Co-op business development as a strategy to close the racial wealth gap

June 27, 2018

#PhillyCoops
Introductions

Who is a member of a co-op?
Who is a member of a credit union?
Work for an org that is developing co-ops?

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Today’s agenda

1. What is PACA?
2. Racial wealth gap and business ownership
3. Co-op 101
4. Co-op development strategies
5. Science fair!
6. Discussion/Q&A

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PACA Overview

Our mission is to improve the lives of people in the Philadelphia region by supporting democratically organized businesses, promoting the principles of the international cooperative movement, and growing the cooperative economy.

Programs

○ Cooperative Leadership Institute
○ Organizing Capital for Co-ops
○ Advocacy
○ Communications & Education
○ Co-op Business Development
Problem statement

White families have nearly 10 times the net worth of black families. And the gap is growing.

By Tracy Jan  September 28, 2017  Email the author

White People Own Nearly 4 Out of 5 Businesses in Philadelphia
And more findings from Pew's new 2017 “State of the City” report.

by FABiola Cineas  4/17/2017, 3:00 p.m.
Racial wealth gap

Racial, Ethnic Wealth Gaps Have Grown Since Great Recession

Median net worth of households, in 2013 dollars

PEW RESEARCH CENTER
Business ownership

Figure 1: Median Share of Total Assets Invested in Financial and Business Assets

Co-ops build community wealth

Filipina Trafficking Survivors Launch a Co-op—And They Own Their Jobs

After Decades in a Food Desert, These Neighbors Are Building a $2 Million Co-op—And They Own It

A Successful and Historic Co-op Federation Supporting Black Farmers Turns 50

By STEVE DUBB | November 6, 2017

Evergreen Cooperative Laundry to manage second plant

The co-op, which is part of the Cleveland model for local collaborative economies, will triple its workforce
The Cooperative Business Model

Shared ownership          Democratic control

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business AND association of people
Cooperative Principles

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community
Meet needs of consumers

• Quality, affordable food
• Financial services - Credit Unions
• Utilities – cable, internet, energy
• Movie theater
• Funeral services
Worker-owned

Meet needs of workers

• Benefits
• Safe working conditions
• Build wealth through profit sharing
• Job security
• Democratic participation
Producer-owned

Meet needs of producers
• Access to markets
• Shared resources
• Competitive advantage
Purchasing/ Marketing

Meet needs of small business owners

• Joint purchasing/ shared services
• Access to goods
• Competitive advantage
• Best practices and training
Co-op Development Strategies

Start-ups
Incubation
Conversions
Anchor institution support

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20 Book Clubs → 20 Cooperative Businesses

6 months of study
6 months of intensive technical assistance

Knight Cities Challenge
“Every African-American-owned cooperative of the past that I have researched, and almost every contemporary cooperative I have studied, began as the result of a study group or depended on purposive training and orientation of members.”

— Dr. Jessica Gordon Nembhard
author of Collective Courage: a History of African American Cooperative Economic Thought and Practice

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Learning and Growing in Community (study)

What helps you to learn and grow in community?

What gets in the way for you?
Business intensive

a 4-part workshop series, covering the core components of a business strategy:

- Your Mission & Vision: What’s the big picture and what’s driving you?
- Your Customer & Product: What are you selling and who are you selling it to?
- Your Financials & Business Model: How does the money work and how do you plan for success?
- Implementation: How to take your plan and make it real.

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Results

Mexcon

Soil Generation

Ulises: a not-for-profit bookstore

A & Associates

South Philly Barbacoa

PWA HANDYMEN

PEC
Co-op Incubation

● Development org is the founder and entrepreneur, members are recruited and ownership is transitioned
● Governance - Development org has seats on the co-op board
● Essential skills
  ○ Community organizing
  ○ Workforce development
  ○ Social services
Co-op Conversions

THE SILVER TSUNAMI:
LOSS OF LOCAL
BUSINESS OWNERSHIP

INTERVENTION:
ANCHOR AND EXPAND
OWNERSHIP
Co-op Conversions

Benefits to the selling owner

- Preserve your legacy
- Take care of your employees
- Realize market rate for your business
- Enjoy tax advantages
Anchor Institutions
Clarifying questions??
City of Philadelphia supports co-op development

- Technical Assistance Program for Cooperative (Co-op) Businesses for The CITY OF PHILADELPHIA

- The Shared Equity in Economic Development (SEED) Fellowship
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Working together in Philly