

## **Worker Ownership (for new ventures)**

### ***Description***

Worker ownership is a term applied in the instance of a business owned in majority part or in whole by most or all of its employees, through either a joint-stock (share) corporation structure or a co-operative structure. [A simple proprietorship or partnership in which, also, ownership is vested in those who are working in the business (usually family members or close friends) is not ordinarily considered an instance of worker ownership.] The term carries with it an implication of concern for a democratic workplace in which the employees have a substantial input into business decisions; this is particularly the case in co-operatives. However, many joint-stock worker-ownership structures do not embody full worker control and governance - for example, especially when stock ownership is also heavily vested in non-workers or in some third party such as a trust or when only a few of the employees, typically mostly managers, own most of the stock.

Worker ownership can be used to achieve either local Job Retention (saving a venture that might otherwise be liquidated or greatly downsized, see **Worker Buy-Out**) or for new local jobs (establishing a totally new venture that the employees own). The case of new jobs is dealt with here: The employee invests in the venture and thereby expects to create a job for himself/herself.

The process of instituting worker ownership (either for worker buy-outs or for forming new ventures) is difficult and complex, and for that reason almost certainly the group of workers must have outside technical assistance and other support to accomplish their goals. Local community economic development organizations may offer that support, as may national or regional specialized technical assistance groups.

### ***Benefits***

In addition to the important result of job expansion in the locality, worker ownership can have the advantage of enlisting the full commitment and energy of the employees, when they feel they genuinely govern the venture. This can mean better financial performance in some co-ops, as studies have demonstrated, comparing worker-owned co-operatives with conventional firms in the same industry. Financial performance is also apt to improve in an established venture that becomes worker owned, according to other studies. Moreover, there are federal and provincial tax benefits accessible to co-ops and other worker-owned firms. For example, British Columbia has a unique tax advantage (a tax credit, for 20 percent of the investment, of up to \$10,000 annually for a \$50,000 maximum), for employee owner-

investors. (See also [Co-operative Employee Partnership](#) for another model of assistance for worker-ownership.)

### ***Major challenges***

The worker-owned structure (whether corporation or co-operative) places a premium on the skill and capacity of the workers to collaborate in management decisions, including any delegation of management responsibilities to a sub-group or an individual. Thus key to success, quite apart from solving the conventional problems that any business must confront, is the initial training of the organizing group of workers, so that they are oriented to the perspective and tasks of group ownership and management. Moreover, a program of on-going training must be maintained for both continuing and new workers. A special problem is that the co-op structure does not qualify owners for the capital gains exemption that ordinary shareholders can get, although steps are underway to change that legislation in various venues.

### ***Some practical steps***

1. Someone must recruit and assemble the group of people who want to consider the idea of starting a company in order to create their own jobs and to share business decision-making with the other potential job-holders.
2. Although the composition of the group may and often will change over time, it needs to organize itself for continued meetings.
3. A decision should be made as to the general field/industry of the firm to be established and whether a co-operative or a share corporation structure best fits the philosophy of the group members and best fits the likely process they will pursue.
4. Then the group will have to zero in on precisely what the business will be.
5. On the basis of all these decisions, the group needs to select a technical assistance organization to aid in starting the company/co-operative and to plan and assist in the necessary training for worker ownership. More than one provider might be selected, e.g., a local community organization and a business consulting firm that works with that organization.
6. Feasibility studies and business planning must be carried out and involve the organizers directly rather than be fully delegated to the technical assistance providers.
7. As a part of the feasibility and business planning process, potential sources of financial support need to be surveyed, the management structure designed, and the legal organization finalized.
8. Upon completion of the plan, the group will probably want to offer the plan to one or more friendly experts (outside its technical advisors) for a critique, and then to make adjustments accordingly.

9. Ultimately the group will need to finally assemble the assets in finances, management structure, facilities, professional supports (legal, accounting, banking), etc., before initiating the business.

### ***Resource organizations & contacts***

For worker ownership in co-operative structures:

- Canadian Co-operative Association, BC Region (John Restakis, tel. 604-662-3906).
- Government of British Columbia Co-operative Development Program (tel. 800-988-8289).
- Regional Cooperative Development Center, Moncton, NB (tel. 506-858-6041).
- National Center for Employee Ownership, 1736 Franklin Street, 8th Floor, Oakland, CA 94612 (tel: 510-208-1300; fax: 510-272-9510). This is the senior organization in the field, and its founder and director, Corey Rosen, is available for consultation aid in Canada. They have a website ([www.nceo.org](http://www.nceo.org)).
- ICA Group, Inc. (Newell Lessell, tel. 617-338-0010), a U.S. organization, has helped launch many worker co-operatives for previously unemployed or low-income workers, and it has pioneered a Mondragon-type of co-operative structure that deals with the capital retention and re-sale issues which often dog even successful co-ops.

For worker ownership in share corporation structures:

- Employee Ownership and Investment Association Canada (EOIA), with offices in Vancouver, BC (Julia Markus, toll free at 877-687-3767), is a premier source of assistance for CEDOs as well as for employee groups;
- the British Columbia government's Employee Share Ownership Program (George Kennedy at 604-660-1045) offers a broad set of aids and information on worker ownership tax credits.
- Consider also the Worker Ownership Resource Centre (604-520-3341).

### ***Publications***

- From the B.C. government (above): *B.C. Business Co-operatives*. A long and helpful list of resource organizations.
- *Model Incorporation Documents for Worker Co-operatives in British Columbia*. From the B.C. region Canadian Worker Co-op Federation and the Canadian Co-operative Association (252 Bloor St. West, Toronto, ON M5S 1V6, tel. 416-923-6641)
- *Starting a Worker Co-operative: An Introduction*. From the Worker Ownership Development Foundation (357 College Street, Toronto, ON M5T 1S5 tel. 416-928-9568) and the Canadian Co-operative Association (above).

### *Tools & Techniques*

- EOIA Canada has many helpful publications, including “Employee Ownership for Small Business.”