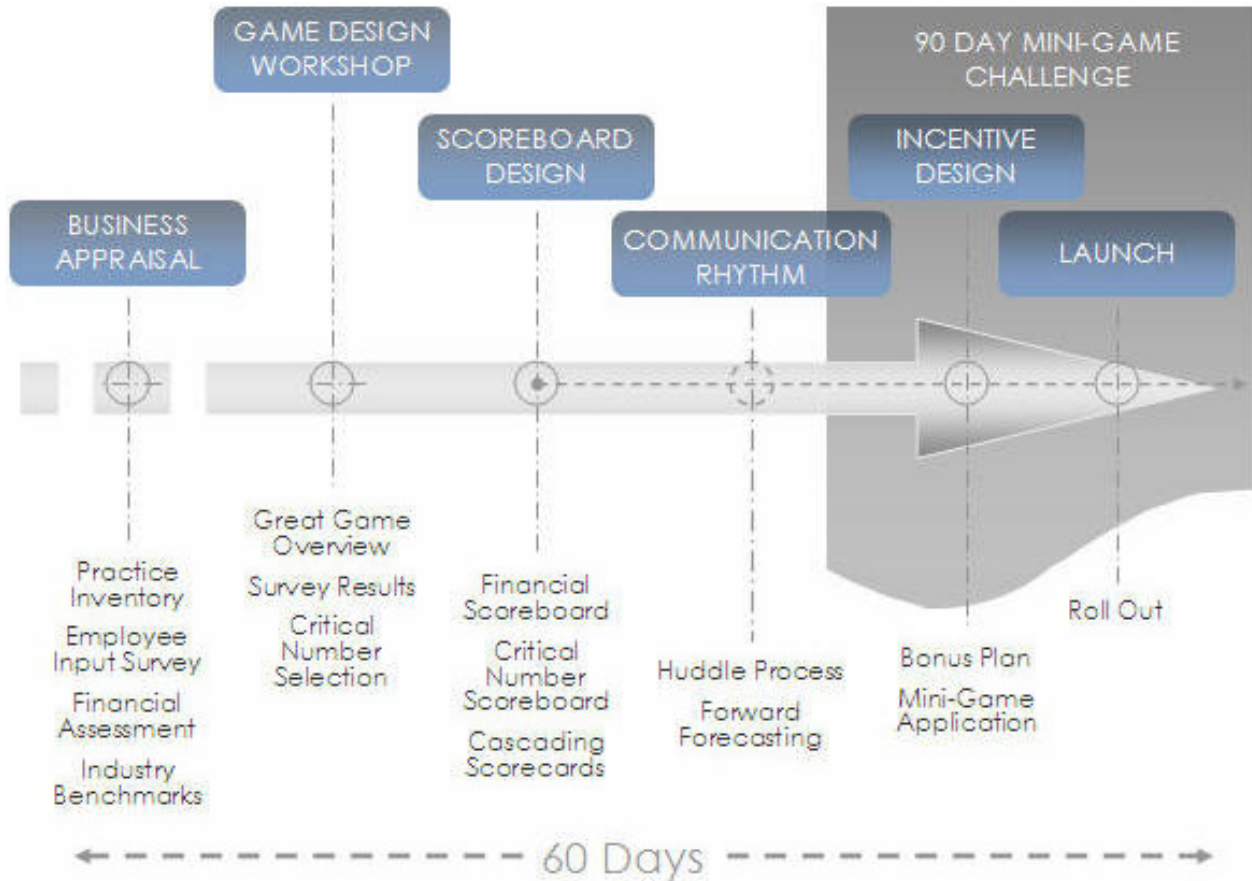
#### Follow the action & keep score

- » **Keep score:** The objective of keeping score is to simply and consistently inform the players if they are winning or losing, and who is accountable.
- » **Follow the action:** Meetings provide a rhythm of communication where everyone is kept informed, involved and engaged in moving the company forward.
- » **Forward forecasting:** Forecasting is the fundamental way to communicate the numbers and create forward- looking, educational, results-oriented meetings.

#### Provide a Stake in the Outcome

- » **Rewards, Recognition:** All who directly participate in strengthening the company likely do so because they have a stake in the outcome. They come to work to win. They know their work will result in significant reward, recognition and ownership in the outcome.





Reprinted by permission from The Great Game of Business 6/29/2017. For additional resources please visit <http://www.greatgame.com/gigguide>.

- » **MiniGames:** Short term, intensely focused, rapid improvement campaigns that correct a weakness or pursue an opportunity. Like the larger, overarching game, there is a goal, a scoreboard and a reward for winning.
- » **Ownership:** Not all companies who play the game can or will share equity, nor is it a guarantee of success. Getting employees to think and act like owners is one of the most powerful things any leader can do to create measurable and sustainable success in any organization.

### **Additional Free E-Resources**

Great Game of Business provides many free e-resources on their website!

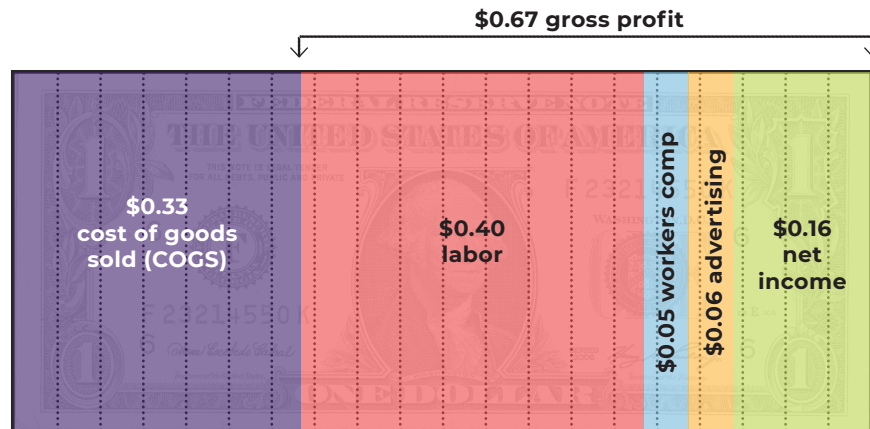
Visit [greatgame.com](http://greatgame.com) to get access resources such as:

- » Practice Assessment & Input Survey
- » Practice Assessment - Practice Scorecard
- » Path to Critical Number
- » Line of Sight Tool
- » MiniGame Checklist
- » Annual Plan/Budget Tool
- » Bonus Threshold Tool
- » Bonus Plan Tool
- » Scoreboard Design Tool
- » Critical Number Scoreboard
- » The Great Game Huddle Video
- » Huddle Checklist
- » Literacy Bites
- » Team Driver Scoreboard Tool
- » High-Involvement Planning Playbook

## DOLLAR BILL EXERCISE: HOW MONEY MOVES THROUGH MY CO-OP

Before we dive into the three key financial statements, let's get a sense of how money moves through your cooperative business. To do that we are going to imagine how an average \$1 bill would be allocated.

Let's imagine that your team is selling very tiny mojitos for \$1. You receive \$1 for the sale of one mojito. This dollar is called your **revenue**. What happens to that dollar next?



Well, let's say it costs \$0.33 for the ingredients and supplies (lime, mint, sugar, ice, cups, etc). This is known as the **cost of goods sold**. How much does it cost to offer your product or service?

After you pay for your ingredients, or cost of goods sold, you have \$0.67 left of the \$1 in revenue you received for the sale. This is called your **gross profit**. This is what you have before you spend money on other expenses.

What other kinds of expenses might you have? Labor for preparing and selling your mojitos, running the business? Advertising? Workers compensation insurance? Unemployment insurance? Does your business need to pay rent? Utilities? Interest on a loan you took out to start your business? Liability Insurance. Taxes. There are so many possibilities for expenses!

In this example let's just say, for simplicity's sake it costs:

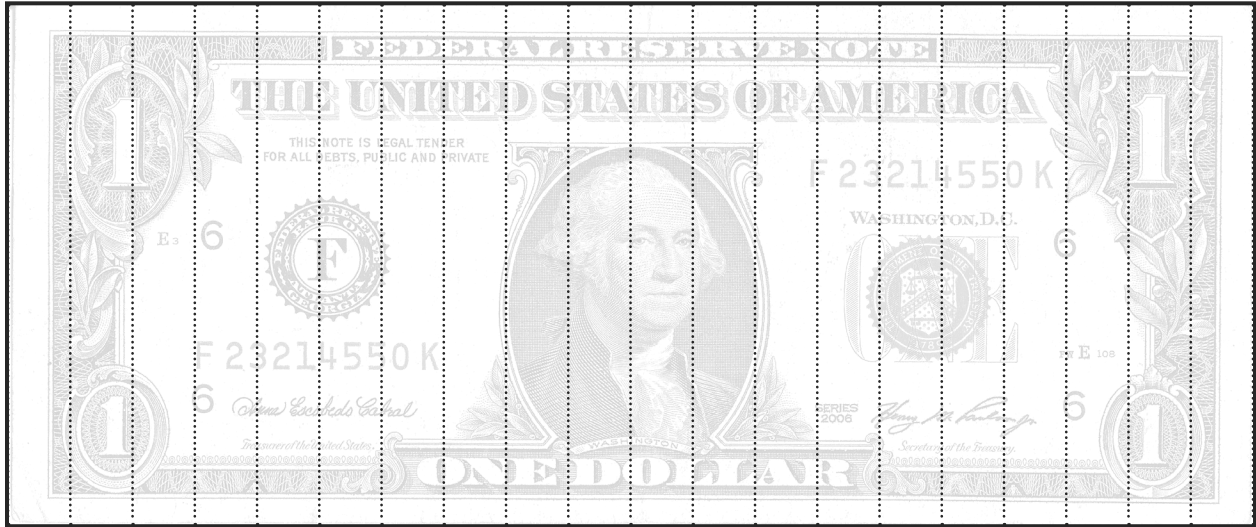
- » 40 cents per mojito sale for the **labor** to do everything involved in running the business, including preparing and selling the mojito
- » 5 cents per mojito for **workers comp**, unemployment insurance, and employer taxes.
- » 6 cents per mojito for **advertising**

This next round of expenses totals 51 cents. When we remove these expenses from the 67 cents remaining after the cost of goods sold, this leaves 16 cents of **profit**, also called **net income** or **net earnings**.

# 2.1 FINANCIAL LITERACY

**Financial GOAL for \_\_\_\_\_ Co-op:**

For every dollar in revenue \_\_\_\_\_ receives,



**GOAL is that:**

\$\_\_ . \_\_\_\_ Cost of GOODS SOLD (COGS): Cost of food production

\$\_\_ . \_\_\_\_ Gross Profit (Revenue - COGS)

Expenses

\$\_\_ . \_\_\_\_

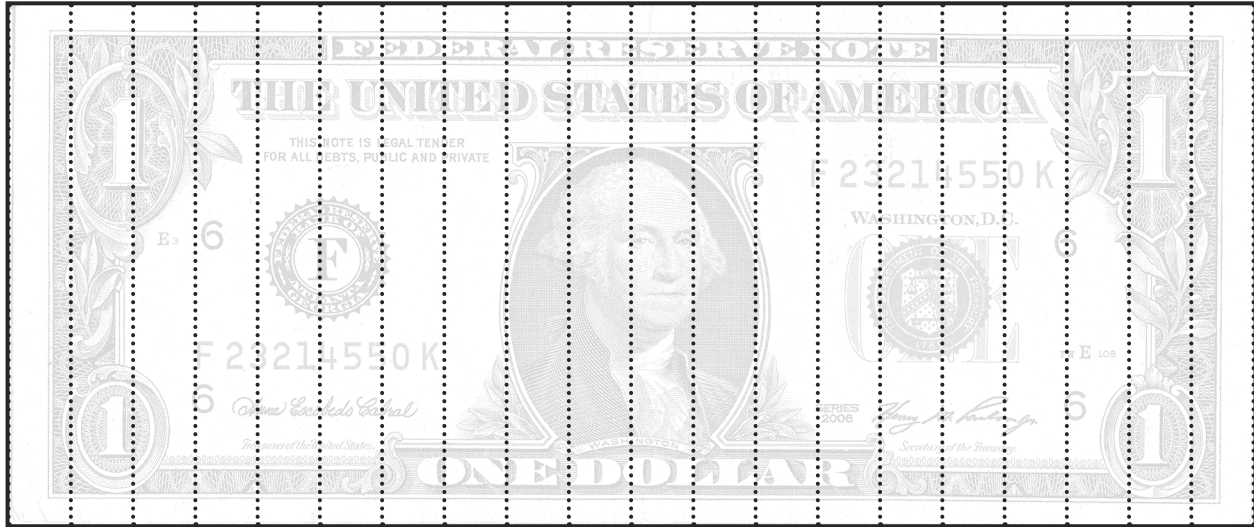
\$\_\_ . \_\_\_\_

\$\_\_ . \_\_\_\_

\$\_\_ . \_\_\_\_ Net Profit (Gross Profit - Expenses)

**Current REALITY for \_\_\_\_\_ Co-op:**

For every dollar in revenue \_\_\_\_\_ receives,



\$0.00    \$0.10    \$0.20    \$0.30    \$0.40    \$0.50    \$0.60    \$0.70    \$0.80    \$0.90    \$1.00

**20\_\_ \_\_ REALITY is that:**

\$\_\_ . \_\_\_\_ Cost of GOODS SOLD (GOGS): Cost of food production

\$\_\_ . \_\_\_\_ Gross Profit (Revenue - COGS)

**Expenses**

\$\_\_ . \_\_\_\_

\$\_\_ . \_\_\_\_

\$\_\_ . \_\_\_\_

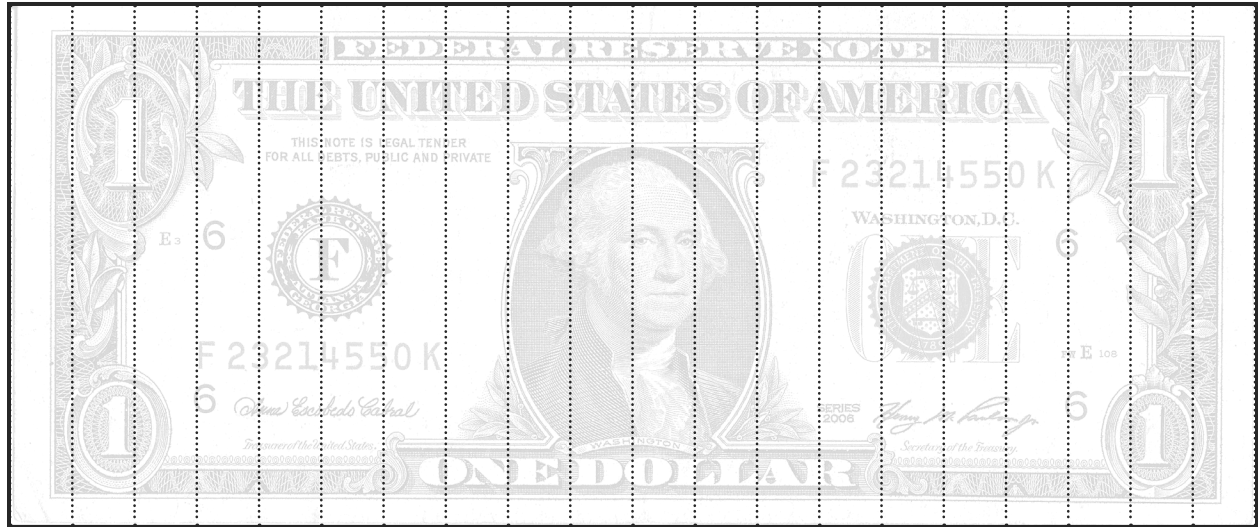
\$\_\_ . \_\_\_\_ Net Profit (Gross Profit - Expenses)

# 2.1 FINANCIAL LITERACY

Here is an extra blank dollar bill exercise. You can use it to map out either another financial goal or reality for your co-op.

\_\_\_\_\_ for \_\_\_\_\_ Co-op:

For every dollar in revenue \_\_\_\_\_ receives,



\$0.00    \$0.10    \$0.20    \$0.30    \$0.40    \$0.50    \$0.60    \$0.70    \$0.80    \$0.90    \$1.00

## GOAL is that:

\$ . \_\_\_\_ Cost of GOODS SOLD (COGS): Cost of food production

\$ . \_\_\_\_ Gross Profit (Revenue - COGS)

### Expenses

\$ . \_\_\_\_

\$ . \_\_\_\_

\$ . \_\_\_\_

\$ . \_\_\_\_ Net Profit (Gross Profit - Expenses)

Now that we have a sense of how money moves through our business, let's dive into the three key financial statements that help us understand what is happening in our worker co-op.

## THREE FINANCIAL STATEMENTS

There are three main financial statements that you'll use to understand what is happening in your co-op: a Balance Sheet, a Profit and Loss Statement, and a Cash Flow Statement.

- » **Balance sheet:** a snapshot of a business. It shows the assets (or things of value) that the co-op has, and how the assets are paid for (these are called liabilities, and are generally where the business owes money like banks, vendors, the IRS), as well as equity (ownership of the co-op: shareholders, partners, etc). The co-op's earnings show up in the equity section of the Balance Sheet.
- » **Profit and Loss Statement:** gives us a record of a business' revenue, costs and expenses over a period of time, such as a month, a quarter, or a year. It is more like a movie of the business with a beginning and an end. This provides information about a company's ability to generate profit.
- » **Cash Flow Statement:** keeps track of the cash that flows in and out of a business during a given period. It shows where a business' money is coming from and how it is being spent.

This section explores each of the three financial statements in depth.





## THE BALANCE SHEET

A Balance Sheet shows the financial position of a business or organization at a specific point in time.

It shows the **assets** (or things of value) that the co-op has, and how the assets are paid for (these are called **liabilities**, and are generally where the business owes money like banks, vendors, the IRS), as well as **equity** (ownership of the co-op: shareholders, partners, etc). The co-op's earnings show up in the equity section of the Balance Sheet.

A basic Balance Sheet looks like this:

**Table 2.1 Assets = Liabilities + Equity**

ASSETS	=	LIABILITIES + EQUITY
(what you have)		(who owns it)

The left side, **Assets**, lists what the business has and uses. The right side, **Liabilities + Equity**, lists who owns those assets (who you owe, whether those are outside entities or your own worker-owners). The left side always has to equal the right side.

### The Balance Sheet in action

We will open a beachside mojito stand to give you a simple example of the workings of a Balance Sheet. This is just a fun example and nothing more:

Imagine it's a Thursday morning, and you want to open a mojito stand. Your plan is to sell 60 mojitos. You decide it makes more sense to make 10 pitchers (which can each pour six mojitos) than 60 individual mojitos.

## Original investment

You start the business with \$100 of your own money. This is your **original investment**.

Table 2.2 Original investment

ASSETS	=	LIABILITIES + EQUITY
<u>Assets</u>		<u>Equity</u>
Cash .....\$100		Equity original investment ..\$100
TOTAL.....\$100		TOTAL.....\$100

## Note payable

You go to your sister Sonia and she lends you an additional \$150. Because this is a loan, you have to pay her back. Happily, she decides she will not charge you any interest. However, you don't actually own that \$150, so it is listed under the **Liabilities** category. This type of business IOU is called a **note payable**. It can also be called a loan. The right side now has two categories to it: Liabilities (what you owe others) and Equity (what belongs to you). Your Balance Sheet now looks like this:

Table 2.3 Note Payable

ASSETS	=	LIABILITIES + EQUITY
Cash .....\$250		<u>Liabilities</u>
		<b>Note Payable.....\$150</b>
		<u>Equity</u>
		Equity original investment ..\$100
TOTAL.....\$250		TOTAL.....\$250

It still balances out!

## Cost of Goods Sold

Now that you have the money to start your business, you go to the grocery store and get the ingredients for your mojitos.

You've written down what you need to make 10 pitchers of mojitos:

- » 4 pounds of sugar at \$0.50/pound = \$2
- » 8 bunches of fresh mint at \$0.50/bunch = \$4
- » 30 limes at \$0.50 each = \$15
- » Ice cubes, which you can get from your refrigerator for free
- » 4 (750mL) bottles of white rum at \$23/bottle = \$92
- » 7 liters of club soda at \$1/liter = \$7

Your total purchases come out to \$120.

Since you spent \$120, you have to take that out of the **cash** category of your Balance Sheet and move it to a new category of assets. In this case, the ingredients are considered **inventory**. You now own four pounds of sugar, eight bunches of fresh mint, 30 limes, three liters of white rum, and seven liters of club soda, so you can list their total value as **inventory**.

Table 2.4 Inventory

ASSETS	=	LIABILITIES + EQUITY
Cash .....\$130		<u>Liabilities</u>
<b>Inventory .....\$120</b>		Note payable.....\$150
		<u>Equity</u>
		Equity original investment..\$100
TOTAL.....\$250		TOTAL.....\$250

Even though you converted some of your cash to inventory, your assets and liabilities both remain at \$250.

You spent \$120 on supplies. This means your total **cost of goods sold** is \$120. To determine the **unit cost** (cost per glass), divide your total cost of production by the number of glasses you intend to sell.

$$(\text{cost of goods sold}) / \text{number of glasses} = \text{cost per unit}$$

$$\$120 / 60 = \$2 \text{ cost per glass}$$

## 2.1 FINANCIAL LITERACY

It costs you \$2 to make one mojito. You decide to charge \$6 per glass, as this is likely what people will pay for beachside mojitos. You set up your stand and let the customers come to you.

### Gross profit

When you close up for the day, you've sold 24 mojitos—that's \$144 worth of mojitos! But remember, you had to spend money to make the drinks. It cost you \$2 per glass, so it cost \$48 to make 24 glasses. In order to determine your earnings, subtract the **cost of goods sold** (what it cost you to make the 24 mojitos you sold) from your sales. The resulting amount is your **gross profit**.

$$\text{sales} - \text{cost of goods sold} = \text{gross profit}$$

$$\$144 - \$48 = \$96$$

You have \$96 above and beyond your cost. This is your gross profit. Your Balance Sheet for the end of the first day needs to reflect this profit.

Table 2.5 Gross profit

ASSETS	=	LIABILITIES + EQUITY
Cash.....(\$130 + \$144) = \$274		<u>Liabilities</u>
Inventory ..... (\$120 - \$48) = \$72		Note Payable.....\$150
		<u>Equity</u>
		Equity Original Investment. \$100
TOTAL..... \$346		TOTAL..... \$250.00

Notice that the left side doesn't equal the right side—something is up. You have \$96 more on the left side. You own that \$96. That goes into your **Equity** category as **earnings**. This category can also be called **net income**.

Table 2.6 Earnings

ASSETS	=	LIABILITIES + EQUITY
Cash .....\$274		<u>Liabilities</u>
Inventory .....\$72		Note payable.....\$150
		<u>Equity</u>
		Equity original investment ..\$100
		<b>Earnings.....\$96</b>
TOTAL..... \$346		TOTAL..... \$346

Thursday's ending Balance Sheet is different than the beginning Balance Sheet, but both sides are *still equal*.

### Fixed assets and retained earnings

Standing out in the sun selling mojitos all day is grueling. Some shade would make your life much easier, so the next morning you spend \$38 on a beach umbrella that you set up over your stand.

When a business acquires property or equipment that is not intended for sale, that property or equipment is called a **fixed asset**. On the Balance Sheet, the cost of the umbrella (\$38) comes out of **cash** and is reflected as a **fixed asset**. Additionally, you record the previous day's earnings as **retained earnings**, giving you a fresh start at \$0, to record new earnings starting today.

Table 2.7 Fixed assets and retained earnings

ASSETS	=	LIABILITIES + EQUITY
Cash .....\$236		<u>Liabilities</u>
Inventory .....\$72		Note payable.....\$150
<b>Fixed assets.....\$38.00</b>		<u>Equity</u>
		Equity original investment..\$100
		Earnings (current).....\$0
		<b>Retained earnings.....\$96</b>
TOTAL..... \$346		TOTAL..... \$346

Purchasing an umbrella turned out to be a very good idea, because the weather on Friday deteriorates to a slow drizzle. Very few people are out and about, and you decide to close up early after selling only 5 mojitos.

## Accounts Receivable

While you're packing away your muddler, one of the beach-goers, Mr. Lee, walks over to your stand, visibly distraught. You offer him a mojito to take the edge off, and he explains that he's misplaced his wallet, but will pay you back once he finds it. You know he's good for the money, so you hand him a mojito and send him off to continue his search.

Once you're inside where it's nice and dry, you pull out your Balance Sheet and record the day's transactions.

You sold 6 mojitos, which decreases your inventory by \$12 (6 x \$2 = \$12).

Five of those mojitos were paid for in cash, for a total of \$30. Revenue would be \$30. When Mr. Lee finds his wallet, you will receive another \$6 in cash for the sixth mojito, bringing revenue up to \$36.

Earnings will be \$36 - \$12 = \$24.

The \$6 you expect to be paid by Mr. Lee is called an **account receivable**. And because an **account receivable** is something you have, it goes on your Balance Sheet under **Assets**.

**Table 2.8** Accounts receivable, retained earnings & fixed assets

ASSETS	=	LIABILITIES + EQUITY
Cash ..... (\$236+\$30) = \$266		<u>Liabilities</u>
<b>Accounts receivable.....\$6</b>		Note payable.....\$150
Inventory ..... (\$72-\$12) = \$60		<u>Equity</u>
Fixed assets.....\$38		Equity original investment.. \$100
		Retained earnings.....\$96
		Earnings.....\$24
<b>TOTAL.....\$370</b>		<b>TOTAL.....\$370</b>

Remember: The \$24 in earnings came from calculating the gross profit of your mojito sales for Friday.

$$(6 \text{ mojitos} \times \$6) - (6 \times \$2) = \\ \$36 \text{ (revenue)} - \$12 \text{ (COGS)} = \$24$$

## Expenses

On Saturday, you want to sell the rest of your mojitos. You pay your friend Gabriel \$20 to walk around for an hour and encourage passing beachgoers to stop by your stand. You pay this \$20 **expense** with cash.

Table 2.9 Expenses

ASSETS	=	LIABILITIES + EQUITY
Cash ..... (\$266-\$20) = \$246		<u>Liabilities</u>
Accounts receivable ..... \$6		Note payable.....\$150
Inventory ..... \$60		
Fixed assets.....\$38		<u>Equity</u>
		Equity original investment..\$100
		Retained earnings.... (\$96+\$24) = \$120
		Earnings (today) .....-\$20
TOTAL.....\$350		TOTAL.....\$350

In order to make the right side equal to the left side, you need to take this expense out of your earnings.

Table 2.10 Deducting expenses from earnings

ASSETS	=	LIABILITIES + EQUITY
Cash .....\$246		<u>Liabilities</u>
Accounts receivable ..... \$6		Note payable.....\$150
Inventory ..... \$60		
Fixed assets.....\$38		<u>Equity</u>
		Equity original investment..\$100
		Retained earnings.....\$120
		<b>Earnings..... (\$120-\$20) = \$100</b>
TOTAL.....\$350		TOTAL.....\$470

Gabriel is an incredible salesperson. Soon, people are flocking to your booth. You can't pour glasses quickly enough! You sell the remaining 30 mojitos in no time and receive \$180 in cash. It costs you \$60 to make those mojitos, so your gross profit for the third day is \$120. This is added to your earnings. You have used up your entire inventory and converted it to cash. Additionally, a cheery Mr. Lee swings by and pays for yesterday's mojito in cash.

**Table 2.11 Inventory to cash**

ASSETS	=	LIABILITIES + EQUITY
Cash ..... (\$246+\$180+\$6) = \$432		<u>Liabilities</u>
Accounts Receivable ..... \$0		Note Payable.....\$150
Inventory (\$60-\$60) ..... \$0		<u>Equity</u>
Fixed assets.....\$38		Equity original investment..\$100
		Retained earnings.....\$120
		Earnings.....\$100
TOTAL.....\$470		TOTAL.....\$470

### Paying back on notes payable

You pack up and head home, where your sister Sonia is waiting for you. You pay back all the money she lent you, the \$150 note payable.

**Table 2.12 Paying on Notes Payable**

ASSETS	=	LIABILITIES + EQUITY
Cash..... (\$432-\$150) = \$282		<u>Liabilities</u>
Accounts receivable ..... \$0		<b>Note payable .... (\$150-\$150) = \$0</b>
Inventory ..... \$0		<u>Equity</u>
Fixed assets.....\$38		Equity original investment..\$100
		Retained earnings.....\$100
		Earnings.....\$120
TOTAL.....\$320		TOTAL .....\$320



### Paying wages and payroll taxes and more!

You add up the hours you worked to prepare and sell the mojitos. You have worked 12 hours. You decide to pay yourself \$12/hour in wages as you begin your enterprise, or \$144 for your efforts during the past three days. You also need to pay your payroll taxes, contribution to unemployment and workers comp which all add up to \$18. Once you remove these expenses from your earnings and cash, your ending Balance Sheet looks like this.

Table 2.13 Ending Balance Sheet

ASSETS	=	LIABILITIES + EQUITY
Cash ..... (\$282-\$144-\$18) = \$120		<u>Liabilities</u>
Accounts receivable ..... \$0		Note payable ..... \$0
Inventory ..... \$0		
Fixed assets ..... \$38		<u>Equity</u>
		Equity original investment .. \$100
		Retained earnings ..... \$100
		Earnings ..... -\$42
TOTAL ..... \$158		TOTAL ..... \$158

### A little context on the Balance Sheet

A business doesn't normally fill out a Balance Sheet after every transaction. Each business determines how often to fill out a Balance Sheet. Some do it weekly, some monthly, some quarterly (every 3 months), and some yearly.

While a **Balance Sheet** gives a snapshot of what's going on in a business at a *given moment*, and its results are influenced by all of these things, it does not explicitly state: the cost of goods sold, how much inventory was bought and sold, or expenses over a period of time. In order to keep track of this kind of information, businesses use a **Profit and Loss Statement**.



## PROFIT AND LOSS STATEMENT

A **Profit and Loss Statement** gives a record of events happening over a period of time, called the **accounting period**. An accounting period might be a week, a month, a quarter of a year, or a whole year. In the case of your mojito stand, the accounting period will be three days. The Profit and Loss Statement can be referred to as the P&L for short. It is also known as the Income Statement.

The Profit and Loss Statement begins by recording a business' **income**.

Your income came from sales, but it also cost you something to generate those sales. Does this sound familiar? This is the **Cost of Goods Sold (COGS)**. This is important: the cost of goods sold only relates to your product (like limes and mint, as we discussed in the previous section). By subtracting your COGS from your total sales, you will get your **gross profit**.

### Profit and Loss for my mojito stand

INCOME	
Sales of Mojitos	\$360
Cost of goods sold (COGS)	(\$120)
<b>GROSS PROFIT</b>	<b>\$240</b>

EXPENSES	
Advertising	\$20
Labor (prepping)	\$144
Workers comp & unemployment	\$5.75
Payroll expenses	\$12.25
<b>TOTAL EXPENSES</b>	<b>\$182</b>
<b>NET INCOME (gross profit – total expenses)</b>	<b>\$58</b>

$$\text{Sales} - \text{COGS} = \text{gross profit}$$

By selling 60 mojitos at \$6 per glass, you generated \$360 in sales. It cost you \$2 worth of product to sell each mojito, so the total COGS is \$120.

$$\begin{aligned}\text{Sales} - \text{COGS} &= \text{gross profit} \\ \$360 - \$120 &= \$240\end{aligned}$$

Your gross profit—the profit you get before taking out all the other costs of doing business—is \$240.

Next you calculate expenses, which are the costs of being in business. You paid Gabriel \$20 for advertising. You paid yourself \$144 in wages, and a total of \$18 in payroll taxes (\$12.25) + unemployment and workers comp (\$5.75). In order to find your **Net Income**, subtract your total expenses (\$182) from the gross profit.

$$\begin{aligned}\text{gross profit} - \text{total expenses} &= \text{net income} \\ \$240 - \$182 &= \$58\end{aligned}$$

Let's review: the purpose of the Profit And Loss Statement is to keep track of sales minus cost of goods sold, which gives you gross profit. Then, when you subtract all the other expenses of doing business, you get the net income. Net income is the same thing as the **bottom line**, **net profit**, and **earnings**.

Notice that things like loans and principal repayments don't show up on the Profit and Loss Statement. The P&L doesn't show the exact amount of cash on hand, either. **We need all three financial statements to understand how our business is operating.**

## THE CASH FLOW STATEMENT

It is useful to keep track of the cash that flows in and out of a business. In order to do so, businesses use a Cash Flow Statement, also called the statement of cash flows. The Cash Flow Statement only records the cash that comes in and the cash that goes out in a given period. In the case of the mojito stand, this period will be three days. The Cash Flow Statement helps us understand how able the business is to pay its debts and fund its operations. Let's go through your mojito stand's Cash Flow Statement line by line.

The main parts of the Cash Flow Statement are:

- » **Cash from operating activities**
  - › cash that is generated from products or services
  - › any type of operating expense
  - › changes in accounts receivable
  - › changes in inventory from one period to the next
  
- » **Cash from investing activities**
  - › any sources and uses of cash from investments such as equipment
  - › a purchase or sale of an asset
  - › loans made or received from customers or vendors
  
- » **Cash from financing activities**
  - › usually related to sources such as financial institutions and investors
  - › repayment of loan principal
  - › issuing dividends to stockholders

**Mojito Cash Flow Statement**

CASH FLOW STATEMENT	
CASH FROM OPERATIONS	
Net earnings / Net income	\$58
Additions to cash	
Increase in accounts receivable	
Increase in accounts payable	
Decrease in inventory	
Subtractions from cash	
Increase in inventory Decrease in accounts receivable Decreases in accounts payable	
CASH FROM INVESTING	
Fixed assets (beach umbrella)	-\$38
CASH FROM FINANCING	
Notes payable	-\$150
CHANGE IN CASH	-\$130
Beginning cash	\$250
Ending cash	\$120

You started the accounting period with \$250 in cash. This goes on the **beginning cash** line.

Over the three days, you collected \$360 in mojito sales. To accomplish those sales, you spent \$120 on ingredients (cost of goods sold), and an additional \$182 on other expenses including wages and advertising, leaving you with a net income or net earnings of \$58. \$58 goes on the **net earnings / net income** line under **CASH FROM OPERATIONS**.

You invested \$38 in an umbrella. This goes on the **fixed assets** line under **CASH FROM INVESTING**. Since you paid money for this (cash out) it is recorded as a negative number. If you were to sell the umbrella, it would bring cash in, and it would be recorded as a positive number.

You paid your sister back \$150. This amount goes on the **notes payable** line under **CASH FROM FINANCING**. Since you repaid a loan (cash out), it is added as a negative number. Receipt of an initial loan (cash in) would be recorded as a positive number.

The **change in cash** line is where you total all the additions and subtractions at the end of the accounting period, based on all the detail line items above. In this case, it is  $\$58 - \$38 - \$150$  or  $-\$130$ .

Your beginning cash was \$250. (\$100 of your money and \$150 of Sonia's money). \$250 is recorded on the Beginning cash line.

To get **ending cash**, you must take the **beginning cash** (\$250) and add the **change in cash** ( $-\$130$ ). You ended with \$120. This goes in **ending cash**. This is the **same** as the **cash** line on the **Balance Sheet**.





## KEY FINANCIAL TERMS

**Accounts payable:** money that you owe for regular business activities

**Accounts receivable:** money that is owed to you from your customers

**Accrual:** assets which accumulate either as cash (including money in the bank) or as equities. In accrual accounting, net profit is measured by the difference between revenues and expenses, not increases and decreases in cash.

**Assets:** in accounting, something of value in monetary terms

**Balance Sheet:** shows the assets, liabilities, and owners' equity at a given moment in time. The fundamental accounting equation of  $\text{Assets} = \text{Liabilities} + \text{Owners Equity}$  must always balance.

**Bankruptcy:** legal proceeding involving a person or business that is unable to repay outstanding debts

**Budget:** financial plan used to forecast and track income and expenses

**Capital costs:** fixed, one-time expenses incurred in the purchase of land, buildings, construction and equipment used in the production of goods or in the rendering of services; total monetary amount needed to bring a project to a commercially operable status.

**Capitalization:** costs that increase fixed assets, and will not be consumed within one year

**Cash:** cash in hand or in the bank

**Cash flow:** actual movement of cash within a business

**Cash Flow Statement:** document showing the flow of cash in and out of the business. The statement captures both the current operating results and the accompanying changes in the Balance Sheet.<sup>2</sup>

**Competition:** person, people, product, service, or business with whom one is competing; the opposition

**Contingency plan:** backup plan designed to take a possible future event or circumstance into account

**Cosigner:** person who signs for another entity's debt, creating a legal obligation for the cosigner to make payment on the other entity's debt, if that entity defaults. Having a cosigner is a way for individuals and businesses with low income or poor or limited

credit history to obtain financing.

**Cost of goods sold (COGS):** also known as the cost of production, it is the total cost of inventory at the beginning of the accounting period, plus new inventory purchases, plus labor and other associated production costs, minus inventory at the end of the accounting period.

**Credit:** provision of money or goods with the expectation of payment in the future; trust given to a consumer for future payment for goods purchased

**Credit union:** member-owned financial cooperative. These institutions are created and operated by their members, and profits are shared amongst the owners.

**Current assets:** cash or other assets that can be converted into cash within one year

**Current liabilities:** money you owe that will ordinarily be paid within one year

**Deflation:** a sustained decrease in the average price level of all the goods and services produced in an economy

**Depreciation:** reduction in the cost basis of the fixed assets due to wear and tear, passage of time, and obsolescence

**Direct costs:** material, labor and expenses related to the production of a product. Other costs, such as depreciation or administrative expenses, are more difficult to assign to a specific product, and therefore are considered indirect costs.<sup>3</sup>

**Earnings year-to-date:** profit made this year that has not yet been distributed

**Entrepreneur:** person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so

**Equities:** claims against assets. There are two kinds of equities: liabilities, which are the claims of lenders or creditors; and owner's equity, which are claims or rights the owner has.

**Expenditures (capital expenditures):** costs that increase fixed assets and will not be consumed within one year

**Expenses:** costs of doing business other than those of production. Expenses result in a decrease in owner's equity. All expenses result in a decrease in earnings year-to-date.

**Financial literacy:** ability to understand how money works in the

world: how someone earns, manages, invests, and donates money

**Financial transparency:** making information as accessible as possible; according to the SEC, “timely, meaningful and reliable disclosures about a company’s performance”

**Fixed assets:** property, plant and equipment owned by a business; things not normally intended for sale, which are used over and over again

**Fixed costs:** operating expenses that tend to remain constant regardless of variations in the volume of sales, for example, real estate taxes, property insurance, and real depreciation on a building

**Gross profit:** sales minus cost of goods and services sold

**Labor costs:** sum of all wages paid to employees, as well as the cost of employee benefits and payroll taxes paid by an employer. The cost of labor is broken into direct and indirect costs.

**Lease:** rental contract

**Liabilities:** total amount of money owed, including accounts payable and debt

**Liquidity:** ease with which assets can be converted into cash

**Long-term liabilities:** money owed that will not be repaid during the current year; for example, a mortgage

**Market:** geography or arena in which commercial dealings are conducted

**Net profit:** gross profit minus expenses; also called net income

**Open book management:** Technique used to give employees all relevant financial information about the company so they can make better decisions as workers. This information includes, but is not limited to: revenue, profit, cost of goods sold, cash flow, and expenses. The information received by employees should not only help them do their jobs effectively, but help them understand how the company is doing as a whole.

**Profit and Loss Statement:** Summary of the revenues and expenses of a company over a period of time; the difference between the two is a profit or a loss. Also called an Income Statement.

**Tax liabilities:** money owed to the government for taxes

**Top management:** traditionally, the highest ranking executives

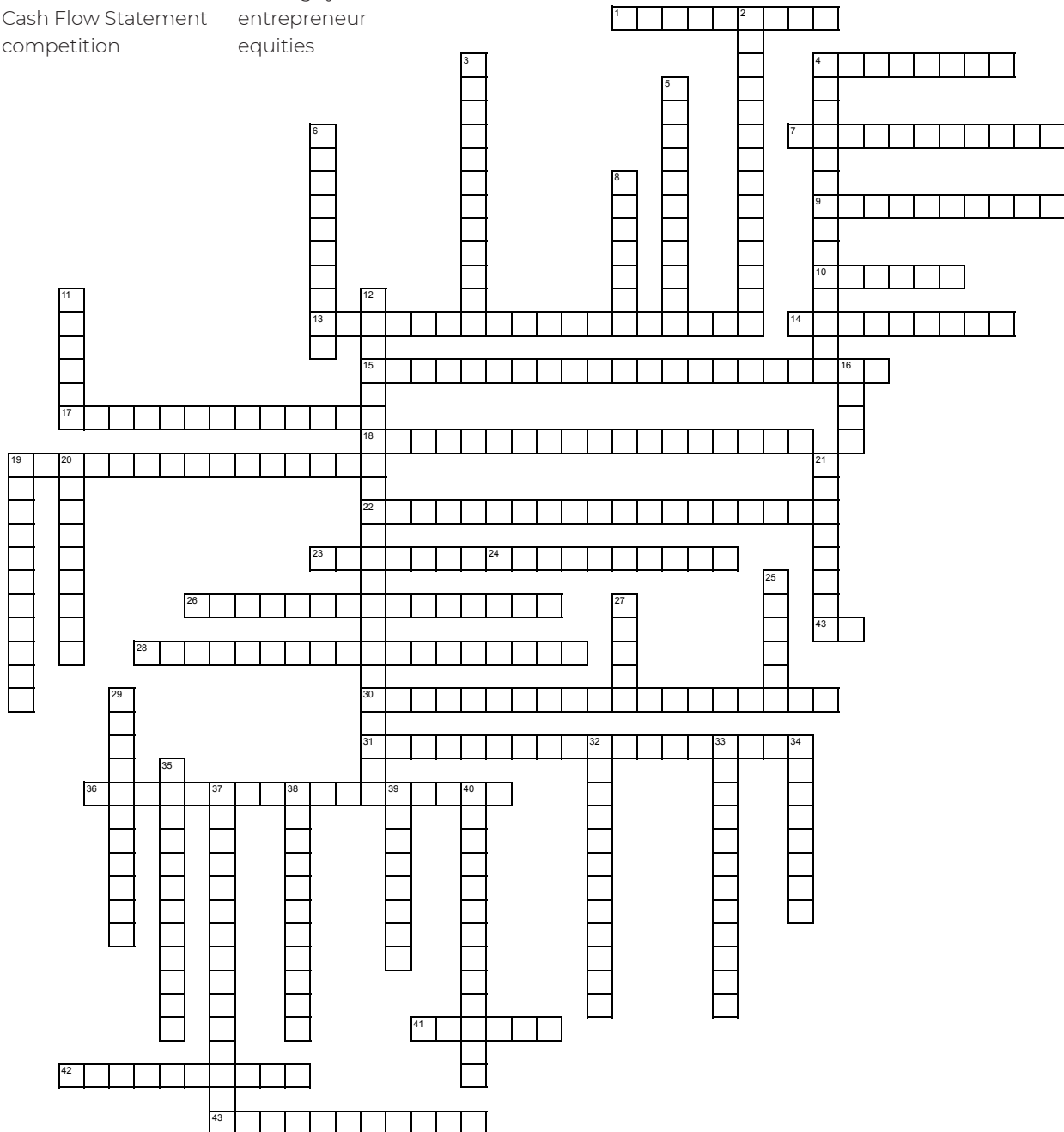
(with titles such as chairperson, chief executive officer (CEO), managing director, president, executive director, executive vice-president) responsible for the entire enterprise.

Top management translates the policy (formulated by the board of directors) into goals, objectives, and strategies, and projects a shared vision of the future. It makes decisions that affect everyone in the organization, and is held entirely responsible for the success or failure of the enterprise.

**W-2:** year-end statement prepared by the employer and provided to each employee and to the IRS, showing wages paid and taxes withheld

## CROSSWORD: KEY FINANCIAL TERMS

- |                     |                       |                                 |                           |
|---------------------|-----------------------|---------------------------------|---------------------------|
| accounts payable    | contingency plan      | expenditures (capital) expenses | long-term liabilities     |
| accounts receivable | cosigner              | financial literacy              | market                    |
| accrual             | cost of goods sold    | financial transparency          | net profit                |
| assets              | credit                | fixed assets                    | open book management      |
| Balance Sheet       | credit union          | fixed costs                     | Profit and Loss Statement |
| bankruptcy          | current assets        | gross profit                    | tax liabilities           |
| budget              | current liabilities   | labor costs                     | top management            |
| capital costs       | deflation             | lease                           | W-2                       |
| capitalization      | depreciation          | liabilities                     |                           |
| cash                | direct costs          | liquidity                       |                           |
| cash flow           | earnings year-to-date |                                 |                           |
| Cash Flow Statement | entrepreneur          |                                 |                           |
| competition         | equities              |                                 |                           |



## 2.1 FINANCIAL LITERACY

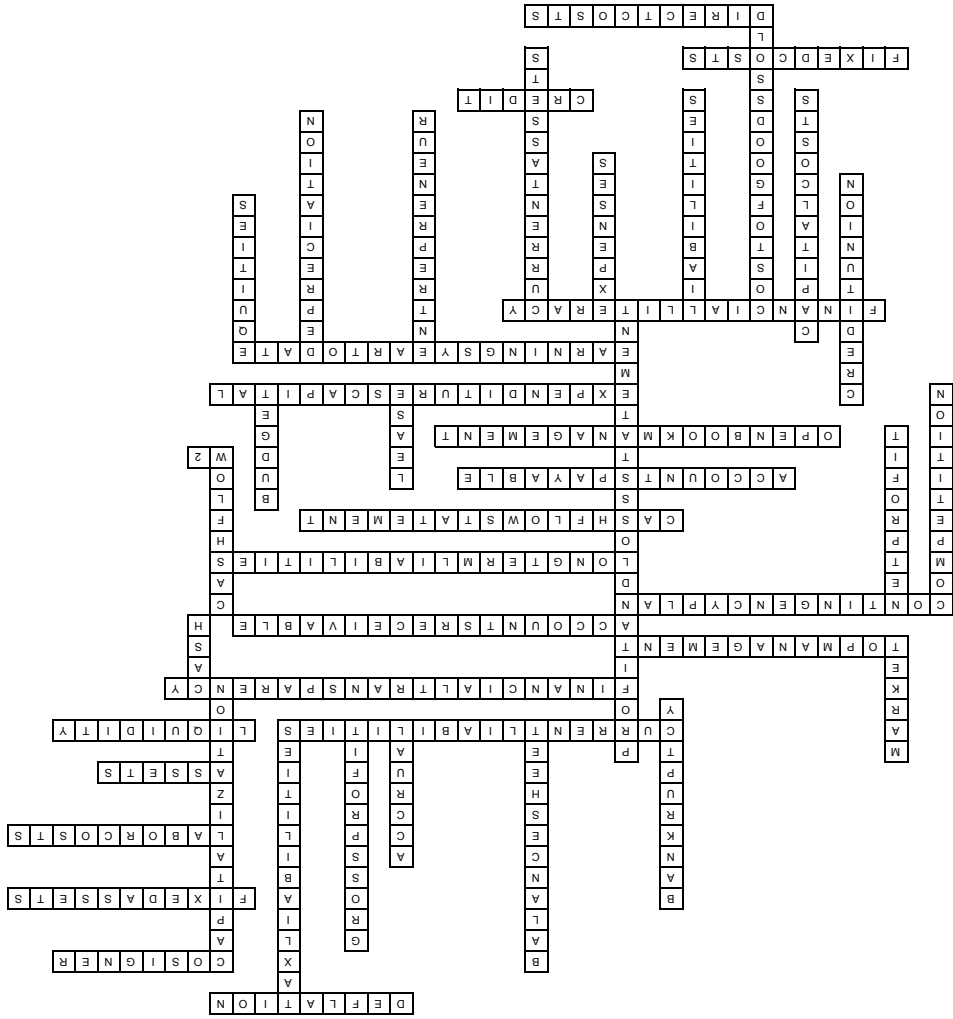
### Across

- 1 A sustained decrease in the average price level of all the goods and services produced in an economy
- 4 Person who signs for another entity's debt, creating a legal obligation for the cosigner to make payment on the other entity's debt if that entity defaults. Having a cosigner is a way for individuals and businesses with low income or poor or limited credit history to obtain a loan
- 7 Property, plant and equipment owned by a business; things not normally intended for sale, which are used over and over again
- 9 Sum of all wages paid to employees, as well as the cost of employee benefits and payroll taxes paid by an employer. The cost of labor is broken into direct and indirect costs.
- 10 In accounting, something of value in monetary terms
- 13 Money you owe that will ordinarily be paid within one year
- 14 Ease with which assets can be converted into cash
- 15 Making information as accessible as possible; according to the SEC, "timely, meaningful and reliable disclosures about a company's performance"
- 17 Traditionally, the highest ranking executives (with titles such as chairperson, chief executive officer (CEO), managing director, president, executive director, executive vice-president) responsible for the entire enterprise
- 18 Money that is owed to you from your customers
- 19 Plan designed to take a possible future event or circumstance into account
- 22 Money owed that will not be repaid during the current year; for example, a mortgage
- 23 Document showing the flow of cash in and out of the business. The statement captures both the current operating results and the accompanying changes in the Balance Sheet.
- 26 Money that you owe for regular business activities
- 28 Technique used to give employees all relevant financial information about the company so they can make better decisions as workers. This information includes, but is not limited to: revenue, profit, cost of goods, cash flow, and expenses.
- 30 Costs that increase fixed assets and will not be consumed within one year
- 31 Profit made this year that has not yet been distributed
- 36 Ability to understand how money works in the world: how someone earns, manages, invests, and donates money
- 41 Provision of money or goods with the expectation of payment in the future; trust given to a consumer for future payment for goods purchased
- 42 Operating expenses that tend to remain constant regardless of variations in the volume of sales; for example, real estate taxes, property insurance, and real depreciation on a building
- 43 Material, labor and expenses related to the production of a product. Other costs, such as depreciation or administrative expenses, are more difficult to assign to a specific product, and therefore are considered indirect costs.
44. Year-end statement prepared by the employer and provided to each employee and to the IRS, showing wages paid and taxes withheld

### Down

- |  |   |
|--|---|
| <p>2 Money owed to the government for taxes</p> <p>3 Shows the assets, liabilities, and owners' equity at a given moment in time. The fundamental accounting equation of <math>\text{Assets} = \text{Liabilities} + \text{Owners Equity}</math> must always balance.</p> <p>4 Costs that increase fixed assets and will not be consumed within one year</p> <p>5 Sales minus cost of goods and services sold</p> <p>6 Legal proceeding involving a person or business that is unable to repay outstanding debts</p> <p>8 Assets which accumulate either as cash/money or equities. In accrual accounting, net profit is measured by the difference between revenues and expenses, not increases and decreases in cash.</p> <p>11 Area or arena in which commercial dealings are conducted</p> <p>12 Summary of the revenues and expenses of a company over a period of time; the difference between the two is a profit or a loss. Also called an Income Statement.</p> <p>16 Cash in hand or in the bank</p> <p>19 Person, people, product, service, or business with whom one is competing; the opposition</p> <p>20 Gross profit minus expenses; also called net income</p> <p>21 Actual movement of cash within a business</p> <p>25 Financial plan used to forecast and track income and expenses</p> <p>27 Rental contract</p> | <p>29 Member-owned financial cooperative. These institutions are created and operated by their members and profits are shared amongst the owners.</p> <p>32 Person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so</p> <p>33 Reduction in the cost basis of the fixed assets due to wear and tear, passage of time, and obsolescence</p> <p>34 Claims against assets. There are two kinds: liabilities, which are the claims of lenders or creditors; and owner's equity, which are claims or rights the owner has.</p> <p>35 Fixed, one-time expenses incurred in the purchase of land, buildings, construction and equipment used in the production of goods or in the rendering of services; total monetary amount needed to bring a project to a commercially operable status.</p> <p>37 Also known as the cost of production, it is the total cost of inventory at the beginning of the accounting period, plus new inventory purchases, plus labor and other associated production costs, minus inventory at the end of the accounting period.</p> <p>38 Total amount of money owed, including accounts payable and debt</p> <p>39 Costs of doing business other than those of production. Expenses result in a decrease in owner's equity. All expenses result in a decrease in earnings year-to-date.</p> <p>40 Cash or other assets that can be converted into cash within one year</p> |
|--|---|

Answers





## Great Game of Business Key Terms

**Critical number:** The critical number defines winning. It rallies people around a common goal and a focus on what's most important and critical to the company's success. When the critical number is correctly identified, targeted and tied to a reward, the rules of the game have been set. The critical number becomes the focus of the game.

Identifying the right drivers helps everyone begin to understand what they can do, both individually and as a team, to influence the critical number and bottom-line financial results.

**High involvement planning (HIP):** When the game is created with broad participation – specifically the people who are closest to the action and who understand the realities – it creates a level of commitment and alignment that can't be matched.

High involvement planning helps companies transform their planning process from an annual, time-consuming ritual to a highly informative, educational journey that involves everyone at every level of the company in understanding the big picture and the importance of looking forward into the marketplace.

**Huddles:** Great Game huddles represent a communication rhythm where everyone is kept informed, involved and engaged in the progress of the game. A well-executed huddle creates focus, accountability, alignment (line of sight), and a sense of urgency to take action and drive improved results.

**MiniGames:** Short-term, intensely focused, continuous improvement campaigns designed to effect a change, correct a weakness, or pursue an opportunity within your company. There is a team goal, a scoreboard and a reward for winning.

**Open book management:** The basis of open book management is that the information received by employees should not only help them do their jobs effectively, but help them understand how the company is doing as a whole. The technique is to give employees all relevant financial information about the company so they can make better decisions as workers. This information includes, but is not limited to: revenue, profit, cost of goods, cash flow, and expenses.

**Scoreboard:** Used to keep track, measure and report key operational and financial numbers that reflect the "score" of the game.

Stack, Jack, and Bo Burlingham. The great game of business: the only sensible way to run a company. London: Profile Books, 2014.

### Endnotes

- 1 Stack, Jack, and Bo Burlingham. *The great game of business: the only sensible way to run a company*. London: Profile Books, 2014.
- 2 "Cash Flow Statement." Wikipedia. November 26, 2017. Accessed November 29, 2017. [https://en.wikipedia.org/wiki/Cash\\_flow\\_statement](https://en.wikipedia.org/wiki/Cash_flow_statement).
- 3 Bedford, Denise A. D. "Understanding and managing taxonomies as economic goods and services." *Bulletin of the Association for Information Science and Technology*. April 17, 2015. Accessed November 29, 2017. <http://onlinelibrary.wiley.com/doi/10.1002/bult.2014.1720400410/full>.

A large, stylized number '3' is positioned in the upper right quadrant of the page. It is rendered in a light purple color against a dark purple background. The '3' is composed of thick, rounded strokes, with a solid dark purple circle at its center. The top of the '3' is cut off by the top edge of the page.

# **COOPERATIVISM & SOLIDARITY**



## INTRODUCTION

In this section we explore the importance of building a culture of solidarity within our co-ops. We start with a thought-provoking reflection from Armin Isasti, who worked in Mondragon for 48 years. He helps us think through what it takes to be a cooperatista and help build a cooperative network that can truly transform our communities. Then, we highlight reflections on solidarity from famous leaders as well as members of our local team.

In Section 3.1 you will find a series of exercises to help you connect with yourself. In order to build a culture of solidarity, it's important to connect with ourselves, and understand our own needs, leadership styles, and hopes so we can more authentically show up in the world. It's also important to get more skillful in understanding others' needs, desires, and styles. In Section 3.2, we explore conflict styles, introduce communication and conflict management techniques, and offer exercises that help us explore power and privilege.

Solidarity is the foundation on which the union cooperative movement is built. Co-op members stand in solidarity with those who work for economic democracy, justice, and peace. Solidarity means recognizing that whatever happens to one directly, affects all indirectly. It refers to the ties in society that bind people together as one.

### **A Mondragon perspective on U.S. cooperativism**

At the 2015 Union Co-op Symposium, several Mondragon delegates including Armín Isasti, one of the most active worker-owners in the Mondragon cooperative experience, gave presentations to a crowd of over 200 union co-op movement builders. After 48 years with Mondragon and 30 years as the leader of Mondragon's business incubator, Saiolan, Armín gave a lively presentation on Saiolan's process of business creation.

A year later, Armín was still so inspired by the energy and people at the symposium that he wrote a letter to Co-op Cincy and the union co-op builders in the United States, to give us advice and rally us to continue pushing our movement forward in the United States. Read and reflect on his words of wisdom below. First, Armin quotes Mondragon founder Father Arizmendi:

## A Letter from Mondragon's Armín Isasti



Father Arizmendi. Source: diariovasco.com

*“We need a revolution based on work and not on myths. We will attain union by relying on the truth, never on lies, hypocrisies or errors. To the trends of the ‘consumer society that consumes’ which may drug us with simple material wellbeing, and on whose scoreboard human beings are evaluated as things instead of as persons, the cooperative system responds among us, getting us together and helping us to participate and act as persons. Furthermore, as persons we are called to risk our initiative, responsibility, and our creative capacity starting from the most basic cell or creative working organism: the enterprise. In this manner we will be able to unleash a new attitude to transform the economy and to generate a new socioeconomic order, consistent with human dignity and the demands of human communities.”*

-José María Arizmendiarieta  
Founder of Mondragon Cooperativism

Reading this quote by Father José María Arizmendiarieta, his words call us to participate and act from our humanity in order to contribute to the process of transforming the economy and creating a new socioeconomic order, a more participatory economy, an economy for all. Further, it is good to bring his reflection back into our consciousness and adapt his reflection to the times we are living in, with the intention to act in the realm of possibilities with pragmatism. This reflection sparked my desire to address you through this letter



Armin Isasti at the 2015 Union Co-op Symposium. Photo by Paul Davis.

from Mondragon. I hope my words do justice to these ideas and thereby help to open new, more humane pathways.

But first and foremost, even though time has passed since the Union Co-op Symposium, it was unforgettable. I want to express my great joy in the experiences and impressions that I shared with you all at the event organized by the Cincinnati Union Cooperative Initiative in Cincinnati on November 12 and 13, 2015. Second, I'd like to say that I am pleased to be able to write to you and help you with your projects based on my 48 years' experience in different areas of Mondragon cooperativism: industry, education and cooperative creation. Cooperativism needs new strength, new points of view, new imaginations. In other words, we need to rethink cooperativism so that the cooperative movement can reach other parts of the world, and in this way keep the flame of the "Mondragon Cooperative Experience" alive. Encouraging initiatives like Co-op Cincy and 1Worker1Vote have started in the United States and have a lot of potential.

## **Beyond the 10 principles**

To be a *cooperativista*, there are—in my experience—some very specific, important elements that go far beyond knowing the 10 cooperative principles.

1. **Sacrifice.** The first element is a willingness to sacrifice a part of ourselves. To be a true cooperativista is a very demanding profession. All professions are, but this one is particularly so.
2. **Study and preparation.** The second element of cooperativism is the constant development of people from all levels of the organizational structure, building their knowledge, values, and skills. In cooperativism, constant study and reflection are essential, as we face a constantly changing world.
3. **Frugality.** To be a cooperativista also requires a third important quality: frugality. Do not consider cooperativism as a means to make oneself rich. If wealth is the goal, there are other professions that allow one to earn much more money, and more quickly.

## **A space for challenging inequality**

In my case, choosing to be a cooperativista allowed me to reject the inequality and social exclusion that most of us in the Mondragon region lived with. I found spaces for rebellion in cooperativism, because despite the poverty—poverty does not

cry; poverty suffers in silence, it doesn't have a voice—I remained hopeful, and cooperativism allowed me to realize this hope because I expected to improve my life.

In this context, recent events in the United States are headlines on a global scale and reflect how inequality and social exclusion emerge in a harrowing manner, and tend to multiply and spread quickly. It seems that all we value are economic successes measured by GDP and its growth, without taking time to reflect and ask ourselves, why do we tolerate inequality and social exclusion?

Sixty years ago, one of the “unquestioned realities” was that “the son of a laborer has to be a laborer, and the son of an engineer, an engineer.” Ordinary citizens considered this to be “the natural order of things.” This premise, accepted implicitly, was questioned and put to the test, triggering Mondragon Cooperativism.

This is an example of constructive confrontation of the “establishment,” and is transferable to the present moment. It came from a profound belief in fighting for the rights of working people in the face of injustice.

### **Challenging unquestioned realities**

With respect to what has been described, I would like to provide a selection of some of these “unquestioned realities” for your discussion and reflection. It involves a series of implicit presumptions that are generally accepted without being tested and which, from my point of view, are leading us to tolerate inequalities and social exclusion:

1. **Economic development** is the only formula to progress and overcome the challenges and problems generated by human coexistence.
2. **Competition** is the key to social equity and the propagation of the social order with its two facets: recognition for who deserve it, and the rejection or humiliation of those who do not.
3. **Inequality** between people has a natural foundation, and adapting opportunities and practicalities to this rule benefits us all. The riches of a few benefit the whole.
4. **Persistent consumption** is the single most important and secure path in the pursuit of happiness from the cradle to the tomb.



## Small changes, great changes

Responding to these “unquestioned realities” from the perspective of the Cooperative Movement is no easy task. It means that changing these realities requires more than a simple change in mindset. It requires nothing less than a drastic—and, initially, painful and unappealing—change in our way of life.

If we ask ourselves which values we consider most important, many of us will probably name equality, mutual respect, solidarity and friendship. But if we observe our everyday behavior, there are other values that stand out. It is astonishing to assess the distance between ideals and reality, between words and deeds. Faced with these behaviors, how can we build that bridge between words and deeds, and without forgetting about the material with which we have to build it? How do we rekindle this “everyday humanism:” humble, ordinary, day-to-day coexistence that ennobles a person? Reflections like these were posed by Father José María Arizmendiarieta in his teachings.

To this Arizmendian thinking I would add, from my professional experience, the motto “small changes, great changes.” It is more important to act, than to propose lofty goals that will only dishearten us and further justify our inactivity. Our mantra was, “Tomorrow will be a better day.”

We are not conscious of what we are capable of, nor of the enormous value of an act as simple as planting a little seed every day. There is value in humble planting, and persevering in search of hope. But what can we develop, so that good words may turn into deeds?

## Key elements to build the cooperative movement

If the cooperative movement is, in its essence, fueled by a spirit of open solidarity, I believe that its goal is still far from being met. By combining the **forces of many very different people**, we can **bridge the gap** with a revamped cooperatista system: solidarity on a global scale, where we experience new ways of working, learning and relating to each other.

Thus, the main task is to **build this bridge supported by various active models of making cooperatives**, instead of merely talking about the virtues and benefits of cooperativism. To do this, I put forward the following key elements to work on, to establish this new model:

1. **People should be connected to educational and training** processes in the broadest sense. For one thing, technical training on the com-

mand and management of businesses and technologies. Even more important are study groups on social issues, formed among working people, universities, community colleges, and civil society. These groups should foster concern for others, learn how to analyze problems with a critical eye, align with the low-income people, and feel our responsibility to eliminate injustice.

To create cooperatives, we first need people who are cooperativistas. We need to develop our ethical and moral backbone. In this, the selection of people and their daily acts are a critical component for success.

2. **Establishing networks**, to collaborate at the local, national and international levels, within an environment that values social education, business education, innovation, and entrepreneurship, all working together to create cooperative employment. In the beginning of the “Mondragon Experience,” the strategy of capturing technology and business ideas as part of an active policy of creating cooperative businesses.
3. Use a **decision-making model** that evaluates business ideas and business projects stemming from social needs and technologies, and where resources are applied progressively and continuously, based on milestones.
4. **Formulating strategies** to develop and intervene in projects of:
  - a. Cooperativization of businesses that are not cooperatives
  - b. Creation of new cooperative start-ups
  - c. International projects that encourage and strengthen the cooperative model
5. **Innovation and entrepreneurship** are also a matter of collaboration. One option is to complement a basic design with an organization for the creation of cooperative businesses, with other systems of external support such as an advisory board and other infrastructures of support in the fields of science and technology to help new business ventures.

6. Lastly, in addition to these five key elements, making sure that beautiful words become actions requires commitment to **applying a financing model** with well-defined criteria.

### **Building the cooperativism bridge**

As you can attest to, the work is neither easy nor immediate. One needs intelligence, effort, determination and perseverance. This letter is already extensive—I ask forgiveness—but there are still questions that should

be analyzed and brought to open debates in which you discuss society and the values that “an economy that works for all” requires.

My stay in Cincinnati allowed me to think and dream about how to participate to the best of my abilities in the construction of a new bridge, the bridge of cooperativism and coexistence, like the bridges over the Ohio River that connect the states of Ohio and Kentucky, as an example of cooperation applicable to other places.

Nothing more. I leave newly grateful to Co-op Cincy and One Worker, One Vote for your invitation, and to each of you. I’m sending hugs and inviting you to look to the future under the motto of José María Arizmendiarieta that “there is always one more step to take.”

Armín Isasti

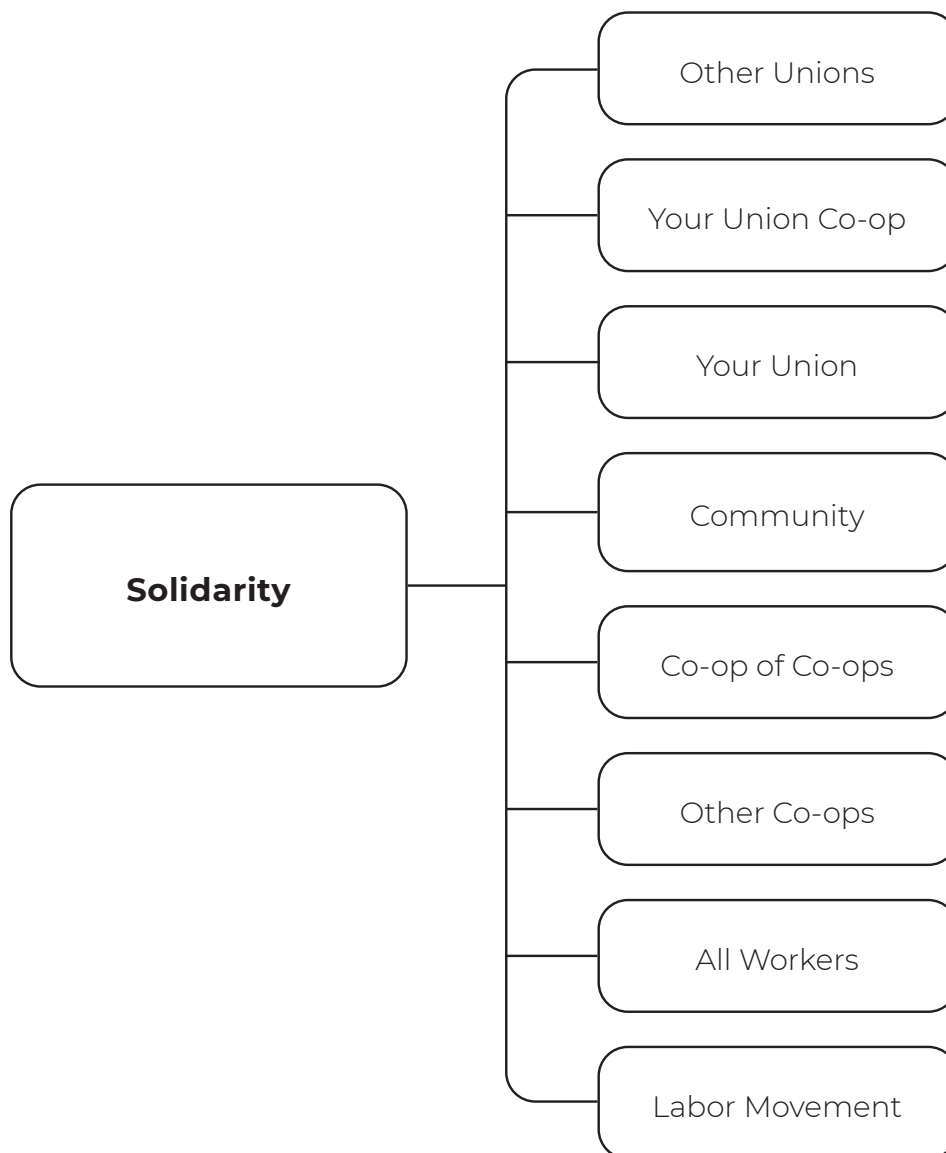


## WHAT IS SOLIDARITY?

Solidarity is unity and mutual support with an individual or group, based on a common interests. It refers to the ties in society that bind people together as one. The term is used in sociology, social sciences, philosophy, and certain religious frameworks such as Catholic social teaching.

### What forms the basis of solidarity varies among groups.

Solidarity can be based on kinship or shared values. The below chart illustrates some of the groups with which Mondragon-style union cooperatives show solidarity.



## Solidarity Perspectives

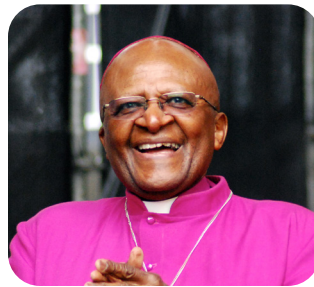
Read and reflect on these solidarity perspectives from several social rights activists.

*“We cannot all succeed when half of us are held back.”*

– Malala Yousafzai



Malala Yousafzai. Photo from Creative Commons.



Desmond Tutu. Photo from Creative Commons.

*“If you are neutral in times of injustice, you have chosen the side of the oppressor.”*

– Desmond Tutu

*“We cannot seek achievement for ourselves and forget about progress and prosperity for our community... Our ambitions must be broad enough to include the aspirations and needs of others, for their sakes and for our own.”*

– Cesar Chávez



Cesar Chávez. Photo from Creative Commons.



Audre Lorde. Photo from Creative Commons.

*“When I dare to be powerful, to use my strength in the service of vision, then it becomes less and less important whether I am afraid.”*

– Audre Lorde

*“Walk the street with us into history. Get off the sidewalk.”*

– Dolores Huerta



Dolores Huerta. Photo from Creative Commons.



Richard Rohr. Photo from Creative Commons.

*“Imagine what the world would be like if we treated others with inherent and equal dignity and respect, seeing the divine DNA in ourselves and everyone else too—regardless of ethnicity, religion, gender, nationality, appearance, or social class. Nothing less offers the world any lasting future.”*

– Richard Rohr

### Perspectives from Co-op Cincy

*“Our lives and destinies are tied up together. I will be free, when we all are free. We are all connected. As MLK said, ‘Injustice anywhere is a threat to justice everywhere.’ Or as Paul Wellstone put it, ‘We all do better when we all do better.’”*

– Kristen Barker, Co-op Cincy

*“The co-op model, shared risk and reward, shared ownership just makes sense. It’s how we tended to do things even before we knew what co-ops were. Turns out businesses are more likely to be successful when they are co-ops and when they are part of a broader community of support, like Co-op Cincy’s networks of co-ops. We want this kind of experience to be available for all people.”*

– Victoria Russell, A Touch of TLC Home Health Care Service

*“[Solidarity is] considering all aspects of a decision—what effect your decision will have on others, on the environment, on the greater good. Individualism is the antithesis of solidarity.”*

– Linda Davis, Engaged community member

*“Solidarity is not charity. It is cooperating and working together to help each other and build something good for us.”*

– Flequer Vera, Sustainergy Cooperative



# 3.1 CONNECTING WITH OURSELVES

We also have communication exercises that help us tune in better to our co-workers and become more skillful in handling conflict. Conflict is an unavoidable part of life and can be a gift, a signal that something needs to change for things to work better for all. It can be especially important for making sure new ideas and different approaches get heard.

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### WORKSHEET: WHO YOU ARE MATTERS

This worksheet is one that you can fill out and hand in to your team leader.

#### Worker recognition

Worker Name:

We want to ensure each worker is recognized in an effective, meaningful experience. By completing this worksheet, you help us make recognition efforts more personal and lasting. Thank you.

Do you mind being recognized publicly?

- Yes
- No
- Sometimes

Do you prefer that recognition be given by: (check all that apply)

- peers
- management
- board

When is your birthday? \_\_\_\_\_

When is your anniversary of employment? \_\_\_\_\_

Do you have thoughts on how you like to be rewarded or recognized? \_\_\_\_\_

\_\_\_\_\_

Tell us about yourself...your accomplishments, how you've been recognized in the past, ideas you have on recognizing others, anything else you think might be helpful?

# 3.1 CONNECTING WITH OURSELVES

## Self-awareness #1: The basics

This activity is used for your management team to better understand and celebrate you.

My full name:		
Nicknames or shortened forms: (circle the one you prefer)		Birthday:
Favorite color	Favorite TV shows:	Favorite foods:
Important people in my life:		
Places I've lived:	Pets:	Favorite movies:
Sports teams:	Favorite music:	

## Self-awareness #2: Talents and Relaxation

This activity is used for your whole cooperative team to understand you better.

Things I like to do when I'm not working:

What brings me joy?

I have these skills:

Places I like to go:

I could teach you:

Ways I take care of myself:

I'd like to learn:



## WORKER-OWNER SELF-ASSESSMENT

### Why complete a self-assessment?

Completing a self-assessment takes a snapshot of your life right now and helps you determine what's important to you at this moment.

### Directions

In each space, reflect on what's going on in each of the listed parts of life. Write a few words or phrases that describe what is happening in your life. Thoughts can be negative, neutral, or positive. There are no wrong or right responses.

The goal of this exercise is to provide a safe, nonjudgmental opportunity to reflect, learn, and set reasonable personal goals. Sharing with the group will be optional, and reflections that are shared should stay inside the group. Feel free to leave any box empty.

### Measuring progress

In a few months or more, you will fill out this assessment again without reference to the ideas and thoughts you write down today. You will have an opportunity to see where you are, what has changed, what has remained the same. You can set new goals, celebrate successes, and reflect on how priorities have changed or shifted.

### My initial self-assessment

**Interests**

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**Skills**

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**Values**

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**Needs**

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# 3.1 CONNECTING WITH OURSELVES

## Motivations

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## Responsibilities

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## Financial

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## Spirituality

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## Family/Friends

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## Leisure/Hobby/Social

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## Health

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## Revisiting my self-assessment

Now that some time has passed, return to these same sections, first without looking back your initial assessment. After you fill out these two pages, you'll look back and compare.

**Interests**

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**Motivations**

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**Values**

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**Financial**

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**Skills**

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**Family/Friends**

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# 3.1 CONNECTING WITH OURSELVES

## Needs

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## Health

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## Responsibilities

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## Spirituality

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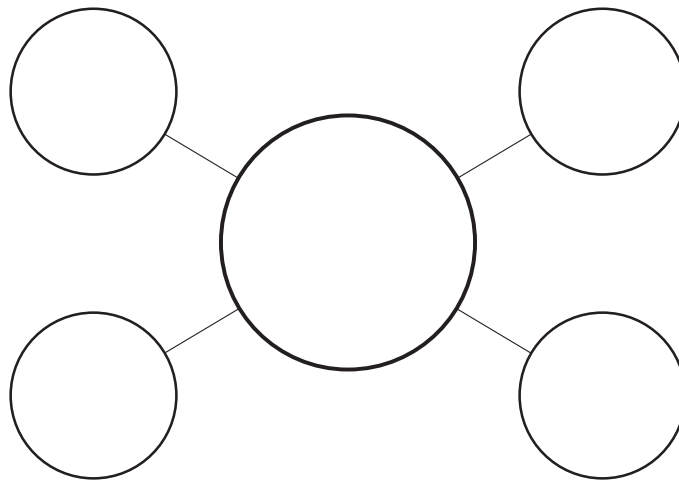
## CIRCLES OF MY MULTICULTURAL SELF

### Purpose:

This activity highlights the multiple dimensions of our identities. It addresses the importance of individuals self-defining their identities and challenging stereotypes.

### Instructions

Place your name in the center circle of the structure below. Write an important aspect of your identity in each of the satellite circles – an identifier or descriptor that you feel is important in defining you. This can include anything: Asian American, female, mother, athlete, educator, Taoist, scientist, or any descriptor with which you identify. A larger circle structure is on the next page.

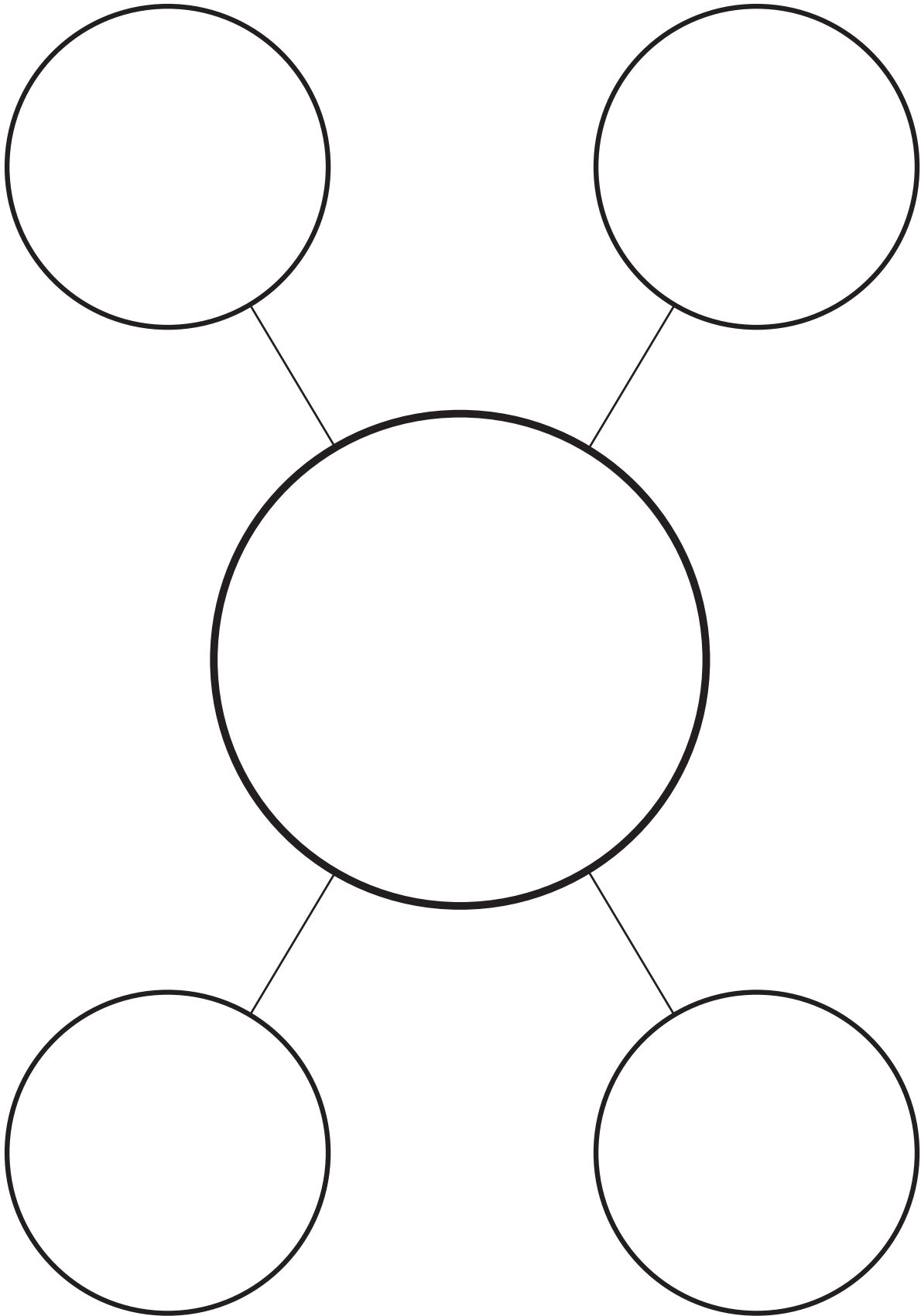


1. Share a story about a time you were especially proud to identify yourself with one of the descriptors you used above.
2. Share a story about a time it was especially painful to be identified with one of your identifiers or descriptors.
3. Name a stereotype associated with one of the groups with which you identify that is not consistent with who you are. Fill in the following sentence:

I am (a/an) \_\_\_\_\_ but I am NOT (a/an) \_\_\_\_\_.

(So if one of my identifiers was “vegan,” and I thought a stereotype was that all vegans are self-righteous, my sentence would be: “I am a vegan, but I am NOT self-righteous.”)

Circles of my multicultural self activity



**Name:**

## ACTIVITY: THE LEADERSHIP COMPASS

### History

This activity is incredibly useful and has been used and published, in one form or another, by a wide variety of organizations. So much so, that it's been the subject of a long game of telephone, where the origins of its wisdom have been attributed in many different ways. Our first edition of the Worker Owner Workbook made the error--based on information from an organization that we trust--of attributing the origins to the "Native American" Medicine Wheel. When a new staff member joined our team in 2020, she noticed that this was an inappropriate way to cite one or more indigenous traditions, and we began researching the true origins. That process was not as straightforward as you might think! A true indication of the work we have left to do, when it comes to valuing indigenous peoples' wisdom without engaging in cultural appropriation.


The best description we've found comes from George Lakey, who draws on work from Jonathan Snipes. Lakey describes "an ancient, pre-Christian Celtic perspective on diversity, the Wheel of Being," and notes that Snipes found that it "matches up with the Medicine Wheel of the Lakotas and the view of many indigenous peoples in Africa, Asia and the Americas."<sup>1</sup>

### The model

In this model, each of us has a leadership style that tends more heavily towards a set of characteristics, which correspond to a direction (North, South, East and West) and one or more general terms (more on that later). All directions have profound strengths and potential weaknesses. Everyone is capable of improving some of the skills associated with each of the directions. Even more importantly, we can use this tool to understand the unique gifts that each of our teammates brings, through practice and awareness. The strongest team is not one where everyone is the same, but one in which each of the four directions is represented, valued and utilized!

### Purpose

This is a team-building activity for your team to use very early in your process of getting to know each other and how best to work together. Teamwork begins with self-awareness and awareness of other people's leadership styles. We can't all be good at everything. There are tensions that arise between the different directions, and these tensions should be acknowledged. Yet the best teams are made up of people with different perspectives and talents. This activity will help you and your team understand yourselves and each other better, as a first step in working more collaboratively.

<p><b>Learning Goals</b></p> 	<ul style="list-style-type: none"><li>» Identify your leadership style(s)</li><li>» Assess the balance of leadership styles within your group</li><li>» Discuss how you interact with the other styles on your team</li><li>» Be ready to notice and learn from this exercise as you work together after this</li></ul>
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## 3.1 CONNECTING WITH OURSELVES

### Leadership Compass Worksheet

Read the following statements. Put a check next to the statements that apply to you. When you are done, the facilitator will share the answer key with you to reveal your leadership style. Check ALL that apply.

- 1. I make space for everyone to be heard and to be engaged in the work
- 2. I internalize difficulty and am likely to assume I am to blame
- 3. I focus at least as much on the process as the end goal
- 4. I am sensitive to people's individual feelings, supportive, and nurturing
- 5. I have difficulty confronting people and dealing with anger
- 6. I make decisions based on my values and feelings
- 7. I am a good listener and have strong facilitation skills
- 8. I utilize my relationships to accomplish tasks
- 9. I have trouble saying "no"
- 10. I trust people relatively easily and tend to be vulnerable and open
- 11. I am clear about boundaries.
- 12. I like challenges (obstacles to overcome, people to persuade or move aside, pressures to withstand)
- 13. I persevere through obstacles
- 14. I sometimes overlook process and push for decisions quickly
- 15. I am decisive
- 16. I am good at organizing and motivating people for urgent action
- 17. I can be argumentative and impatient
- 18. I like to be in control and steer the course of events
- 19. I can be defensive
- 20. I am active and assertive
- 21. I make quick, intuitive leaps
- 22. I am good at seeing the big picture
- 23. I sometimes lose sight of process and details
- 24. I love innovation
- 25. I can become easily overwhelmed and lose track of time
- 26. I have difficulty sustaining passion after initial enthusiasm dies down
- 27. I am willing to experiment
- 28. I sometimes struggle to follow through

## 3.1 CONNECTING WITH OURSELVES

- 29. I am insightful about our mission
- 30. I am an ideas person with a focus on the future
- 31. I am practical and thorough in task situations.
- 32. I am introspective and self-analytical.
- 33. I have excellent planning and documentation skills
- 34. I am logical and base decisions on the evidence, the available data
- 35. I am very detail oriented
- 36. I can collect unnecessary data, overanalyze, and be indecisive I may appear cold and withdrawn
- 37. I may appear cold and withdrawn
- 38. I have high standards for work products
- 39. I weigh all sides of an issue
- 40. Once I finally make up my mind, I can become stubborn about my position

Now we'll use your answers to determine your most dominant leadership style.

**Remember: no style is better or worse than any other. The strongest teams include people who bring different perspectives and styles to the group. The strongest teams also work well across our differences.**

## 3.1 CONNECTING WITH OURSELVES

Divide your page into sets of 10 -- between 1 and 10, 11 and 20, 21 and 30, and 31 and 40. Count the number of boxes you checked in each section of 10.

- » If you checked the most boxes between 1 and 10 then your primary direction is SOUTH and **you tend to NURTURE**. You are good at helping other people to do their best, and paying attention to group dynamics and process.
- » If you checked the most boxes between 11 and 20, your primary direction is NORTH, and **you tend to MOBILIZE**. You are good at getting other people excited and committed to working on a project, and at keeping your projects on track.
- » If you checked the most boxes between 21 and 30, your primary direction is EAST, and **you tend to be VISIONARY**. You are good at thinking up new ideas and plans that create breakthroughs and move your vision forward.
- » If you checked the most boxes between 31 and 40, your primary direction is WEST, and **you tend to ANALYZE**. You are good at seeing the big picture, and all of the detail needed to make a sound decision or develop a viable model..

Note: You may also choose to call these directions **Nurturers, Mobilizers, Visionaries, and Analysts**. We changed to the language above to match our Spanish translation, and make it easier for mixed-language groups to do the exercise together with interpretation.

YOUR TEAM'S LEADERSHIP COMPASS	
Team member	Leadership direction



## Part 2

### Small group activity (20 minutes)

Break into groups according to your leadership styles and discuss:

- » What are the strengths of your leadership style? What do you enjoy about it?
- » What are some of the weaknesses you experience of your style? What are some things that tend to frustrate you?
- » How has your leadership style shown up in the workplace, in a community group, at home?

## Part 3

### Large group discussion (45 minutes)

After the small group sharing activity, come back together as a large group and discuss:

- » What do you notice about the balance of leadership styles in your group?
- » What have you found most rewarding and challenging about working with the other leadership styles?
- » How might the balance of leadership styles in your group help you work well together?
- » What can you do if a group is unbalanced? How will you adapt and find ways to be flexible?
- » What will you do to ensure that everyone's leadership style is honored in a meaningful way?

### Incorporating these learnings into your work!

- » Think about these leadership styles between now and the next time we come together as a group.
- » Bring the answers to these 3 reflection questions to the group:
  - » What have I noticed about my leadership style, that I hadn't noticed before?
  - » What is one way that understanding a teammate's leadership style helped me to move work forward more effectively?
  - » What is one way that understanding a teammate's leadership style helped me to avoid a situation that might have frustrated me in the past?



## ACTIVITY: WRITING CIRCLES

### Purpose

Writing can be a way to connect with ourselves and with others. It can work for introverts as well as extroverts. It can be a way to go deeper and create a space to hear everyone's voice. It's surprising how quickly we can go beneath the surface and get to the heart of the matter. Using this approach from time to time can be a great way to build a culture of solidarity within your team. This writing circle activity is adapted from the groundbreaking work of Mary Pierce Brosmer. More information can be found in her book *Women Writing for (a) Change: A Guide for Creative Transformation*.

### Supplies

- » paper or notebook
- » pens & pencils
- » talking stone/token
- » copies of opening reading

### Learning Goals



- » Use writing activities to better understand our thoughts and observations on a topic or writing prompt
- » Strengthen communication skills
- » Practice nonjudgmental, active listening

### Agenda for a writing circle

1. **Distribute materials**
2. **Open the circle.** The circle leader reminds the group of the trust and confidentiality of the circle. Participants are encouraged and reminded through words or ritual to be present and focused. Often a leader will pass a candle around the circle to bring people into the present moment and to invite them to let go of their concerns or other tasks, while the candle is lit.
3. **Check-in.** People pass a talking object (often a stone) from person to person. As a person receives the stone they say their name and something to bring themselves into the circle before passing the talking object along. There is something powerful about saying your name, claiming your space. If there are gift and challenge cards (aka: index cards that list a gift and a challenge from the previous writing circle), then those are passed around anonymously and each person also reads a card during their check in.
4. **Writing time.** The circle leader reads the day's reading, poem, or reflection and suggests writing prompts. 20 minutes of fast write.
5. **Read-around.** Pass the talking stone around the room, and give everyone an opportunity to share their writing.
6. **Read-backs.** "Popcorn-style," collective, random sharing of words or short phrases inspired by the readings.

## 3.1 CONNECTING WITH OURSELVES

7. **Gift and challenge cards.** Circle leader distributes index cards. Participants can write reflections on the challenges and gifts of the day's writing circle.
8. **Closing the circle.** The circle leader thanks the group, provides key information, and signals the close of the circle

### Key Terms

**Circle leader:** the person responsible for providing the opening reading, poem or reflection, offering writing prompts, and guiding the group through the agenda.

**Talking stone (token):** a small object passed between speakers and listeners in a group; whoever has possession of the talking stone is the person speaking.

**Fast write:** Writing fast enough to stay a step ahead of your inner critic or editor. This is sometimes known as stream of consciousness writing: writing whatever comes to mind, without censoring yourself.

**Read-around:** Sharing individual writing with the larger group. Passing is honorable. Confidentiality is expected.

**Read-backs:** The process of randomly sharing aloud ideas and thoughts (words and short phrases) inspired by all the writings during the Read-Around (popcorn-style).

**Gift and challenge cards:** Index card distributed to participants at the end of the writing circle. Card is used to write words or phrases that reflect the challenges and gifts related to the writing exercise. Reflections are collected. At the next writing circle, the cards are randomly redistributed and shared during check-in (optional).

Adapted from Brosmer, Mary Pierce. *Women Writing for (a) Change: A Guide for Creative Transformation*. Notre Dame: Sorin Books, 2009.



### Endnotes

1 George Lakey, *Facilitating Group Learning: Strategies for Success with Diverse Learners*, PM Press, Oakland, CA, 2020, pp 244-247.

## 3.2 CONNECTING WITH OTHERS

So, how do we handle conflict in healthy ways that respect ourselves and others? This section includes an introduction to the CLARA technique (Calm, Listen, Acknowledge, Respond, Add) as well as an introduction to Nonviolent Communication and the helpful resources available at the Center for Nonviolent Communication for navigating internal and external conflict skillfully.

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## WHAT'S YOUR CONFLICT MANAGEMENT STYLE?

### Directions

There are 15 statements below. Each situation provides a possible strategy for dealing with a conflict. Give each a numerical value, based on the range between whether you always do that thing (5), or almost never do it (1). Don't answer as you think you *should* act; answer as you actually behave.

<p>Learning Goals</p> 	<ul style="list-style-type: none"> <li>» Strengthen self-awareness</li> <li>» Understand conflict management styles</li> <li>» Identify your conflict management style</li> <li>» Explore areas of growth</li> </ul>	<p>5 = always          4 = very often          3 = sometimes          2 = not very often          1 = rarely, if ever</p>
---	--	---

VALUE	STRATEGY
	A. I argue my case with peers, colleagues and coworkers to demonstrate the merits of the position I take
	B. I try to reach compromises through negotiation
	C. I attempt to meet the expectation of others
	D. I seek to investigate issues with others in order to find solutions that are mutually acceptable
	E. I am firm in resolve when it comes to defending my side of the issue
	F. I try to avoid being singled out, keeping conflict with others to myself
	G. I uphold my solutions to problems
	H. I compromise in order to reach solutions
	I. I trade important information with others so that problems can be solved together
	J. I avoid discussing my differences with others
	K. I try to accommodate the wishes of my peers and colleagues
	L. I seek to bring everyone's concerns out into the open in order to resolve disputes in the best way
	M. I put forward middle positions in efforts to break deadlocks
	N. I accept the recommendations of colleagues, peers, and coworkers
	O. I avoid hard feelings by keeping my disagreements with others to myself

## 3.2 CONNECTING WITH OTHERS

### Scoring

The 15 statements you just read are listed under five categories. Each category contains the letters of three statements. Record the number you placed next to each statement. Calculate the total under each category.

Competative Shark		Collaborative Owl	
A.		D.	
E.		I.	
G.		L.	
Total		Total	
Avoidant Turtle		Accommodating Teddy Bear	
F.		C.	
J.		K.	
O.		N.	
Total		Total	
Compromising Fox			
B.			
H.			
M.			
Total			

Look at the totals for each category. Your highest score is your dominant style. Your second-highest score is your back-up style.

My dominant style is \_\_\_\_\_.  
(Your highest score)

My back-up style is \_\_\_\_\_.  
(Your second-highest score)

Adapted from Falikowski, Anthony. *Mastering Human Relations*. Toronto: Pearson Education Canada, 2002.

## 3.2 CONNECTING WITH OTHERS

CONFLICT MANAGEMENT STYLES	
<b>Competative Shark</b>	<p>Sharks use a firm, forcing or competing conflict management style. They are highly goal-oriented, and relationships often are a lower priority for them. Sharks do not hesitate to use aggressive behavior to resolve conflicts. Sharks can be autocratic, authoritative, uncooperative, threatening and intimidating. Sharks have a need to win; therefore, others must lose.</p> <p><u>Advantage:</u> If the shark's decision is correct, not having compromised might mean the group reaches a better decision.</p> <p><u>Disadvantage:</u> This style may breed hostility and resentment toward the shark.</p> <p><b>Appropriate times to use a shark style:</b></p> <ul style="list-style-type: none"> <li>» when conflict involves personal differences that are difficult to change</li> <li>» when fostering intimate or supportive relationships is not critical</li> <li>» when others are likely to take advantage of noncompetitive behavior</li> <li>» when conflict resolution is urgent</li> <li>» when a quick decision is vital in crisis</li> <li>» when unpopular decisions need to be implemented</li> </ul>
<b>Collaborative Owl</b>	<p>Owls use a collaborative or problem-confronting conflict management style. Owls value both their goals and relationships. Owls view conflicts as problems to be solved, and try to find solutions agreeable to all sides.</p> <p><u>Advantage:</u> Both sides get at least part of what they want, and negative feelings are eliminated.</p> <p><u>Disadvantage:</u> Takes a great deal of time and effort.</p> <p><b>Appropriate times to use an owl style:</b></p> <ul style="list-style-type: none"> <li>» when maintaining relationships is important</li> <li>» when time is not a concern</li> <li>» when peer conflict is involved</li> <li>» when trying to gain commitment through consensus building</li> <li>» when learning and trying to merge differing perspectives</li> </ul>

## 3.2 CONNECTING WITH OTHERS

CONFLICT MANAGEMENT STYLES	
<b>Avoidant Turtle</b>	<p>Turtles adopt an avoidant or withdrawn conflict management style. Turtles would rather hide and ignore conflict than resolve it—this leads them to be uncooperative and unassertive. Turtles tend to give up personal goals and display passive behavior.</p> <p><u>Advantage:</u> May help to maintain relationships that would be hurt by conflict resolution.</p> <p><u>Disadvantage:</u> Conflicts remain unresolved, and others may take advantage of the turtle.</p> <p><b>Appropriate times to use a turtle style:</b></p> <ul style="list-style-type: none"><li>» when the stakes are not high, or the issue is trivial</li><li>» when confrontation would hurt a working relationship</li><li>» when there is little chance of satisfying your wants</li><li>» when disruption outweighs the benefit of conflict resolution</li><li>» when gathering information is more important than an immediate decision</li><li>» when others can more effectively resolve the conflict</li><li>» when time constraints demand a delay</li></ul>
<b>Accommodating Teddy Bear</b>	<p>Teddy bears use a smoothing or accommodating conflict management style with emphasis on human relationships. Teddy bears ignore their own goals and resolve conflict by giving in to others. They are unassertive, and cooperative.</p> <p><u>Advantage:</u> Accommodating maintains relationships.</p> <p><u>Disadvantage:</u> Giving in may not be productive, or the bear may be taken advantage of.</p> <p><b>Appropriate times to use a teddy bear style:</b></p> <ul style="list-style-type: none"><li>» when maintaining the relationship outweighs other considerations</li><li>» when suggestions or changes are not important to the accommodator</li><li>» when trying to minimize losses, in situations where the bear is outmatched or losing</li><li>» when time is limited, or when harmony and stability are valued</li></ul>

Adapted from Falikowski, Anthony. *Mastering Human Relations*. Toronto: Pearson Education Canada, 2002.

CONFLICT MANAGEMENT STYLES	
Compromising Fox	<p>Foxes use a compromising conflict management style. They are concerned about both goals and relationships. Foxes are willing to sacrifice some of their goals, while persuading others to give up part of theirs. Compromise is assertive, and cooperative.</p> <p><u>Advantage:</u> Relationships are maintained and conflicts are removed.</p> <p><u>Disadvantage:</u> Compromise may create an outcome that is less than ideal, and there may be a dynamic of “playing games.”</p> <p><b>Appropriate times to use a fox style:</b></p> <ul style="list-style-type: none"><li>» when important or complex issues leave no clear or simple solutions</li><li>» when all conflicting people are equal in power and have strong interests in different solutions</li><li>» when there are no time constraints</li></ul>



## CLARA: A STRATEGY FOR CONFLICT RESOLUTION

### The importance of nonverbal communication in how we understand one another

Did you know that the majority of our communication with one another is nonverbal? We are sending messages all the time, through our body language and tone. According to studies conducted by Dr. Albert Mehrabian only 7% of any message is conveyed through the words we speak! On the other hand, 38% of our message is conveyed through our tone, and 55% is conveyed through our body language: facial expressions, posture, and gestures.

So, let's play around with that.

In pairs, can you find ways to escalate conflict with your eyes? De-escalate conflict with your eyes?

Then can you try to escalate conflict with your arms? De-escalate conflict with your arms?


What about with where you are standing in relation to one another? Can you find ways to escalate conflict with your body position? To de-escalate conflict?

And what about with tone? Can you say "How are you?" in different tones? Can you make it menacing? Caring? Frustrated? Matter of fact?

### CLARA technique: Calm, Listen, Acknowledge, Respond, Add

The importance of body language and tone in how we understand each other underscores the helpfulness of CLARA, a communication technique which begins with a first step of CALM. People can usually hear our message better when we are centered. This technique can work really well when a person is angry with you and lashing out in some way. How do we calm and center ourselves? What can we do to help ourselves re-center when we are upset and triggered by something? Spend some time thinking about the strategies you use to calm your system when you are upset.

The CLARA technique described in the next few pages identifies some strategies for the CALM step that may work for you. It also identifies strategies for each of the other steps in the process. The tricky thing about CLARA is that it doesn't work in a linear process. C-L-A-R-A. Instead it is most likely 'calm, listen,' then you might need to calm down again, then listen and acknowledge, then listen and acknowledge again, then calm, then listen and acknowledge another time before ever getting to the last two steps, respond and add.

<p><b>Learning Goals</b></p> 	<ul style="list-style-type: none"> <li>» Learn strategies to recenter and deal with conflict</li> <li>» Strengthen communication skills</li> <li>» Explore areas of growth</li> </ul>
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## 3.2 CONNECTING WITH OTHERS

Step 1	C – <b>CALM</b> and <b>CENTER</b> yourself; <b>CLARIFY</b> your intentions	
<b>Calm</b> yourself to cool the situation	Count to 3 or 10	
	Focus on your breathing Take 3 to 5 deep breaths Feel the tension in your body decrease	
	Breathe in calm; breathe out tension Breathe in courage; breathe out fear Breathe in love; breathe out peace	
	Feel your connection to all the possible positive outcomes	
	Quickly vent fears or frustrations to a team member or neutral outsider to get them out of your system	
	Pray or meditate	
	Use a multisensory image to bring calm (carrying a purring cat, rocking a sleeping baby, bringing a gift)	
<b>Center</b> yourself to respect, honor, and bring out the best in every person	<i>The best version of me recognizes the best in you.</i>	
<b>Clarify</b> your intentions	To focus your intentions, silently say to yourself: <ul style="list-style-type: none"> <li>» I bring courage to create openings</li> <li>» I respect and honor this person</li> <li>» I can make peace possible</li> <li>» Let peace begin with me</li> <li>» This is an opportunity to practice nonviolence</li> <li>» We are all connected</li> </ul>	
Step 2	L – <b>LISTEN</b> and <b>LOOK</b> for common ground	
<b>Listen</b> respectfully and <b>look</b> for something of value in the other person		
<b>Listen</b> and <b>look</b> for common ground, for what you share with this person. This might be a common goal, value, experience, fear, hope, need, or question.		

Adapted from the Lara method developed by Love Makes a Family Inc. and found in The Handbook of Community Practice edited by Marie Weil, Michael S. Reisch, Mary L. Ohmer, 2013



## 3.2 CONNECTING WITH OTHERS

Step 3	A — <b>AFFIRM</b> and <b>ACKNOWLEDGE</b> the humanity of the person	
Shift from seeing each other as the problem, to looking at a situation together	<ul style="list-style-type: none"> <li>» Think of looking at a puzzle or map together</li> <li>» See yourselves as allies or co-problem examiners</li> </ul>	<ul style="list-style-type: none"> <li>» Invite everyone to look at the situation together</li> <li>» Create a shared perspective and offer a sense of belonging</li> </ul>
Use “I” rather than “you”	Avoid assumptions and over generalizations like: <ul style="list-style-type: none"> <li>» always/never</li> <li>» we/them</li> <li>» all/none</li> </ul>	Choose tentative rather than definite language to prevent defensiveness and de-escalate tension, for example: <ul style="list-style-type: none"> <li>» <i>I'm wondering if...</i></li> <li>» <i>Sometimes it seems or appears that...</i></li> <li>» <i>I'm not sure if you mean it this way, but I experience this as...</i></li> </ul>
Affirm the common ground you share	Common ground could be: <ul style="list-style-type: none"> <li>» concern</li> <li>» experience</li> <li>» feeling</li> <li>» fear</li> <li>» hope</li> <li>» intention</li> <li>» interest</li> <li>» need</li> <li>» question</li> <li>» value</li> <li>» wish</li> </ul>	Examples of common ground statements: <ul style="list-style-type: none"> <li>» <i>I care about this, too.</i></li> <li>» <i>I'm guessing that we've shared similar experiences.</i></li> <li>» <i>I think we both want to work on this</i></li> <li>» <i>My guess is that this is important to both of us.</i></li> </ul>
Wonder aloud to create a sense of partnership, thinking together, and learning from each other	Examples of statements that reflect wondering: <ul style="list-style-type: none"> <li>» <i>I wonder if we both intend to...</i></li> <li>» <i>I wonder if we'd both like a new way to look at this.</i></li> </ul>	
Acknowledge the feeling expressed	(even if you cannot find common ground)	
Affirm and communicate that you genuinely empathize with an expressed feeling	Examples of statements that acknowledge feelings: <ul style="list-style-type: none"> <li>» <i>I can see that this has been difficult for you.</i></li> <li>» <i>This is not easy.</i></li> <li>» <i>I'd feel (sad, frustrated, determined, angry, disheartened) if I were in your shoes</i></li> </ul> PAUSE so the person can clarify their feelings, share their reaction, or disagree	

Adapted from the Lara method developed by Love Makes a Family Inc. and found in The Handbook of Community Practice edited by Marie Weil, Michael S. Reisch, Mary L. Ohmer, 2013

## 3.2 CONNECTING WITH OTHERS

Step 4	R – <b>RESPOND</b> respectfully	
Repeat the person's initial statement to show you take the person seriously	<p>Example of a possible way to respond respectfully:</p> <ul style="list-style-type: none"> <li>» <i>I heard you say...</i></li> <li>» <i>I heard you ask...</i></li> </ul> <p>Respond respectfully and briefly:</p> <ul style="list-style-type: none"> <li>» <i>Yes</i></li> <li>» <i>No</i></li> <li>» <i>I don't know</i></li> </ul>	
Step 5	A – <b>ADD</b> to continue to build the relationship and open possibilities	
Rather than defending your position, counter attacking, criticizing, blaming, or shaming, consider ways to establish mutual respect and engage the other in future conversations.		
<b>Add</b> information	<ul style="list-style-type: none"> <li>» Offer one or two ideas about the way you look at the situation that may help the other person see the issue in a new light</li> <li>» If necessary, correct misinformation</li> </ul>	
<b>Add</b> a personal story	Sharing your experiences and feelings connects people more than statistics and facts	
<b>Add</b> a specific request, invitation, or offer	<p>Be as specific and concise as possible. Choose requests or invitations that foster thinking together.</p> <p>Express appreciation:</p> <ul style="list-style-type: none"> <li>» <i>I appreciate your (spending time to talk with me).</i></li> </ul> <p>Express your need or want</p> <ul style="list-style-type: none"> <li>» <i>I would like (to continue this dialog with you).</i></li> </ul> <p>Extend an invitation (not a demand):</p> <ul style="list-style-type: none"> <li>» <i>Would you be willing to (meet later for coffee)?</i></li> </ul> <p>Make an offer:</p> <ul style="list-style-type: none"> <li>» <i>Would you be willing (to have me come to your next meeting so we can continue this conversation)?</i></li> </ul> <p>Pause and listen</p> <ul style="list-style-type: none"> <li>» Be willing to hear and appreciate “no.”</li> </ul>	
<b>Add</b> a strategic question	<p>This strategy invites co-creation and further shared thinking</p> <ul style="list-style-type: none"> <li>» <i>What would it take for us to coexist?</i></li> </ul> <p>Ask hard-to-ask questions about values, habits, and institutional patterns:</p> <ul style="list-style-type: none"> <li>» <i>How does this support your value of family or freedom?</i></li> <li>» <i>What might happen if this pattern continues?</i></li> </ul> <p>Avoid “why,” because it creates resistance to change, if the listener feels forced to defend an existing decision or situation.</p> <p>PAUSE so the person can clarify their feelings, share their reaction, or disagree</p>	

Adapted from the Lara method developed by Love Makes a Family Inc. and found in The Handbook of Community Practice edited by Marie Weil, Michael S. Reisch, Mary L. Ohmer, 2013

## NONVIOLENT COMMUNICATION



**empathetically listening:**

observations

feelings

needs

requests

**honestly expressing:**

observations

feelings

needs

requests

Adapted from Nonviolent Communication: A Language of Life by Marshall B. Rosenberg, Ph.D. For more information visit: <https://www.cnvc.org>.

### The process

Nonviolent Communication (NVC) is sometimes referred to as compassionate communication. NVC offers practical, concrete skills for creating connections of compassionate giving and receiving, based in a consciousness of our interdependence with others. These skills include:

1. **Observations:** Differentiating observation from evaluation, being able to carefully observe what is happening free of evaluation, and to specify behaviors and conditions that are affecting us
2. **Feelings:** Differentiating feeling from thinking, being able to identify and express internal feeling states in a way that does not imply judgment, criticism, blame or punishment
3. **Needs:** Connecting with the universal human needs in us that are being met or not met, in relation to what is happening and how we are feeling. Our needs often have to do with things like connection, physical wellbeing, autonomy, and a sense of purpose.
4. **Requests:** Requesting what we would like in a way that clearly and specifically states what we do want (rather than what we don't want). This should truly be a request and not a demand. A subtle demand might be when we attempt to motivate the other person out of fear, guilt, shame or obligation, rather than out of their own willingness to give compassionately.

## 3.2 CONNECTING WITH OTHERS

These skills emphasize personal responsibility for our actions and the choices we make when we respond to others, as well as how to contribute to relationships based in cooperation and collaboration.

With NVC we learn to hear our own deeper needs and those of others, and to identify and clearly articulate “what is alive in us.” When we focus on clarifying what is being observed, felt, needed, and wanted, rather than on diagnosing and judging, we discover the depth of our own compassion. Through its emphasis on deep listening—to ourselves as well as others—NVC fosters respect, attentiveness and empathy, and engenders a mutual desire to give from the heart. The form is simple, yet powerfully transformative.

Founded on consciousness, language, communication skills, and use of power that enable us to remain human, even under trying conditions, NVC contains nothing new: all that has been integrated into NVC has been known for centuries. The intent is to remind us about what we already know—about how we humans were meant to relate to one another—and to assist us in living in a way that concretely manifests this knowledge.

The use of NVC does not require that the person or people we are communicating with know NVC or even that they be motivated to relate to us compassionately. If we stay with the principles of NVC, with the sole intention to give and receive compassionately, and do everything we can to let others know this is our only motive, they will join us in the process and eventually we will be able to respond compassionately to one another. While this may not happen quickly, it is our experience that compassion inevitably blossoms when we stay true to the principles and process of NVC.

NVC is a clear and effective model for communicating in a way that is cooperative, conscious, and compassionate.

Adapted from *Nonviolent Communication: A Language of Life* by Marshall B. Rosenberg, Ph.D. For more information visit: <https://www.cnvc.org> or visit Center for Nonviolent Communication, 5901 Wyoming Blvd NE, Suite J-277, Albuquerque, NM 87109.

### FEELINGS INVENTORY

The following are words we use when we want to express a combination of emotional states and physical sensations. This list is neither exhaustive nor definitive. It is meant as a starting point to support anyone who wishes to engage in a process of deepening self-discovery, and to facilitate greater understanding and connection between people.

There are two parts to this list: feelings we may have when our needs are being met, and feelings we may have when our needs are not being met.

#### Feelings when your needs are SATISFIED:

##### **Affectionate**

compassionate  
friendly  
loving  
open-hearted  
sympathetic  
tender  
warm

##### **Engaged**

absorbed  
alert  
curious  
engrossed  
enchanted  
entranced  
fascinated  
interested  
intrigued  
involved  
spellbound  
stimulated

##### **Hopeful**

expectant  
encouraged  
optimistic

##### **Confident**

empowered  
open  
proud  
safe  
secure

##### **Excited**

amazed  
animated  
ardent  
aroused  
astonished  
dazzled  
eager  
energetic  
enthusiastic  
giddy  
invigorated  
lively  
passionate  
surprised  
vibrant

##### **Grateful**

appreciative  
moved  
thankful  
touched

##### **Inspired**

amazed  
awed  
wonder  
motivated

##### **Joyful**

amused  
delighted  
glad  
happy  
jubilant  
pleased  
tickled

##### **Exhilarated**

blissful  
ecstatic  
elated  
enthralled  
exuberant  
radiant  
rapturous  
thrilled

##### **Peaceful**

calm  
clear-headed  
comfortable  
centered  
content  
equanimous  
fulfilled  
mellow  
quiet  
relaxed  
relieved  
satisfied  
serene  
still  
tranquil  
trusting

##### **Refreshed**

enlivened  
rejuvenated  
renewed  
rested  
restored  
revived

## 3.2 CONNECTING WITH OTHERS

Feelings when your needs are NOT SATISFIED:

### **Afraid**

apprehensive  
dreading  
foreboding  
frightened  
mistrustful  
panicked  
petrified  
scared  
suspicious  
terrified  
wary  
worried

### **Annoyed**

aggravated  
dismayed  
disgruntled  
displeased  
exasperated  
frustrated  
impatient  
irritated  
irked

### **Angry**

enraged  
furious  
incensed  
indignant  
irate  
livid  
outraged  
resentful

### **Averse**

animosity  
appalled  
contemptuous  
disgusted  
dislike  
hate  
horrified  
hostile  
repulsed

### **Confused**

ambivalent  
baffled  
bewildered  
dazed  
hesitant  
lost  
mystified  
perplexed  
puzzled  
torn

### **Disconnected**

alienated  
aloof  
apathetic  
bored  
cold  
detached  
distant  
distracted  
indifferent  
numb  
removed  
uninterested  
withdrawn

### **Disturbed**

agitated  
alarmed  
discombobulated  
disconcerted  
perturbed  
rattled  
restless  
shocked  
startled  
surprised  
troubled  
turbulent  
turmoil  
uncomfortable  
uneasy  
unnerved  
unsettled  
upset

### **Embarrassed**

ashamed  
chagrined  
flustered  
guilty  
mortified  
self-conscious

### **Pain**

agony  
anguished  
bereaved  
devastated  
grief  
heartbroken  
hurt  
lonely  
miserable  
regretful  
remorseful

### **Sad**

depressed  
dejected  
despair  
despondent  
disappointed  
discouraged  
disheartened  
forlorn  
gloomy  
heavy hearted  
hopeless  
melancholy  
unhappy  
wretched

### **Tense**

anxious  
cranky  
distressed  
distraught  
edgy  
fidgety  
frazzled  
irritable  
jittery  
nervous  
overwhelmed  
restless  
stressed out

### **Vulnerable**

fragile  
guarded  
helpless  
insecure  
leery  
reserved  
sensitive  
shaky

### **Yearning**

envious  
jealous  
longing  
nostalgic  
pining  
wistful

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## NEEDS INVENTORY

The following list of needs is neither exhaustive nor definitive. It is meant as a starting place to support anyone who wishes to engage in a process of deepening self-discovery and to facilitate greater understanding and connection between people.

### Connection

acceptance  
affection  
appreciation  
belonging  
cooperation  
communication  
closeness  
community  
companionship  
compassion  
consideration  
consistency  
empathy  
inclusion  
intimacy  
love  
mutuality  
nurturing  
respect  
self-respect  
safety  
security  
stability  
support  
to know and be  
known to see and be  
seen  
to understand and  
be understood  
trust  
warmth

### Physical wellbeing    Autonomy

air  
food  
movement/exercise  
rest  
sleep  
sexual expression  
safety  
shelter  
touch  
water

choice  
freedom  
space  
independence  
spontaneity

### Meaning

awareness  
celebration of life  
challenge  
clarity  
competence  
consciousness  
contribution  
creativity  
discovery  
efficacy  
effectiveness  
growth  
hope  
learning  
mourning  
participation  
purpose  
self-expression  
stimulation  
to matter  
understanding

### Honesty

authenticity  
integrity  
presence

### Play

joy  
humor

### Peace

beauty  
communion  
ease  
equality  
harmony  
inspiration  
order





### UNDERSTANDING PRIVILEGE

Privilege is a key element in perpetuating oppressive systems. In her book *White Privilege: Unpacking the Invisible Knapsack*, Peggy McIntosh defines privilege as “an invisible package of unearned assets which I can count on cashing in on each day, but about which I was ‘meant’ to remain oblivious. In fact, privilege is an invisible weightless backpack of special provisions, assurances, tools, maps, guides, codebooks, passports, visas, clothes, compass, emergency gear and blank checks.”

Those who enjoy privilege may be oblivious to the oppression that non-privileged persons encounter in their daily lives. Oppressive systems persist when the privileged group fails to question or work to dismantle them.

We are going to spend some time examining the privileges that we hold. Sometimes we only look at areas in which we are oppressed – wanting to focus on others’ power, and their responsibility to change the dynamic. However, it is not always “someone else’s” problem. So we want to take a little closer look at the privileges we may or may not be aware of.

#### Activity Instructions:

The facilitator will put a line of tape in the middle of the floor and ask the participants to position themselves behind the line. The facilitator will read each of the privilege statements. If the participant identifies with the statement and feels that it describes their personal experience, they will take one step across the line of tape. If the participant does not identify with the statement or feels it is not true to their experience, they will remain behind the line. Participants will continue to take one step forward with each statement they identify with.

Be sure that participants are aware of where they stand in relation to the rest of the group.

#### Privilege Statements:

1. The leader of my country is also a person of my racial group. (RACE)
2. When going shopping, I can easily find clothes that fit my size and shape. (SIZE)
3. In public, I can kiss and hold hands with the person I am dating without fear of name-calling or violence. (SEXUALITY)
4. When I go shopping, I can be fairly certain that sales or security people will not follow me. (RACE/APPEARANCE)

## 3.2 CONNECTING WITH OTHERS

5. Most of the religious and cultural holidays that I celebrate are recognized with days off from work or school. (RELIGION/CULTURE)
6. When someone is trying to describe me, they do not mention my race. (RACE)
7. When I am angry or emotional, people do not dismiss my opinions as symptoms of “that time of the month.” (GENDER)
8. When expressing my opinion, I am not automatically assumed to be a spokesperson of my race. (RACE)
9. I can easily buy greeting cards that represent my relationship with my significant other. (SEXUALITY/RACE)
10. I can easily find hair products and people who know how to style my hair. (RACE)
11. In my family, it is seen as normal to obtain a college degree. (CLASS)
12. If I am going out to dinner with friends, I do not worry about whether the building will be accessible to me. (ABILITY)
13. I can be certain that when I attend an event there will be people of my race there. (RACE)
14. People do not make assumptions about my work ethic or intelligence based upon the size of my body. (SIZE)
15. When I state my opinion strongly, people see it as assertive rather than aggressive. (RACE/GENDER)
16. When I am with others of my race, people do not think that we are segregating ourselves. (RACE)
17. I can feel comfortable speaking about my culture without feeling that I’ll be judged. (RACE/ETHNICITY/SEXUALITY/HETERONORMATIVITY)
18. I can usually afford to do the things that other people want to do for entertainment, without much hardship. (CLASS)
19. When filling out forms for school or work, I easily identify with the box that I have to check. (GENDER/RACE)
20. I can choose the clothes and style that I feel comfortable in and most reflects my identity, and I know that this will not cause me to be stared at or feel unsafe in public. (GENDER)

## 3.2 CONNECTING WITH OTHERS

21. If I am pulled over by a police officer, I can be sure that I have not been singled out because of my race. (RACE)
22. My abilities are never questioned because of my age. (AGE)
23. I do not worry about walking alone at night. (GENDER/GENDER EXPRESSION)
24. People do not make assumptions about my intelligence based on the way I talk. (RACE/COUNTRY OF ORIGIN)
25. When attending class or other events, I do not have to worry about having an interpreter present in order to understand or to participate. (ABILITY/LANGUAGE)
26. I can book an airline flight, go to a movie, and ride in a car without worrying about whether there will be a seat that can accommodate me. (SIZE/ABILITY)
27. People assume I was admitted to school or hired based upon my credentials, rather than my race or gender. (RACE/GENDER)
28. As a child, I could use the “flesh-colored” crayons to color my family and have it match our skin color. (RACE)
29. I can use public restrooms without fear of verbal abuse, physical intimidation, or arrest (GENDER IDENTITY)
30. Strangers call me by the name I provide, instead of asking what my “real name” [birth name] is and assuming that they have a right to call me by that name. (GENDER IDENTITY/ETHNICITY)

## 3.2 CONNECTING WITH OTHERS

### **Process Questions:**

How did you feel doing this activity?

How did the people ahead of you in line differ from your identity?

What does it feel like to have or not to have certain privileges?

Did anything surprise you about yourself or one of your teammates?

What is privilege? How would you define it?

Do you think this exercise covers every form of privilege that affects our lives? What else might you add into the mix?<sup>1</sup>

### UNDERSTANDING LEARNING DISABILITIES

There are many different types of learning disabilities, ranging from mild to severe. Learning disabilities are neurological disorders that interfere with the brain's ability to store or process information. The definition is broad because learning disabilities can show up in many different ways.

Sometimes, negative perceptions of learning disabilities in society can keep an adult from being comfortable in the workplace. We will use an activity about the “Stroop effect” as an illustration of what it is like to struggle against what your brain is trying to tell you. The Stroop effect is named after the researcher who identified it in 1935, and has been used as an educational tool in exercises like this for a long time.

#### Activity Instructions

We have created a page that will help you experience something similar to a particular type of learning disability. Because this exercise needs to be done in color, and most people order this book in black and white, we are linking to it on the Co-op Cincy website. You can find it at

[coopcincy.org/colors](http://coopcincy.org/colors)

and

[coopcincy.org/colores](http://coopcincy.org/colores)

In groups of two, take turns naming the COLOR the word is written in, not the word itself. For example, if the page spells out “GREEN,” and the G and R and E and E and N are colored in, in a blue color, your task is to say BLUE.

While your partner is saying the names of the colors on the page, you will time them!

If the person naming the color makes a mistake, or hesitates, they have to start over.

Once one person has successfully named all the colors, you will switch roles.

### **Discussion**

How hard was this for you?

How did it feel to read off each color?

Did you make any mistakes or hesitate? How often?

Did you ever want to give up?

### **More exercises:**

If you would like to experience what it's like to move through the world with other types of disabilities, you can try the exercises in the Disability Awareness Packet published by Bev Adcock and Michael L. Remus of Possibilities, Inc. We have received permission from the authors to post it on our website. You can find it (in English) at:

[coopcincy.org/disability-exercises](http://coopcincy.org/disability-exercises)

### SOLIDARITY KEY TERMS

**active listening:** communication technique used in counseling, training and conflict resolution, which requires the listener to repeat back what they hear to the speaker, by way of restating or paraphrasing what they have heard in their own words, to confirm what they have heard.

**anger:** strong feeling of annoyance, displeasure, or hostility

**anger management:** process of learning to recognize signs that one is becoming angry, taking action to calm down, and deal with the situation in a positive way

**collaborate:** interacting with two or more parties, working together for a common goal or similar mission

**collaborative leadership:** management practice which is focused on the leadership skills across functional and organizational boundaries

**communication:** act or process of using words, sounds, signs, or behaviors to express or exchange information, ideas, thoughts, feelings, etc., to someone else

**conflict:** a difference that prevents agreement: disagreement between ideas, feelings, etc.

**conflict resolution:** process by which two or more parties engaged in a disagreement, dispute or debate reach an agreement that resolves it

**cultural:** of or relating to the ideas, customs, and social behavior of a society

**disability:** physical or mental condition that limits or changes a person's ways of functioning; disadvantage or handicap, especially one recognized by the law

**diversity:** condition of having or being composed of differing elements, variety

**exclusion:** act of keeping out; the state of being shut out or kept out

**fact:** something that truly exists or happens: something that has actual existence, verifiable piece of information

**first impressions:** mental image formed when one person first encounters a target (person, object, scene, etc.). Impression accuracy varies depending on the observer and the target being observed.

## 3.2 CONNECTING WITH OTHERS

**inclusion:** action or state of including or of being included within a group or structure; including different types of people (such as people of different races or cultures) in a group or organization in a way that is accessible and respectful to them

**Label:** label: word or phrase that describes or identifies something or someone

**leadership:** involves:

- » establishing a clear vision
- » sharing that vision with others so that they will follow willingly
- » providing the information, knowledge and methods to realize that vision
- » coordinating and balancing the conflicting interests of all members and stakeholders

A leader steps up in times of crisis, and is able to think and act creatively in difficult situations.

the individuals who are the leaders in an organization, regarded collectively; the activity of leading a group of people or an organization, or the ability to do this.

**listening:** to pay attention to someone or something in order to hear what is being said, sung, played, etc.

to hear what someone has said and understand that it is serious, important, or true

**lookism:** standard for beauty and attractiveness, and judgments made about people on the basis of how well or poorly they meet the standard

**opinion:** view or judgment formed about something, not necessarily based on fact or knowledge

**race:** social construct, which delineates a group of people who share similar and distinct physical characteristics

**resolution:** action of solving a problem, dispute, or contentious matter

**solidarity:** unity with an individual or group which produces or is based on the same interests, objectives, standards, and sympathies; the ties in society that bind people together

**stereotypes:** widely held but fixed and oversimplified image or idea of a particular type of person or thing



**team-building:** term for various types of activities used to enhance social relations and define roles within teams, often involving collaborative tasks

**trust:** firm belief in the reliability, truth, ability, or strength of someone or something

**uniqueness:** quality of something or someone unlike anything or anyone else

**values:** person's principles or standards of behavior; one's judgment of what is important in life.

**vision:** act of seeing or conceiving goals, attitudes, successes etc. in the future; using foresight, dreaming of what could happen, what a person or persons hope will happen

### ADDITIONAL RESOURCES

Over time, you may find you would like additional activities beyond what is offered in the Worker Owner Workbook. If so, the following organizations provide a range of ideas for addressing diversity, conflict management, as well as strengthening your core skills such as facilitation.

**Training for Change** ([trainingforchange.org](http://trainingforchange.org)) is a training and capacity-building organization for activists and organizers. Their website offers many tools, grouped by topic, such as:

- » Third party nonviolent intervention
- » Diversity and anti-oppression
- » Energizers and games
- » Meeting facilitation
- » Online training tools
- » Team building
- » Training fundamentals

In addition, Training for Change includes Spanish-language versions of many of their materials, and a Spanish-language version of the overall website.

**AORTA** ([aorta.coop](http://aorta.coop)) is a worker-owned cooperative of skilled facilitators who help worker co-ops and other organizations to run effective meetings that successfully challenge the oppressive power dynamics we have all been socialized into. AORTA stands for Anti-Oppression Resource and Training Alliance. AORTA shares several downloadable resources on their website, including an overview of the differences between a social justice approach (best), compared to exclusion (worst), and earlier steps such as a “diversity” approach. Examples of AORTA resources available by donation include:

- » Approaches to power inequity within organizations
- » Anti-oppressive facilitation for democratic process: Making meetings awesome for everyone
- » Challenging patriarchy and sexism resource packet
- » Dismantling anti-Black bias in democratic workplaces: A toolkit
- » And many more

**DismantlingRacism.org** offers a variety of resources and think pieces, from a variety of sources. In addition to their own tools and perspectives, the site links to external organizations, supporting both long-term and current mo(ve)ment perspectives.

**The U.S. Institute of Peace** ([usip.org](http://usip.org)) offers online courses, as well as tools such as their Peacebuilding Toolkit for Educators, which includes exercises that are useful for us all.

### Endnotes

1           McIntosh, Peggy. "White Privilege: Unpacking the Invisible Knapsack." *Peace and Freedom Magazine*, July & August 1989, 10-12.





