

**The Efficacy of Worker-Owned Cooperatives
in Chicago for Low Income Youth and
Families: A Research-Based Assessment**

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April 2012

Final Report

I. Project Overview

Mr. G. Sequane Lawrence was awarded the Chicago Community Trust (CCT) 2011 Fellowship for Established Leaders. As a result of this fellowship, Sequane was able to conduct research about the efficacy of worker-owned cooperatives in order to determine how this model could be applied to working with marginalized low-income youth ages 16-24 years, particularly those who are formerly incarcerated and need an avenue for sustainable living-wage employment. In addition to conducting literary research, Sequane was able to travel to observe first-hand the success of a cutting-edge cooperative model: the Mondragon Cooperatives in the Basque region of Spain. He also visited the Evergreen Cooperatives in Cleveland, Ohio. Sequane also spent a significant amount of time learning first-hand about the worker-owned cooperatives model that has been incorporated into the curriculum of Austin Polytechnical Academy High School in Chicago. Some of the worker-owned cooperatives Sequane conducted research on was the Emilia Romagna Cooperatives in Italy, the second largest worker cooperative in the world, along with other worker cooperatives throughout the United States.

This report documents what Sequane learned through his research on worker-owned cooperatives, how the model (along with other intervention strategies) can be applied to address barriers being faced by youth in marginalized communities, and what he sees as favorable conditions for the creation of worker-owned cooperatives in Chicago. Sequane contracted with Community Economic Development Consultant Heather D. Parish to write this report, which is based on Sequane's literary research and interviews with him about what he learned from his travels to observe the cooperatives in Spain, Cleveland and Austin Polytechnical Academy High School in Chicago.

II. Lessons Learned About Efficacy of Worker-Owned Cooperatives

As described above, Sequane used his fellowship to visit innovative, cutting-edge worker-owned cooperatives to learn first-hand how they are structured and why they

are successful. He first went to the Basque Region of Spain to study the network of Mondragon Cooperatives and the organizational-business structure of the Mondragon Cooperative Corporation (MCC), which is the hub of the region's thriving working owner economy; an economy with a 7% unemployment rate during the global recession. In comparison, the country of Spain's current unemployment rate is 15%; 20% among its youth. Sequane has marveled at the success of the Mondragon from afar for many years and really appreciated the opportunity to attend the Mondragon's week-long training and learn up close about the inner workings of the corporation.

Sequane stated that one of the more established critiques of plans for scalable worker-owned cooperatives in the United States is the notion that the model, while effective outside America, won't work here. To challenge this critique, he also traveled to Cleveland, Ohio to study the Evergreen worker-owned cooperative model. Inspired by Mondragon, Sequane believes that Evergreen is a "mecca" for those who are serious about investigating the possibilities of scalable worker-owned businesses targeting America's poor. Sequane also conducted research on other worker-owned cooperatives that have succeeded in Chicago and across the country, such as Salsedo Press in Chicago, Cooperative Home Care Associates in New York (the largest worker cooperative in the U.S.), and the Arizmendi Bakery cooperative in San Francisco, California. He also conducted extensive research on the Emilia Romagna Cooperatives in Italy, the second largest worker cooperative in the world. Finally, because of his interest in serving under-served youth, Sequane conducted research on several youth-led cooperatives, such as:

- *Toxic Soil Busters* – Based in Worcester, Massachusetts, Toxic Soil Busters is a youth-run worker cooperative started in 2006 involving youth ages 14 to 19 that conduct year-round soil testing, lead-safe landscaping services, outreach services, video production and training.
- *So Fresh and So Clean* - Based in Bronx, New York, this is a youth-led cooperative involving 8th graders from the Learning Tree Cultural Preparatory School that makes a variety of soaps, shampoos and herbal air fresheners using organic ingredients from a local community garden.

What follows is a discussion of Sequane's research findings, impressions and conclusions gleaned from his visits to Mondragon and Evergreen, as well as key take-aways from Austin Polytechnic Academy High School in Chicago and preliminary studies of the Emilia Romagna Cooperatives in Italy. He feels that these models illustrate key learning's that should be applied to worker-owned cooperatives in the U.S.

A. Definition of Worker-Owned Cooperatives

When asked for a definition of a worker-owned cooperative, Sequane directed me to the Northcountry Cooperative Foundation (NCF) Tool Box Series, which is a seminal work in the worker-owned cooperative movement. Below is an excerpt from the NCF Worker Cooperative Toolbox, *In Good Company: A Guide to Cooperative Employee Ownership*:

The International Cooperative Alliance defines a cooperative as “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.” It is, essentially, an enterprise formed by a group of people who join forces and work together to solve a problem or reach a goal that they all share. In a cooperative, only members are permitted to own common shares of equity. All cooperatives are owned and governed democratically, applying the principle of “one member, one vote.”

Co-op members are not just customers, employees, or users of the business—they are also the business owners. In an investor-owned business, owners are concerned mainly with making money. In a cooperative enterprise, by contrast, member-owners are concerned not only about whether the enterprise is making money, but whether the business is meeting the needs of its member-owners. These needs may be economic (making a fair wage), non-economic (contributing to a healthy environment, or setting an example of worker participation in business management), or some combination.

Other defining elements of a worker-owned cooperative as compared to a traditional investor-owned company are summarized below based on excerpts found in the NCF Worker Cooperative Toolbox:

- Participation in the decision-making process - *In a typical investor-owned business, each investor casts votes in direct proportion to the number of shares the investor owns—that is, the more shares one owns equates to more votes, and therefore more control. By contrast, control in a cooperative ownership structure is vested with each member, not each share of stock. This means that each member casts one vote in any business decision that is put before the membership, regardless of the number of shares owned. Cooperatives are operated according to the democratic principle of “one member, one vote.”*
- Board of Directors - *The most important vote that any cooperative member makes is for the board of directors, as the board members are the ones who will be leading the*

organization and making key decisions on behalf of the cooperative's membership. Hence, in a worker cooperative, all members engage in electing their top leadership. By contrast, the board of directors in an investor-owned business is typically composed of top company management, plus some outsiders.

- Distribution of Profits - In a typical investor-owned business, profits are distributed based on the number of shares owned. In a cooperative business, net income is redistributed back to the members based on an equitable "patronage" system. The redistributed profits are referred to as "patronage rebates," "patronage refunds," or sometimes "patronage dividends." Members are "patrons" of the cooperative, and profits are redistributed back to members based on how much business they do with the co-op (that is, how much they "patronize" it). In a worker-owned cooperative, patronage is measured based on an equitable formula of labor input, either according to hours worked, pay level, seniority, or some combination of all three. So while a conventional investor-owned business provides returns based on capital input, a worker cooperative provides returns based on labor input.
- Taxation - Cooperatives are operated for the benefits of members and not as speculative investment vehicles, hence, they function essentially at cost and enjoy the attractive tax benefit of single taxation. In an investor-owned business, profit is taxed at the corporate level before it is distributed to members as dividends, and individual stock owners must then pay tax a second time on this income at their individual level. This is in contrast with a cooperative, where profits that are kept by the cooperative as retained earnings are taxed at the corporate level. Earnings that are passed through to members are only taxed once, at the individual level.

The chart below can also be used to illustrate the differences between a cooperative and a traditional corporation:

Comparison of Worker-Owned Cooperatives and Conventional

Issue	Worker-Owned Co-op	Conventional Corporations
Ownership Structure	One share per person	No limit on number of shares per person
Legal Structure	Can be a LLC or C Corporation	C corporation
Voting Rights	One person, one vote	Stockholders by number of shares of common stock
Adding New Members	Set probationary period	Number of shares issued by stockholders
Allocation of Profits	Based on hrs worked or wages earned	Based on number of shares held
Dividends - Tax Implication to Company	Payments to members' patronage tax deductible	Distributed after-taxes
Dividends - Tax Implication to Individual	Patronage refunds are taxed as ordinary income	Taxed as dividend income at the maximum rate

Sequane noted that his research as presented below demonstrates that the cooperative movement is by far the most durable and most powerful grassroots movement in the world (Restakis, 2010). With over 800 million members in 85 countries, worker-owned cooperatives alone have created 100 million jobs worldwide. He went on further to state that Mondragon in Spain and Emilia Romagna in Italy are leaders in this global movement to create an alternative worker-owned economy.

B. Case Studies and Learnings

Mondragon Cooperatives Corporation (MCC) - Spain

When asked how the Mondragon Cooperatives were started, Sequane summarized the following account from his research, namely, *Mondragon: Humanity at Work*.

Like most movements in history, the Mondragon Cooperative economic revolution was born through the intellectual, visionary and inspirational leadership of a few. At the core of this “family” was its leader, a Catholic priest, Father Jose Maria Arizmendiarieta (Arizmendi). By the late 1940s, the Basque region had been destroyed by Franco during World War II as payback for the Basque siding against Spain’s fascist government. At the time, Arizmendi, a proponent of Catholic social theory, was assigned to the Arrasate-Mondragon region. He developed an idea and industrial practice based on cooperative values as a response to address the region’s destruction and also as a means to help the region begin creating a system of economic self-sufficiency.

As part of a vision to create a transformative worker-owned economy, Arizmendi and his followers created three inter-locking institutions. First, Arizmendi started a small technical school. Second, he encouraged the local Basque to develop a small credit union. Then, with funds from the credit union, Arizmendi along with five students from the technical school built the first worker-owned cooperative in Mondragon in 1956, which is known as FAGOR. The group invited 20 more worker-owners to join FAGOR, and collectively, they produced much-in-demand kerosene stoves. Today, FAGOR has over 8,000 worker-owners, several divisions and currently produces a plethora of high-end appliances sold throughout the world.

Mondragon’s Three- Part Mission Statement is as follows:

- *Mondragón Co-operative Corporation (MCC) is an entrepreneurial socioeconomic entity with deep cultural roots in the Basque Country, created by and for the people, inspired by the Basic Principles of our Co-operative Experience, committed to the community, to the*

improvement of competitiveness and to the satisfaction of customers, to create wealth within society through entrepreneurial development and job creation, preferably membership-jobs in co-operatives.

- *MCC is based on a commitment to solidarity and uses democratic methods for its organisation and management.*
- *MCC encourages the participation and integration of people in management, profits and ownership of their companies, to develop a joint, harmonising project aimed at social, business and personal development.*

Today, MCC has a network of over 260 cooperative enterprises, subsidiaries and affiliates, which includes over 120 worker-owned cooperatives. These cooperatives involve close to 100,000 workers, and collectively, constitute the seventh largest business group in Spain with annual sales of €14 Billion in Euros, the equivalent of \$20.629 billion in U.S. dollars.

**COOPERATIVES
WITHIN MONDRAGON CORPORATION**

COOPERATIVES	
Industrial (e.g., Automotive, components, Construction, Industrial Equipment, Domestic Appliances, Engineering and Capital Goods, Machine Tools)	87
Credit (e.g. bank)	1
Consumer (e.g. Retail Grocery and General Merchandise)	1
Agricultural	4
Education	8
Research	13
Services	6
TOTAL	120

Source: Mondragon Corporation Annual Report 2010

In addition, MCC has expanded to other outside regions to organize six financial institutions, 14 retailers with 200 supermarkets, hypermarkets and convenience stores; seven research centers, one university, and 14 insurance companies and international trade services.

As stated in *Mondragon: Humanity at Work*, much of its success stems from MCC's 10 Core Principles:

- 1) Open Admission - MCC does not discriminate. It invites all to become members. Men or women, Basque or non-Basque, people from all religions or no religion at all, and those from all political parties or the non-partisan can be worker-owners.
- 2) Democratic Organization - Here the policy of one-worker, one vote is central, but the principle also calls for a pervasive participatory workplace; from non-managers to the entire management team alike.
- 3) Sovereignty of Labor - This is a universal statement in Mondragon that places labor over capital in all things cooperative and is a staple of the worker owner philosophy.
- 4) Capital as Instrument - Likewise, capital is but a means; a mechanism to be controlled and used by labor in the service production and larger communal social- economic objectives.
- 5) Self- Management - This means participatory management, and lifts up the ethic of training as an equalizer with respect to status and responsibility within the co-ops and applies to training in the assembly line, governance, strategy and financial markets of MCC.
- 6) Pay Solidarity - This ethical approach to policies related to the ratio of pay between the highest and lowest paid worker-owner is instructive for those in America seeking to develop worker-owner co-ops or any ownership models for that matter. MCC's average ratio is 4.5:1, with the highest being 9:1. Compare this to 350:1, the average for U.S. companies.
- 7) Inter-Cooperation - So much of MCC's principles have a clear ethical orientation based on shared responsibility. Here, MCC requires co-ops to cooperate with one another in: a) employment- to mitigate against lay offs, a co-op will bring on worker-owners from co-ops experiencing tough times; and b) strategic planning- the process of establishing shared sector-based approaches to production and markets.
- 8) Social Transformation - This principle has just as much import to marginalized communities in America. MCC has positioned itself parallel to the larger Basque nation and employs their worker-owner success and values in the service of promoting growth, equity, self determination and independence for the Basque people.
- 9) Universal Solidarity - MCC sees itself as a global ambassador for solidarity in the world-wide worker-owner cooperative movement and provides critical assistance to cooperative efforts around the world.
- 10) Education - Even though it is listed last, this principle is perhaps the most important, for MCC views education as its central value and indispensable to the democratization of wealth and power in the Basque nation.

Sequane's Learnings from Mondragon

MCC's Rigorous Approach to Business Planning – Based on his observations while visiting the Mondragon, Sequane believes that MCC and the Basque people who founded and control it are shrewd, sophisticated business people to their core. For them, there is no substitute for rigorous business planning, detailed feasibility studies, intense research and development and a comprehensive evaluation framework. Sequane believes that a similar, rigorous approach to business planning must also occur when starting worker-owned cooperatives designed to serve under-served youth, particularly those that are formerly incarcerated and have a great need for sustainable employment. Based on his experiences working with under-served youth, Sequane feels that it is imperative to set high expectations that youth must rise to meet. Therefore, a disciplined and rigorous business planning process that does not cut corners is one that he believes will ultimately benefit youth worker-owners in the end. It is through such intentionality that under-served youth are more likely to succeed when starting entrepreneurial ventures. Furthermore, given society's perceptions about under-served and formerly incarcerated youth, Sequane stated that determining the feasibility of the business(es) to be run by the worker-owned cooperative is a must – this population cannot afford to fail, so this effort must ensure that the business ideas that are chosen demonstrate the highest probability for success.

MCC's Approach to Research & Development and Business Incubation – Sequane was very impressed with MCC's emphasis on upfront research and development (R&D) coupled with capacity-building business incubation. MCC accomplishes this through two of its principal institutions: Ikerlan (IK4), which serves as the R&D arm; and Saiolan, MCC's business incubator. The synergistic work of these innovative organizations ensures that MCC is globally competitive. IK4 conducts cutting-edge research and development for new business lines, such as energy storage with applications for patents linked to sensors, Microsystems and fuel cells. It is through such innovative R&D that MCC has established an impressive global position in market share, economic growth and job creation - even in the context of a global recession and Europe's financial collapse. Once these business lines are conceived, they are developed and tested in Saiolan, MCC's business incubator, which provides internal capacity building supports to help the business line become a successful venture. All MCC start-ups are required to be incubated at Saiolan and a prototype is produced. If, and only if, the prototype business migrates from the idea phase to "real" potential is it eligible for MCC investment and support.

Sequane believes that the mission and outcomes of these two institutions have huge implications for our approach to community development work in general, and in the formation of a worker-owned cooperative targeting under-served youth. He can cite numerous instances where community development organizations, as well as small business entrepreneurs, launched a new venture without doing the required upfront research to determine the feasibility of the initiative, as well as determine what supports are needed along the way to test the initiative before it is fully launched in the public marketplace. Given the vulnerability of the formerly incarcerated, Sequane feels strongly that the worker-owned cooperative will have to embody an R&D component that researches the viability of a business idea, and then incubates the launch of these ideas in a safe and supportive environment. He will work with the youth worker-owners to establish criteria that will be used to determine whether a business idea should be fully launched in the marketplace, and if so, how it will be implemented.

Another reason Sequane is excited by the idea of R&D coupled with incubation is that this approach is one that finds resonance in African American culture. First, IK4's emphasis on technological competitiveness and production reminds him of Booker T. Washington's call for excellence and economic self determination in the African-American community through manufacturing and other sector development at the turn of the 20th century. In a similar manner, IK4 lifts up the need for high standards, global competitiveness, and innovation in the struggle for Basque economic independence and liberation. This is particularly noteworthy today given the fragile nature of Spain's economy outside of Mondragon.

MCC's Focus on Workplace Democratic Values - In addition to MCC's 10 Core Principles, Sequane learned through his research that four complimentary values have emerged over time; 1) Cooperation - operational unity between worker-owners and protagonist; 2) Participation - a commitment to support of management; 3) Social Responsibility - distribution of wealth based on solidarity and involvement in the community; and 4) Innovation - constant renewal. Sequane believes that all of MCC's core values are essential to embrace, regardless of the population being targeted for worker-owners in a cooperative business. He asserts that it is a value orientation concerned with human-centered socio-economic democracy, i.e., people over profit; labor over capital; shared knowledge and responsibility, that is essential to embody in under-served youth. The significantly high number of murders that claim the lives of youth of color in Chicago at an alarming rate is an indication of a lack of a value orientation that society must now work to instill in disenfranchised populations. Sequane also notes that a value orientation toward a human-centered socio-economic democracy can be found in the Kwanzaa principles of Ujima - collective work and responsibility and Ujamaa -

cooperative economics, and are similarly demonstrated in many Latino communities. Thus, these are principles that can be demonstrated to under-served youth in a variety of ways that can complement the structure of a youth-led worker-owned cooperative.

Evergreen Cooperatives – Cleveland, Ohio

Sequane's visit to the Mondragon Cooperatives provided him with a greater appreciation for the work being done in Cleveland with the Evergreen Cooperatives, which was also inspired by the work in the Mondragon region and embodies a similar approach to R&D and business incubation. It is noteworthy that Evergreen Cooperatives has a focus on working with under-served hard to employ low-income populations to become worker-owners in the business ventures. Therefore, Sequane feels strongly that the Evergreen model will be very instructive as he applies the creation of a worker-owned cooperative model with formerly incarcerated youth. The following description of the Evergreen model is based on his research and site visit to Cleveland.

The genesis of the Evergreen Cooperatives begins with the Cleveland Foundation, the oldest community foundation in the nation, which made an intentional decision to double down on its urban development and job creation initiatives. After two trips to Mondragon, India Pierce Lee, the foundation's Program Director for Neighborhoods, Housing and Community Development and Ted Howard, Steven A. Milner Fellow for Social Justice and Senior Advisor to Evergreen Cooperatives, set out to create a platform for public/private strategic partnerships for the purpose of creating Mondragon-inspired worker-owned cooperatives for low-income residents of Cleveland. Early on, India and Ted were successful in recruiting the City of Cleveland, Case Western Reserve University, Cleveland Clinic, and University Hospitals as anchor institutions to launch the Cleveland Foundation's Great University Circle Wealth Building Initiative, which is designed to redevelop Cleveland's poor neighborhoods through targeted workforce and business intervention strategies. This initiative gave birth to the Evergreen Cooperatives, a network of environmentally focused worker-owned cooperatives designed to fulfill the procurement and infrastructure needs of the city's largest institutions while employing and serving residents from the poorest neighborhoods in Cleveland. To date, India and Ted have been successful in organizing over 25 local, state and national organizations into a formidable partnership that supports Evergreen.



Evergreen consists of four cooperative ventures, three of which are in various stages of operation:

- 1) **Evergreen Cooperative Laundry** opened its doors in October 2009 and is the greenest commercial-scale, industrial laundry in Northeast Ohio. This \$5.7 million start up offers quality, cost-efficient, commercial laundry services to health care institutions, nursing homes, and hotels. The laundry is fully operational and employs 50 worker-owners.
- 2) **Ohio Solar Cooperative** is an employee-owned, community-based energy company that performs large-scale installations of solar panels on roofs of the city's nonprofit institutions. The first installation was made in October 2009 on top of a Cleveland Clinic building. To provide year-round employment, this cooperative also performs weatherization for households. When it reaches full capacity, Ohio Solar Cooperative also will employ about 50 worker-owners.
- 3) **Green City Growers Cooperative** is a year-round, large scale, food production hydroponic greenhouse that will be located on 14 acres in the heart of Cleveland, with five acres under glass. It will produce several million heads of lettuce per year, along with other crops such as herbs. This cooperative was just recently launched into operation. At full capacity, the greenhouse will employ 50 local residents.
- 4) **Neighborhood Voice** will be an innovative, "hyperlocal", community information source that integrates print and online media, serving the neighborhoods and institutions of Greater University Circle. With the guidance of a full-time professional publisher, high school and college students will be trained to run the business side of the Neighborhood Voice, developing their entrepreneurial and journalism skills.

Through its cooperative ventures, Evergreen strives to accomplish the following goals: 1) Create new jobs for neighborhood residents; 2) Anchor capital in the community so that it doesn't get up and leave (prevent disinvestment); 3) Promote worker-owner asset accumulation (goal is to accumulate \$65,000 over 8 years); 4) Stop dollars from leaking out of Northeast Ohio; 5) Stabilize and revitalize neighborhoods; and 6) Develop a useful economic revitalization model for national impact.

Evergreen Cooperatives' Mission, Strategy and Principles can be found in Appendix A.

Sequane's Learnings from Evergreen Cooperatives

The Need to Mobilize Anchor Institutions Around a Clustered Strategy - Sequane is very encouraged by the anchor institution partnership and clustering strategy employed by Evergreen, which he believes are the most innovative features of its strategic vision and practice. Essentially, the foundation has leveraged strategic relationships with key anchor institutions - both private and public - in an effort to garner contracts and therefore business opportunities for Evergreen Cooperatives. For example, the Evergreen Cooperative Laundry's primary customer is the health care facility in Greater University Circle (GUC). The anchor customers for the other cooperatives are public/private institutions in GUC as well. Sequane is impressed with the inroads that have been made through the Cleveland Foundation partnership to tap into the millions of dollars in procurement that these anchor institutions employ for the direct benefit of Cleveland's low income communities.

In Sequane's mind, this practice has the most currency for Community Economic Development (CED) practitioners, foundations and institutional stakeholders in Chicago. It would require smart, forward-thinking municipal and civic leadership. Sequane gets excited when he imagines a strategic partnership between high-performing workforce development agencies, Cook County Works, the City of Chicago, the foundation community and public/private anchor institutions willing to open their procurement lines to newly formed worker-owned businesses, owned by low-income community residents. Currently, Cook County government, the City of Chicago, University of Chicago, Local Initiatives Support Corporation (LISC) and Polk Bros Foundation are taking a serious look at the Evergreen model and have identified promising practices worth further exploration under a potential partnership.

If such a partnership materializes, Sequane would like to see these institutional partners

work closely with organizations such as the Safer Foundation, the Chicago Urban League and the Youth Entrepreneurs Alliance, all of whom have programs working with under-served and/or formerly incarcerated youth ages 16 - 24. The Safer Foundation has the most direct experience helping these youth address barriers to employment, hence, the organization would be able to provide guidance to the institutional partners on how to work with low-income marginalized participants based on Safer's on-the-ground experience. Sequane also believes that an institutional partnership of this nature would also be key in starting a worker-owned cooperative for formerly incarcerated youth, as these institutions could provide added credibility and make introductions to potential customers, and thereby help the cooperative foster business relationships to launch the initiative.

Innovative Partnerships are More Likely to be Driven by New Leadership – When interviewed, Sequane spoke about the unique circumstance under which the Cleveland Foundation's Greater University Circle partnership came about – all of these institutions had new leadership coming in simultaneously. This is a rare coincidence that turned into a favorable condition for the development of this innovative institutional partnership. Sequane believes that a similar partnership involving the City of Chicago and Cook County could happen under the new leadership of Mayor Rahm Emanuel and Cook County President Toni Preckwinkle. However, they would have to be presented with a compelling presentation that lays out the procurement-workforce development strategy and clearly demonstrates the benefits. If convinced, Sequane believes that the Mayor and Cook County President could be champions for such an initiative.

Austin Polytechnic Academy High School - Chicago

Austin Polytechnic Academy High School (APA) is the only school in Chicago and one of the very few in the United States dedicated to teaching advanced manufacturing, worker-owned cooperative principles, business development and leadership development to high school students. Sequane conducted research and spoke to leadership at APA to learn first-hand about the school's approach to teaching students about the principles of worker-owned cooperatives, and how the school uses this approach to address barriers faced by under-served youth in low-income communities. He provided the following background information about Austin Polytech, also known as APA.

Austin Polytech is a college and career prep high school founded in 2007 with a focus on manufacturing and engineering, and it features school-sponsored college tours, intensive ACT preparation, a variety of clubs and sports, and strong academic and social support programs. The school is located on the west side of Chicago in the

former Austin Community Academy High School building, which was fully rehabbed in 2007 and now houses three new high schools, including APA. The school serves a total of 251 students, 247 (98%) of which are African-American and 95% of which come from economically-disadvantaged families. Austin Polytech works with over 60 committed industry partners to provide students with mentoring, field trips, work experience and other enrichment opportunities. Below is an excerpt from APA's website that describes the school's innovative curriculum:

Austin Polytech was founded by the Chicago Manufacturing Renaissance Council to educate the next generation of leaders in advanced manufacturing. Students learn about careers in all aspects of the industry, from skilled production and engineering to management and company ownership -- plus related sectors like intellectual property law.

APA [also] embraced the Project Lead the Way (PLTW) pre-engineering curriculum when they started the school in 2007. The founders saw PLTW fitting in well with the idea of teaching students about high-end manufacturing. PLTW is offered to all of the students at APA and gives them foundational skills in Engineering Design and problem solving. The three courses offered at this time are: 1) Introduction to Engineering Design - focusing on the design process and the acquisition of sketching and AutoCAD Inventor skills to design products; 2) Principles of Engineering - focusing on the core engineering disciplines of civil, electrical, mechanical and computer engineering; and 3) Digital Electronics - focusing on core digital electronics materials, design and programming. APA hopes to offer a senior level course of Computer Integrated Manufacturing that will tie in their engineering design skills with their experience using CNC machines in their Shop courses.

Sequane went on to explain how APA, like Evergreen Cooperatives, is inspired by the Mondragon Cooperatives. He is reminded that the first action taken by Father Arizmendi was to build a polytechnical school based on manufacturing. Sequane reiterated that it was through the school that the eventual talent and leaders of the worker-owner cooperative movement and MCC would be developed; It is the same vision embraced by the leaders of APA. Sequane is encouraged by the implications of APA's existence, for in the near future it is now possible that young, academically strong professionals competent in advanced manufacturing with critical leadership skills will not only help model a strategic direction towards closing the country's skill gap, but lay the ground work for the creation of a new cadre of African-American leaders in advanced manufacturing. Currently, African-Americans make up less than 1% of ownership of manufacturing companies in the United States.

Sequane also pointed out that APA is beginning to see significant improvements in academic performance of its students. While overall academic performance of the

student body is still very low, as of 2011 APA witnessed the following (from the research of Amara C. Enyia, JD, PhD):

- *The number of students that meet or exceed standards on the PSAE reading portion increased by over 30%;*
- *The number of students that meet or exceed standards on the PSAE science portion more than doubled; and*
- *The one year drop-out rate decreased from 5.5% in 2011 to 0.8% in 2011.*
- *While APA remains on academic probation, the positive developments with regard to student scores, attendance and performance pushed it from a level 3 school to a level 2 school. This indicates positive movement on most metrics and means that APA can avoid disruptive school actions.*

Sequane's Learnings from Austin Polytech

Teaching Cooperative Business Principles In Conjunction with a STEM-Related Curriculum Can Help Under-Served Youth Excel – Sequane is very impressed with Austin Polytech students, in that during a short period of time they are already demonstrating a cooperative and business-like approach to innovation and market analysis. Currently, students are working with the Center for Workplace Democracy (CWD) to develop a business plan for a worker-owned cooperative predicated on manufacturing products where there is significant demand. Sequane believes that this new development is indicative of the values of the school's students, leadership and partners which expands the vision for low-income students beyond high academic performance to include business development, team work, critical thinking and social responsibility.

When this product goes to market (it is embargoed and therefore can't be revealed at this time), Sequane believes that APA will signal to the CED community and educators in Chicago and elsewhere that youth-centered worker-owned cooperatives have salience and warrant critical financial, political and social investment. Sequane also believes that similar to the Mondragon's Polytechnical school 54 years before it, the APA educational and technical training model can serve as a "boot camp" for emerging leaders and worker-owners for the 21st century.

Equally important, Sequane points out that APA is serving a student population that is considered to be under-served and facing multiple academic, social and economic barriers. It is this same student population that is vulnerable to incarceration. Sequane feels that the early success being demonstrated by APA through its curriculum bodes well for the worker-owned cooperative he plans to create targeting formerly incarcerated youth.

Emilia Romagna Cooperatives – Italy

Sequane wasn't able to study Emilia Romagna up close like he did with the Mondragon and Evergreen Cooperatives. However, he did find a report written by David Thompson, Co-principle of Neighborhood Partners, LLC, who visited Emilia Romagna three times. Below is a summary of what he gleaned from David Thompson's report.

Like Mondragon, in the Emilia Romagna (ER) region of Italy worker-owned cooperatives drive the economy. ER is the second largest worker cooperative in the world, and its system of cooperatives fund and control social services, health care, retirement and education. Similar to what happened to the village of Mondragon, by the end of World War II the ER region was economically decimated. All of the co-ops had been taken over by the Fascist regime. However, unlike the Spanish government, the Italian Parliament officially recognized the role of cooperatives after the war and viewed them as part of a national rebuilding vocation.

Emilia Romagna has a population of 3.9 million people, which represents 7% of the Italian population. Emilia Romagna's capital is Bologna, with a population 330,000. Co-ops comprise over 40% of the GDP of the ER region.

In Bologna, 66% of residents are members of a cooperative and over 85% of its city services are provided by social co-ops. Per capita income in ER has risen from 17th to second among Italy's 20 regions and the per capita income is higher than the national average. Of the European regions, ER ranks 11th out of 122 regions with respect to GNP per resident. Bologna has the highest disposable income of any of Italy's 103 provinces and has the highest per capita expenditure on the arts of any city in Italy. Given the global recession and that the country of Italy is on the verge of economic collapse, ER's unemployment rate of 7% is remarkable. 70% of the capital's households live in owner-occupied homes.

Based on a history of artisan production, Emilia Romagna organized a new economy based on small locally-owned businesses and high value jobs. Emilia Romagna's approach was centered around coalition building and cross-sector engagement. Both the political and commercial sectors were major players. In fact, Emilia Romagna strategically created political space for left wing, center-right, and center-left cooperative interests, allowing these political economic movements to simultaneously compete and cooperate with one another. In addition, many nonpartisan co-ops functioned independently of the three ruling political-economic parties.

Currently, the left wing group or Lega family of co-ops has one million members, employs 40,000 worker-owners and produces an annual income of \$8 billion. The Confcoop or center-right interest has 1,858 co-ops with 285,000 members, 40,000 worker-owners and produces an annual income of \$13.5 billion. The Associazione or center-left group has 470 cooperatives with 75,000 members and produces an annual income of \$2.2 billion. Those outside the three parties have over 3,000 cooperatives.

There are five (5) keys to ER's incredible success:

- 1) Clustering - Like Michael Porter and his Initiative for a Competitive Inner City's (ICIC) call for clustered economic development, co-ops in ER are organized around type and place. They are expected to cluster together to generate the highest Return On Investment (ROI) in areas they deem to be to their competitive advantage.
- 2) Structure - ER's cooperative organizational, developmental and financing structures improve cooperative development, e.g., access to capital, democratic participation, planning and communication among the various groups of co-ops.
- 3) Solidarity - Requiring purchasing of goods and services from within the cooperative sector and region.
- 4) Reciprocity - Allowing each member or each co-op's investment to be valued and repaid. It stresses long-term relationships as opposed to singular or short-term transactions.
- 5) Government - Central in developing sector-based service centers that build the capacity of smaller companies is the Italian government.

Sequane's Learnings from Emilia Romagna

Government Support for Cooperatives As Part of Economic System – Sequane is encouraged by how the Italian government embraced cooperatives as part of its economic system and viewed this system as the key to its economic revitalization after World War II. One day, he would like to see the United States government embrace cooperatives as part of a wealth accumulation and job creation strategy, which would also include the creative formation of Employee Stock Ownership Plans (ESOPs) and other collective ownership models. Sequane noted that the Mondragon region built its cooperative economy in spite of the Spanish government, thus, cooperative ownership structures are worthy of exploration by municipalities at all levels. The City of Cleveland's support for the Evergreen Cooperatives is also a model for how local government can influence policy and the creation of economic systems that can benefit hard-to-employ populations, including formerly incarcerated youth.

ER's Recognition and Strategic Deployment of Cultural Products and Assets (e.g., Artisan Sector) – Sequane noted that research has shown that the arts sector has been undervalued as a revenue generator and job creator in Chicago (Source: Arts and Economic Prosperity III: The Economic Impact of NonProfit Arts and Culture Organizations and Their Audience, 2005). ER built an entire economy around its professional artisan production, which is also a cornerstone of its manufacturing sector. Sequane pointed out that Chicago has demonstrated great success in engaging youth in the arts, particularly with under-served and marginalized youth. He believes that creating worker-owned cooperatives that engage the artisan sector would make these strategies targeting youth even more sustainable.

The Internationalization of Cooperative Business Models - Sequane stated that both ER and the Mondragon Cooperatives have been successful at internationalizing their business models, and this is a promising practice that can be applied to the sustainability of worker cooperatives in the U.S.

III. Barriers Faced by Marginalized Youth that Can Be Addressed Through Worker-Owned Cooperatives Model

A. Traditional Barriers Faced by Under-Served Youth

Based on Sequane's experience working with youth throughout his professional career, he believes that there are four fundamental barriers that under-served youth must overcome:

Low Academic/Scholastic Aptitude – Poor and inadequate schooling from an early age results in a cycle of low academic performance that is hard to overcome. This barrier also fuels high-school drop-out rates.

Lack of a Caring Adult with a Consistent Presence – It is difficult for working two-parent families to consistently know what is going on in their adolescent children's lives; being a low-income working single parent makes this extremely difficult. If a parent is not present due to work obligations, or worse, due to social ills such as drug addiction or incarceration, then adolescent youth feel abandoned and left to fend for themselves. Without positive parenting and guidance, youth are vulnerable to performing poorly in school and they tend to have low self-esteem, making it even more difficult for them to break out of a cycle of poor academic performance.

Low Self-Esteem – This is another barrier that is alluded to above that also can impact an adolescent youth’s academic aptitude, further resulting in poor academic performance. If they end up dropping out, then these youth are vulnerable to involvement with gang activity, as low self-esteem often leads one to look for a group to belong to that provides a sense of longing, love and acceptance that may be missing at home (due to lack of caring adult with consistent presence).

Criminal Record – All three of the aforementioned barriers can interact in a way that lead under-served youth to commit crimes for social and economic survival. Once you have a criminal record it is next to impossible to get rid of unless the record can be expunged. It is a record that follows a young person throughout life and will serve as a primary barrier to receiving sustainable employment.

While Sequane has worked in a variety of intervention programs for under-served youth that tried to address some of these barriers, he found that these programs tended to address the barriers in a piecemeal fashion, as they often have limited capacity to provide a holistic approach that can address multiple barriers simultaneously. He strongly believes that a worker-owned cooperative model, combined with other proven intervention strategies such as paid mentorships, educational supports and leadership development, can address these barriers simultaneously.

It is important to note here Sequane’s extensive experience working with nonprofit organizations and government agencies that served low-income African-American and Latino youth, as it is his first-hand experiences working with under-served youth and witnessing the barriers that many of them face that informed his CCT fellowship research. Prior to his founding the Center for Strategic Investment in Youth and Families, Sequane served as Executive Director of the Youth Service Project (YSP) in Humboldt Park, and the Elliott Donnelley Youth Center in Grand Boulevard. Early on, he worked with the City of Chicago Mayor’s Office of Workforce Development (MOWD) where he was the director of the Quantum project, which paid mentors to work with under-served youth ages 16 to 24 in the Bronzeville and Humboldt Park communities.

Through these experiences, Sequane learned a great deal about which interventions and strategies were effective. While with YSP, he developed a rigorous job training program that also involved job coaches and job placement for youth participants. Sequane also helped YSP partner with DePaul University’s Egan Center to set up an E-Business class curriculum that taught youth participants how to develop a business plan and start local businesses, including a t-shirt business, recording studio and retail music store. With Elliott Donnelley, Sequane witnessed the importance of under-served

youth having strong educational supports through tutoring and leadership training to help them graduate with their high school diploma. With Quantum, Sequane witnessed the power of having caring mentors with a consistent presence in young person's life, which helped youth develop positive self-esteem and feeling more accountable for their actions. Hence, structured paid mentoring programs, educational supports and job training/entrepreneurial curriculum via partnerships targeting youth are effective interventions that Sequane plans to incorporate into a worker-owned cooperative targeting formerly incarcerated youth.

Sequane also feels that there were instances where these interventions fell short, particularly when it came to job placement. You can do everything to support and prepare youth to take jobs, but if no one is willing to hire them then youth are sent the message that they are not good enough, which can lead to set backs in positive behavior and attitude. Sequane didn't like being at the mercy of outside employers who may or may not hire the youth he worked so closely with and who he felt deserved to be given a chance. This is why Sequane feels that self-determined entrepreneurship that is inherent in a worker-owned cooperative model is a better fit for working with under-served youth. Youth have the opportunity to shape the structure, process and product/service of the cooperative enterprise and benefit directly through shared profits, and thereby feel a sense of ownership and positive self-worth that they may not experience in a traditional workplace setting. Sequane also likes how a worker-owned cooperative structure can bring youth together in learning co-horts that work on businesses/services that are synergistic, and thereby foster principles of shared responsibility and self-determination. Worker-owned cooperatives also have the potential to hire multiple youth that can share in the profits, with the potential of raising their earnings to a level that is higher than what they may have earned in a traditional job.

As part of his research for this project, Sequane reviewed research that illustrated the current educational and economic environment that under-served youth are living in. The research confirmed the dire conditions and barriers that African-American youth in low-income marginalized communities must face daily, and it strengthened his desire to utilize a worker-owned cooperative model with under-served youth to address these dire conditions in a comprehensive manner. Many of these conditions have been documented in the Children's Defense Fund's (CDF) seminal report, *Portrait of Inequality 2011: Black in America*. The findings from this report confirmed for Sequane that the nexus between graduation rates and incarceration is explicit. These poor academic outcomes are causal with regard to insufficient earned income; high rates of incarceration and recidivism; and deficient social connectivity. Key findings from the report have been summarized and included in Appendix B.

B. Intervention Strategies that Can be Used to Address the Crisis

As part of his research, Sequane examined several academic, skill-building and entrepreneurial training programs targeting youth that he feels could complement his efforts to create a worker-owned cooperative for formerly incarcerated youth. Some of the programs Sequane found that are committed to developing youth-led businesses appear to be under-developed or under-funded. Moreover, the majority of these programs do not focus on low-income youth with criminal records, the population most in need of alternative forms of legal income generation. What follows is a listing of programs targeting youth that Sequane believes have promising practices that he may be able to model within his youth-led worker-owned cooperative:

Safer Foundation's Youth Education Program – Provides clients between 16 and 21 years of age with the academic tools and job readiness training needed to succeed and become productive members of society. Safer has pioneered an innovative peer teaching methodology where young people help each other develop the skills needed to obtain a GED under the guidance of trained facilitators. The classroom mirrors a workplace environment and students are expected to show up on time, attend every day and focus on the tasks at hand. Upon graduation from the intensive 8-week session, students have the opportunity to take the GED exam, and Safer ensures that all students move on to the appropriate next step, be it college, vocational training or a job.

YouthBuild Programs – There are 273 YouthBuild programs in 45 states, Washington, D.C. and the Virgin Islands that engage approximately 10,000 young adults each year. In local YouthBuild Programs, low-income youth ages 16 – 24 work toward their GEDs or high school diplomas while learning job skills by building affordable housing for homeless and low-income people, and by participating in leadership development activities in their communities. As part of the leadership development and civic engagement component, youth share in the governance of their own program through an elected policy committee and participate actively in community affairs, learning the values and lifelong commitment needed to be effective and ethical community leaders.

Chicago Urban League Youth Investments/Entrepreneurship Program – This is a 12-week course designed to help high school students develop acumen in two key components: Investments and Entrepreneurship. The Youth Investment component is designed to help students develop skills in financial literacy, credit management and investing. Students are also given exposure to various careers in the financial industry. The Youth Entrepreneurship Component is an intense course of instruction that requires students

to work in teams to develop a comprehensive business plan that is then judged by Chicago-area business professionals.

Network for Teaching Entrepreneurship (NFTE) – This is a national teen entrepreneurship program now taught in 32 Chicago Public High Schools, reaching 1,500 students. NFTE trains CPS teachers on how to teach students real life business skills, as well as how to build and run their own businesses. Students create a business concept and their teachers, along with volunteers from Chicago’s business community, take them through the process of creating a business plan and how to sell their products and services. Student participants can then go on to compete in NFTE’s National Youth Entrepreneurship Challenge, where they compete for up to \$10,000 in venture grants to launch their business ideas.

Young Entrepreneurs’ Alliance! (Yea!) – This organization brings together young people who are actively running, building or growing their own business(es) and entrepreneurial endeavors who want to network and share best practice ideas. Yea! Sessions involve presentations from serial entrepreneurs who share what works (from experience) and what mistakes they have made along the way to guide you on what not to do. Then Yea! Participants meet in small facilitated “mastermind” groups, where they brainstorm and share ideas regarding what news strategies to implement for their respective businesses.

Safer Foundation’s Micro Enterprise Reentry Investment Trust (MERIT) – This 10-week program was designed to serve young ex-offenders who wanted to start their own businesses. The program coupled entrepreneurship training with knowledge on how to qualify for a loan from the participating program lender, ACCION Chicago. Funding for this program was discontinued but still demonstrates a promising practice worthy of replication.

Other solutions that Sequane conducted research about include: privatization and “turn-around” of neighborhood schools; World Business Chicago’s current economic development plan (which emphasizes business development but does not stress the need to educate, train and employ the hardest to place); transitional jobs programs for older youth; summer jobs programs for younger youth and post youth-violence corner vigils. Sequane feels that all of these strategies posit positive outcomes in theory, but in practice fall short of a bold vision for shared responsibility and collective work on the part of concerned citizens of Chicago.

Because traditional employers do not typically hire under-served youth, Sequane believes that what is required is an alternative view and vision for how the

communities in question organize their respective social and human capital in the service of entrepreneurial constructs that will house the collective economic aspirations of not only the target population, but the larger community as well. The formation of worker-owned cooperatives posits a viable solution in this regard. The chart below illustrates Sequane’s model for how under-served youth can address the barriers they face through the process of creating a worker-owned cooperative.

Youth Business Development – Worker-Owned Cooperative Training



C. What We Know About Worker-Owned Cooperatives and Youth Involvement

According to Sequane, society in general and marginalized communities in particular must agree on three basic precepts or all else that follows will be built on hills of sand. These basic precepts are as follows:

- 1) Youth at their best and sufficiently supported have the capacity regardless of their social economic location to rebuild their communities and the nation.
- 2) Working in cooperation, low-income youth and the communities that gave birth to them can transform their institutions and create new ones to reflect the best of what it means to be a civil society.
- 3) Youth and the families and communities they come from must be self-determining. Government and corporate America will only do such much to help facilitate their economic self sufficiency.

Assuming that American society has entered into a social contract based on the ideas cited above, low-income youth and families can engineer an economy that will develop high-performing community- based, small-to-mid-size businesses that create thousands of high paying jobs with benefits and instill both human dignity and a sense of history.

Sequane’s research suggests that youth-led worker-owned cooperatives are a viable solution to the educational and economic crisis confronting low-income youth. Central to his analysis is the study of Dr. Jessica Gordon Nembhard’s important work around worker-owner co-ops and youth. Nembhard’s papers on Ethnic Youth Programs, Alternative Economics, and Educating Black Youth for Economic Empowerment have

influenced the field of youth development, youth entrepreneurship and youth self determination like no other scholar on the scene today.

Below is a summary of two of Dr. Nembhard's key assertions.

- 1) Cooperative economics is underutilized as a theoretical and applied tool which connects comprehensive CED strategies to current socio-economic urban situations (*Hayes, Nembhard, Cooperative Economics-Community Revitalization Strategy*).
- 2) Cooperatives are viable and competitive methods of enterprises (*Hayes, Nembhard, Cooperative Economics-Community Revitalization Strategy*).

As mentioned in CDF's report (see Appendix B), the drop-out (and pushed-out) rate for African American youth is a crisis. Sequane believes that one of the culprits is a lack of curricular imagination on the part of educators. He also believes that there is a lack of resonance on the part of students with respect to a non-transformative mission for education and its primary customers. He feels strongly that Black students in particular see no light at the end of the academic tunnel; no sense that the end will brighten their lives and provide them with the requisite tools to assert themselves in a global society and economy as major actors.

To this Dr. Nembhard responds:

"The lack of cooperative education in the high school curriculum may be a significant oversight particularly for youth of color. Inner-city youth of color for example, are likely to experience a lack of access to capital (loans), to experience racial discrimination in the workplaces, and to live in an economically underserved or undeveloped community".

Nembhard goes on to say, *"Cooperative business development is a viable strategy to help Black students creatively bring capital to a demand, and to produce a good or service on their own terms. Educating inner-city youth not only in economic decision making and firm structure but also about cooperatives can help them to use peer bonds in legitimate businesses. These businesses allow them to work together, share ideas, learn skills, earn money, and minimize financial risks".*

Sequane believes that Austin Polytech is the best example of executing Nembhard's advice. Its curriculum encourages collective work and responsibility and cooperative economics; and challenges students to see themselves as assets and leaders in the struggle for egalitarian wealth accumulation and advocates for a national equity and growth agenda.

IV. Favorable Conditions for the Creation of Worker-Owned Cooperatives in Chicago

Sequane believes that, based on his research into how exemplary worker-owned cooperatives were created, this is an opportune time to pursue the creation of a worker-owned cooperative initiative in Chicago. He is so convinced of this that he, along with several of his colleagues, have created the Center for Workplace Democracy, a nonprofit organization designed to provide technical assistance to and incubate cooperative endeavors. Sequane believes the following factors have led to favorable conditions for such an initiative to be created (what follows are ideas expressed by Sequane during our interview):

Infrastructure

Chicago remains one of the great metropolises on Earth. As a global city it has enormous financial, physical, technological and human assets. For instance, Chicago is a historic logistical hub of the country; it is positioning itself to be a center of IT and digital commerce and it still has the wealthiest and most politically savvy Black community in the country. While its school system is still one of the worst in the nation, the opportunity for experimentation in innovation is still current and the incentives propagated by the corporate and business community to produce the workforce for the 21st century can be pivotal.

City and County Interest

Based on discussions with foundation program officers, county officials and the outcome from cross-sector meetings, the City of Chicago and Cook County Government has shown interest in the Evergreen model and is now part of a city-wide discourse around the efficacy of worker-owned companies as a strategy to employ large numbers of low-income residents.

Conditions on the Ground

Like the Mondragon and Emilia Romagna, where the conditions of severe poverty and military oppression gave rise to an alternative view and vision for economic self-determination in the form of an economy based on worker-owned cooperatives, Chicago's African-American and Latino communities are starting to feel the need to create values-based alternative economic institutions in their own image and interest: Institutions and businesses that create a new class of worker-owners; wealth

accumulation; social transformation; a knowledge economy; and sustainable, egalitarian constructs based on an equity and growth agenda for the future.

Leadership

Evergreen's emergence as a promising model was made possible because of a convergence of four key factors; 1) the economy of Cleveland around the University Circle was one of the poorest in America; 2) the Cleveland Foundation, a historic civic leader, had the willingness to catalyze investment in research and development of the model and was a honest broker of public/private and non-profit strategic partnerships; 3) the simultaneous arrival of key leaders at the municipal, state and institutional level. These new leaders did not have the stain and stench of past derogatory deals and relationships. Moreover, they were open to new ideas and approaches to historic problems; and 4) Because of the global recession, CED practitioners who championed worker-owned cooperatives for over a generation found an audience in influential circles that did not exist earlier.

Chicago also has new leaders at the City, County and State levels, and the early signs are that they are eager to collaborate around education, poverty reduction, and mass incarceration in ways their respective offices or predecessors had not. In addition, members of Chicago's foundation community, like the Cleveland Foundation, seem genuinely interested in investigating the possibilities of worker-owned co-ops as an economic development strategy.

Emerging Community Based Efforts and Institutional Partners

In addition to City and County officials, the University of Chicago, Austin Polytech, the Center for Workplace Democracy (CWD), Polk Bros. Foundation, LISC, the Center for Labor and Community Research (CLCR), as well as CED leaders and practitioners, have begun to intensify their efforts - singularly and in some cases collaboratively - to bring high-performing workplace democratic institutions and a forum for critical exchange and conceptual generation to the Chicago marketplace.

V. Conclusions

As stated earlier, Sequane believes that socio-economic conditions are ripe for the creation of worker-owned cooperatives in Chicago. The Mondragon and ER Cooperatives strive in part because of cultural hegemony and a shared history of struggle against oppression and economic annihilation. Sequane stated that those who cite this historic occurrence suggest that African-Americans don't benefit from this kind of motivation. He believes that some will argue that the conditions that the Basque and ER regions had to contend with during and after World War II were life threatening, and therefore, these revolutionaries had to act for socio-economic self-determination or die.

Sequane rejects these types of rigid comparisons except to say, depending on how you view African-American history and most of the key socio-economic indicators, e.g., incarceration rates (The New Jim Crow), infant mortality, joblessness - particularly among Black youth and males, health disparities, drop out and graduation rates, etc., one could make the contemporaneous argument that in the Great Recession, African-Americans theoretically are at death's door. Sequane goes on to state that the current economic and social conditions require a revolutionary view and value orientation that calls for struggle informed by the best of African-American culture, to not only survive the current situation but build in proactive ways, an alternative transformative socio-economy. He emphasizes that African-American culture, i.e., history, economic organization, political organization, social organization, ethos, religion and creative production must serve as a glue which holds the varied strands of our collective values together and act as both a resource and reference for social-economic assertiveness (*Introduction to Black Studies*, Maulana Karenga, 1993), much in the same way the Basque nation and ER relied on their culture to inform their economic revolution in the face of fascist governments after World War II.

Sequane also asserts that this new economy will need to be based on worker-owned cooperatives, for the need is to employ as many marginalized low-income youth and families as possible - as quickly as possible. He also believes that special attention must be placed on the formerly incarcerated. Only then does he believe that society can cauterize the suffering and provide hope for youth and families who have essentially given up.

Sequane goes on to discuss how worker-owned cooperatives engender other social transformations as well. For one, in the collective process of creating life-sustaining jobs, co-ops will generate business ownership and all it implies. People who for the most part

have historically been in worker-boss relationships replete with all of the market fetishes of owners whose interests are solely profits and self-centered concerns with upward mobility, now will make democratic/collective decisions about their social and economic fate and that of their community. He believes that this collective vocation will accrue to social and political organizations as well and in this way help create the cultural framework for a new social contract with the state and corporate America.

Sequane goes on to say that when people in the African-American community are asked if they would rather own their own business or work for someone else, most opt to work for themselves. He believes this notion of self-ownership implies a kind of freedom and resides deep in the ethos of Black America. Sequane believes the challenge then is to: 1) work and own businesses together and benefit from them collectively; and 2) leverage the community's collective talent, intellect and financial resources in the service of a larger vision - the total social and economic liberation of the Black community and participation in the rescuing of America.

Sequane goes onto say that it is not an accident that in the global recession and with their home countries on the brink of socio-economic collapse, that the Mondragon and ER are realizing 8% and 7% unemployment respectively (it was 5% and 4% prior to the global recession). Based on what his research suggests, Sequane believes that the reason for this lies in the combination of human-centered values and rigorous, intelligent planning and disciplined execution. Sequane goes onto quote Marcus Garvey, who argued almost 100 years ago that "what one man has done, man can do." African-Americans, Latinos and other communities can build a worker-owned cooperative economy that can both compete and collaborate with Mondragon and ER.

Finally, Sequane points out that there are other encouraging signs. Socially-conscious intellectuals, scholars, CED practitioners, CBOs, elements in the foundation community, and entrepreneurs are excited about the possibilities of worker-owned cooperatives and have a sense of shared responsibility to bring them into being. Sequane strongly believes that the time and place are right. His recommendation: Make it happen.

The Efficacy of Worker-Owned Cooperatives in Chicago for Low Income Youth and Families: A Research-Based Assessment

April 2012

Appendix A

Evergreen Cooperatives – Mission, Strategy and Principles

Below is a description of the Evergreen Cooperatives vision as articulated in their primary marketing materials. The document contains content regarding Evergreen's mission, strategy, principles and goals.

Evergreen's Mission

- *To stabilize and revitalize low-income neighborhoods of Cleveland*
- *To promote and expand economic opportunity and wealth building through a growing network of green, cooperative businesses that hire locally and are based in the community*
- *Commitment to: our workers, the success of our businesses, the environment and the larger community*

Evergreen's Strategy is centered around: 1) focusing the purchasing power of anchor institutions with locally-based enterprises; 2) the creation of new community-based businesses to meet the procurement needs of these anchor institutions; 3) environmentally conscious "green" enterprises; 4) linking to expanding sectors of the economy, e.g., health, aging, energy, food, waste and green technologies; and 5) ensuring the necessary financing and management is in place to successfully move business ventures to scale.

Evergreen's Principles

- 1) Co-ownership by co-op workers and other important local "stakeholders"
- 2) Triple bottom line: community, environment, profit
- 3) Majority of our workforce hired from low-income neighborhoods
- 4) Linked to the supply chain of area anchor institutions
- 5) Living wage & no-cost health care benefits
- 6) Distribution of earnings into capital accounts (wealth building)
- 7) Career ladders for our workers
- 8) Corporate culture of ownership, participation, transparency and accountability
- 9) Individual co-ops are part of a larger structure that ties them together into a coordinated and integrated network (ECC)

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Appendix B

**Key Report Findings from *Portraits of Inequality 2011: Black in America*
Published by the Children's Defense Fund**

The Current Educational Environment for Youth in Marginalized Communities

Many schools contribute to the devastating Cradle to Prison Pipeline. The overrepresentation of poor and minority children in grade retention, out-of-school suspensions and special education have interacted with low teacher expectations to contribute to these children's discouragement, low self esteem and disengagement from school. Poor Black children experience the least qualified teachers, worst education facilities and fewest resources. Black children experience too few Black teachers in the classroom. Only eight percent of public school teachers today are Black and only two percent are Black males.

Retention, Suspension, Expulsion and Corporal Punishment

Black children are two and a half times as likely as White children to be held back or retained in school.

Although Black students comprised only 17 percent of students in public schools in 2006, they represented:

- *35.6 percent of all students who experienced corporal punishment.*
- *37.4 percent of all students suspended.*
- *37.9 percent of all students expelled.*

The Achievement Gap

Black children continue to fall further and further behind as they progress through school: In fourth grade 85 percent cannot read or do math at grade level.

In eighth grade 87 cannot read at grade level and 88 percent cannot do math at grade level.

In twelfth grade 84 percent of those Black students who have not dropped out of school cannot read at grade level and 94 percent cannot do math at grade level.

Black students consistently score the lowest of any racial/ethnic student group on every section of both the SAT and the ACT college entrance exams.

Special Education Placement

A Black child is only half as likely as a White child to be placed in a gifted and talented class.

A Black child is more than one and a half times as likely as a White child to be placed in a class for students with emotional disturbances.

A Black child is twice as likely as a White child to be placed in a class for students with mental retardation.

High School Dropouts

Sixty percent of Black students graduate from high school on time compared to 80 percent of White students.

Thirty-five percent of the nation's Black students in 2008 attended one of the 1,634 "dropout factories," high schools where less than 60 percent of the freshman class graduate in four years; only eight percent of the nation's White students attended such schools.

College or Prison?

Black males age 18 and over in 2008 represented only five percent of the total college student population, but 36 percent of the total prison population.

Thirty-two percent of Black young adults 18-24 are enrolled in institutions of higher education, compared to 44 percent of White young adults.

The Current Economic Environment for Youth in Marginalized Communities

- *Black youth have the highest unemployment rate: nearly one in three Black high school graduates age 16 to 24 are unemployed. Before the recession began one in five of these high school graduates was unemployed.*
- *Black youth age 16 to 24 face the worst employment rates. In November 2010, only 43 percent of recent Black high school graduates and 73 percent of Black college graduates were working.*

- *The unemployment rate for Black males (29.8%) ages 20 – 24 was almost twice as high as the unemployment rate for White males (15.7%).*
- *The 2008 Current Population Survey estimates that the employment rate among Black male dropouts (excluding those in jail or prison) is 40 percent, however this rate falls to 25 percent when inmates are included in the population count.*

There is a prevailing sense that neither the public/private nor non-profit sectors will hire African American youth, particularly those who have dropped out and/or have criminal records, at levels necessary to stem the tide of hopelessness and the resulting activity in the underground economy. The pressure to contribute to family or household income and develop the capacity to purchase basic staples (e.g., transportation, food, clothes) for themselves is intense.

**The Efficacy of Worker Owned Cooperatives in Chicago for
Low Income Youth and Families: A Research- Based
Assessment, April 2012**

**Appendix C
List of Research Resources**

The Northcountry Cooperative Foundation Tool Box Series

- *In Good Company: A Guide to Cooperative Employee Ownership, 2006*

Youth Cooperative Toolkit, Prepared by Kiara Nagel, Khalil Shahyd, and Michael Weisner for MIT's Department of Urban Studies and Planning, Professor J. Phillip Thompson, May 2005

Mondragon: Humanity At Work

- Finance, Industrial Division - 2007

Stephen H. Unger

- Worker-Co-Ops: A Plausible Solution to Some Big Problems, July 11, 2011

Evergreen Cooperative Initiative: Building Community Wealth to Transform Cleveland and Transform Lives, 2010

David Thompson

Italy's Emilia Romagna: Clustering Co-op Development, December 2003

www.AustinPolytech.org

- About Austin Polytechnical Academy, 2011

Austin Polytechnical Academy Academic Report, 2012

Children's Defense Fund, Portrait of Inequality 2011: Black in America, 2011

Promising Practices in Programs Targeting Youth

- Safer Foundation, Youth Education Program – www.saferfoundation.org/services-programs/youth-education-program
- YouthBuild Programs – <https://youthbuild.org/youthbuild-programs>
- Chicago Urban League, Youth Investments/Entrepreneurship Program – <http://cul-youth-investor-entrepreneur-program.evitebrite.com>
- Network for Teaching Entrepreneurship – www.nfte.com
- The Young Entrepreneurs' Alliance! – www.nyea.org/entrepreneur_events.html
- Safer Foundation, Micro Enterprise Reentry Investment Trust (MERIT) – www.saferfoundation.org/services-programs/merit

Dr. Maulana Karenga

- Introduction of Black Studies, 1993

Dr. Jessica Gordon Nembhard

- Ethnic Youth Programs, April 7, 2008
- Alternative Economics, April 7, 2008
- Educating Black Youth for Economic Empowerment, April 7, 2008