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Rural Economic Development: Worker Cooperatives and Employment of People With Disabilities Part One

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RURAL ECONOMIC DEVELOPMENT: WORKER COOPERATIVES AND EMPLOYMENT OF PEOPLE WITH DISABILITIES PART ONE

Across America, rural communities are looking for vibrant and stable local economies that will allow them to preserve the best qualities of their rural life in the face of rapid and relentless global economic change. The impacts of economic decline in rural America over the last two decades have been worsened by multiplier effects. Lost income has led to lost purchasing power, which has led to business closures; population loss has followed, resulting in downsizing of schools and hospitals and ultimately, in disintegration of communities themselves (Magdoff 1993; *The Futurist*, 1989).

The traditional response to this type of economic decline has been to try to attract large, new employers to the community by offering various combinations of tax relief, infrastructure accommodations, regulatory breaks and other short-term sacrifices in hopes of regaining long-term economic stability. Magdoff (1993) refers to these as “false development strategies.” Not only do these strategies have a mixed track record in terms of providing the anticipated abundance of well-paying jobs (Markley & McNamara, 1995), but in some cases they may be lessening rather than improving the chances for long-term economic stability. Businesses drawn to the community by special concessions may also be motivated to leave the community when a more favorable set of circumstances arises elsewhere. Heavy dependence on a few large employers can quickly translate into severe impacts when one of those employers leaves.

An alternative, and increasingly popular, way for communities to take direct control of their own economic destinies is for them to use various self-assessment and action planning processes designed to capitalize on already existing local resources (Jossi, 1997; Jendryka, 1994). Markley and McNamara (1995) refer to this as “indigenous business development,” and Lyson and Tolbert (1996) argue for its economic viability and sociological benefits through the medium of small manufacturing (i.e., 15-25 workers).

In rural America, the USDA Forest Service has already implemented its Rural Community Assistance program, authorized by the 1990 Farm Bill, with the belief that “unless communities themselves are intimately involved, in control, and in it for the long-run, rural development efforts will be neither successful nor sustainable. Therefore, locally driven development has become a guiding principle of the Forest Service’s approach to rural development” (McWilliams, Saranich & Pratt, 1993).

Writing on community empowerment, Reid (1999) argues that, while communities may require some form of external intervention to get started, beyond that "it is essential to empowerment that the remaining steps be climbed by the community itself," with government and other outside entities contributing technical and financial help to meet community-determined goals.

Disability and Unemployment in Rural Communities

More than one out of every ten residents of an average rural American community has what the U.S. Census Bureau defines as a severe disability. That is, he or she is either unable to perform one or more major life activity (e.g., dressing and feeding oneself, walking), has one or more specific impairment, uses a wheelchair, or is a long-term user of crutches, a cane, or a walker. Nearly one in four rural residents has some form of disability that interferes with his or her ability to work (Seekins, Innes, Maxon, 1998; McNeil, 1993). These numbers are less surprising when one considers that industries often seen as the traditional economic backbone of many rural communities (agriculture, mining, forestry) also have, by a wide margin, the highest workplace injury rates.

It has traditionally been assumed that any ensuing economic burdens, such as lost productivity, rehabilitation, and other social support costs, must simply be borne by the local community as well as possible. Recent developments argue against this assumption.

It remains true that approximately four in ten rural men with disabilities are employed, compared to a nine-out-of-ten rate for rural men who do not have disabilities (1990 Census Data); however, this inequality may well be due to barriers to the workplace than any lack of ability to perform the work once a way has been cleared.

The advent of the independent living movement shifted the focus of "disability" away from the individual and toward the environment in which she or he functioned (DeJong, 1983). This new paradigm assumes that people with disabilities can participate in all aspects of life if environmental barriers (i.e., physical, social, policy) are removed, if new assistive technology is made available, and if new social arrangements can be designed to accommodate them.

The benefits of gainful employment, to both people with disabilities and the rural communities in which they live, are substantial. People with disabilities who become employed affect a direct reduction in their net public support by paying both income tax and Social Security and Medicare payroll taxes.

There may also be significant indirect savings in public support costs to the degree that newly employed people with disabilities experience higher self-esteem, greater motivation and opportunity to be physically active, social interaction with workplace peers, and reduced economic stress. This can result in a reduction in disabling secondary conditions such as loss of good physical condition, poor nutrition, depression, or pain.

Worker Cooperatives as a Tool for Economic Development in Rural Communities

Recent emphasis on community self-help as a means to rural economic development, and the large untapped potential of unemployed rural workers with disabilities, invites the application of some innovative mechanism for linking these circumstances for the mutual benefit of all involved. The worker cooperative may be just such an innovative mechanism.

Cooperative ventures in general have a long tradition in rural America, where they have typically taken the form of agricultural coops of one sort or another. Though there

are relatively few worker cooperatives in the United States, and only a very few of these systematically address disability, it would be a mistake to dismiss the idea and possibilities of worker cooperatives. Rehabilitation providers and policy makers who consider the possibilities to be found in worker cooperatives equip themselves with one more tool to continue the work of enabling people with disabilities to become self-supporting individuals with skills, expertise, and guidance to contribute to the whole.

What is a Worker Cooperative?

The worker cooperative differs from both buying and selling cooperatives in that the cooperators actually own and manage the entire business. Cooperators may jointly own (or purchase) the raw materials of production, the facilities in which their work takes place, the equipment and supplies used, and all other assets necessary to market the final good or service.

A worker cooperative is usually a for-profit business. As such, it must perform all the functions and meet all the challenges of any other business. It is in no way immune to, or sheltered from, the same market forces and regulatory obligations faced by any other business.

The principle legal differences between a worker cooperative corporation and a conventional corporate business have to do with who has ultimate management authority for the business, who is entitled to the profits, and who legally owns the "book value" of the business. The fundamental difference is the purpose for which the business exists. The conventional corporation is intended primarily as a profitable investment for its shareholder-owners, whereas, the worker cooperative corporation is intended primarily as a stable source of high-quality employment for its member-owners (Ellerman, 1990; Feldman, 1988).

The worker cooperative business is guided by a set of widely accepted principles, some of which were established as early as the mid-19th century. These principles address such concerns as membership requirements, payment for labor, distribution of surplus, and any ultimate dissolution or sale of the business. Payment for labor is limited to a fair reward for skill and seniority. Those whose labor contributions are more highly valued will also receive larger annual shares of profits and be entitled to larger shares of the residual value should the business be sold or liquidated. This mechanism maintains a system of incentives that rewards more highly skilled or more ambitious employees, yet assures that all such benefits of ownership will accrue only to those directly responsible for creating them.

History shows that worker cooperative movements do best when those involved feel a significant degree of social, political, or economic distress. That is, when external circumstances force them to look within themselves and their own local resources for help (Sperry, 1987). Recent widespread interest in rural self-help efforts may be attributed, in part, to the existence of similar social, political, or economic distress. People with disabilities who live in rural areas may collectively feel an even stronger sense of social and economic distress, due to the additional social and physical barriers they often face.

Not only has experience convincingly demonstrated that the worker cooperative can be a viable form of business organization, it has also shown us an organizational structure that is both stable and socially responsible. The worker cooperative places decision making entirely in the hands of worker-members who live where they work and so have a long-term interest in not only their individual economic gain, but also in the long-term welfare of the communities in which they live, recreate, raise their children, and possibly retire.

As of 1991, The ICA Group listed 154 worker cooperatives in the United States; in 92 of these, every worker was an owner (Adams & Siegel, 1991). A sampling of sizes and business types is shown in *Figure A*. The potential impact of worker cooperative businesses on rural communities is illustrated by the fact that 48% of the cooperatives listed in *Figure A* are located in communities with populations under 20,000, and 22% are in communities under 10,000.

Figure A

A Sampling of U.S. Worker Cooperatives, 1991 (Adams and Siegel, 1991)			
Name	State: Product/Service (nfp = not-for-profit)	Members/ Non- members	Annual Sales
Alvarado Street Bakery	CA: bakery goods	45/ 35	\$4.8 million
Blue Heron Construction Co-op	WA: building contractors	13/ 0	\$80,000
Bountiful Bean Plant	WI: wholesale soy products	6/ 1	\$135,000
Burley Design Cooperative	OR: mfg. bicycles & accessories	47/ 0	\$6 million
Capital City Co-op Cab	CA: transportation service	110/ 0	\$904,000
Common Wealth Printing	MA: offset printing	12/ 2	\$250,000
Cooperative Home Care Assoc.	NY: home health care	200/ 70	\$2.2 million
Food for Thought Books	MA: bookstore (nfp)	4/ 0	\$275,000
Freewheel Bicycle Co-op	MN: bicycle sales and service	5/ 35	\$1.5 million
Gentle Dragon Child Care	WA: child care (nfp)	10/ 17	\$250,000
Great Blue Heron Electrical Wiring	NY: electrical contracting	3/ 0	\$50,000
Manos Janitorial Co-op	CA: cleaning service for buildings	8/ 0	\$60,000
Moosewood Restaurant	NY: natural foods restaurant & cookbooks	18/ 5	\$400,000
Mount Baker Plywood	WA: hardwood plywood mfg.	187/ 185	\$52 million
Northglenn Tax Service	CO: income tax service	5/ 1	\$130,000
Pelham Auto	MA: repair and sale of auto parts	12/ 4	\$1.6 million
Port Townsend Shipwrights Co-op	WA: boat construction and repair	8/ 6	\$500,000
Recovery Counseling Associates	NY: professional counseling services	8/ 0	\$18,000
Red Sun Press	MA: offset commercial printing (nfp)	10/ 0	\$450,000
Warm Windows and Sunshine	WA: heating contractor	3/ 2	\$240,000
Whole Builders Cooperative	MN: residential remodeling & design	13/ 0	\$865,000
Workers-Owned Sewing Co.	NC: clothing mfg.	55/ 0	\$1.5 million

Figure B below lists examples of the wide range of employment and self-employment situations in which rural residents with disabilities are engaged. Most of these are still conventionally organized businesses. (Seekins & Arnold, 1996; Shelley, 1999). Existing businesses organized as disability-oriented cooperatives include janitorial services and grounds-care services.

Figure B

Examples of Businesses Started by People with Disabilities Living in Rural Communities (Shelley 1999, Arnold 1996)	
desktop publishing medical billing woodworking lawn care/snow removal word processing, secretarial sign and graphics business used-clothing store home inspection glass installation	auto body repair dog biscuit manufacturing commercial fishing chiropractor bicycle shop welding business tree farming liquor store

Key Terms

Selling Cooperative: a group of independent producers pool their output or services, and sometimes their production infrastructure, to affect more advantageous marketing conditions.

Buying Cooperative: a group of individuals pool their purchases so as to gain more favorable volume prices or other purchasing advantages.

(In the buying or selling cooperatives defined above, the cooperators join together primarily to affect an advantage at the point of market exchange. In most other respects, they continue to perform as separate farms, businesses, or individuals.)

Worker Cooperative: worker cooperative corporation is the name given to a particular way of organizing a business. Cooperation begins long before and ends long after the actual point of market transaction. While cooperators also gain whatever selling or buying advantage they can, they actually own and manage the entire business.

Employee Stock Ownership Plan (ESOP):

In addition to the true worker cooperative, there are two other types of worker ownership that enable a significant level of worker empowerment: the Employee Stock Ownership Plan (ESOP) that is more than 50% employee-owned, and the ESOP that is democratically controlled. While RTC: Rural researchers consider the worker cooperative to be the preferred form and the desired end state, the democratic or majority-owned ESOP are both desirable means for converting previously existing corporations to worker cooperative corporations. Because they are formed through conversions of existing businesses, ESOPs tend to be larger than worker cooperatives. As of May 1999, the largest were Publix Supermarkets, with 109,000 employees, and United Airlines, with 81,000.

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