



Sustainable Jobs, Sustainable Communities: The Union Co-op Model

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“Too often we have seen Wall Street hollow out companies by draining their cash and assets and hollowing out communities by shedding jobs and shuttering plants. We need a new business model that invests in workers and invests in communities.”

USW President Leo Gerard

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

Father José María
Arizmendiarieta

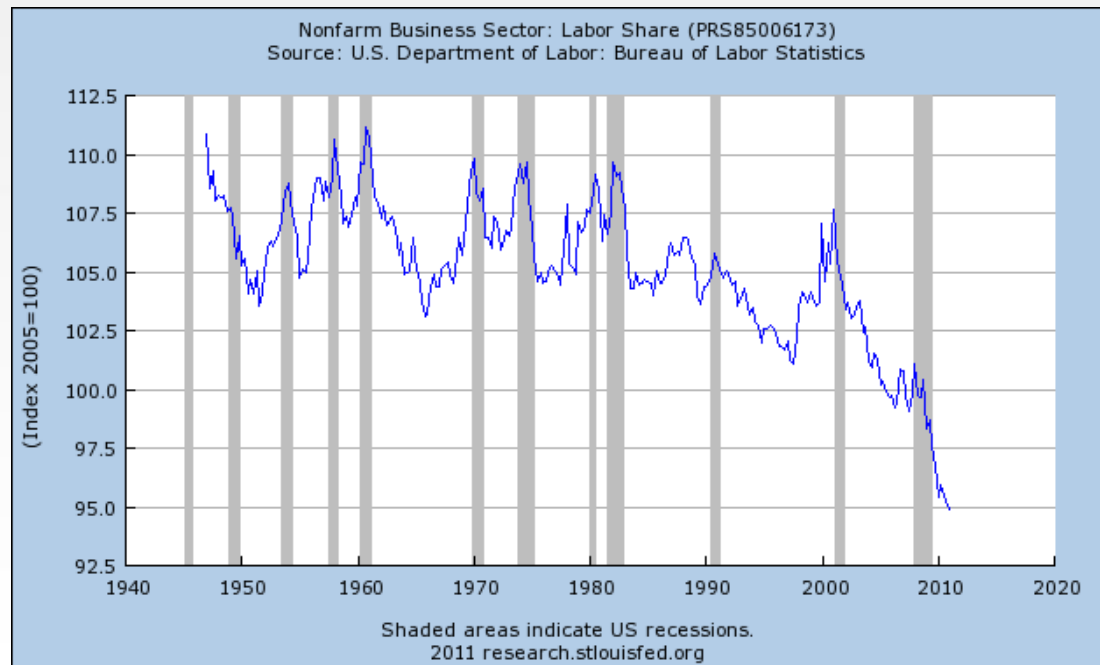


Background

- Start of the Great Recession - December 2007
unemployment rate 8.8%
- “End” of the Great Recession - July 2009
unemployment rate 16.5%
- 2011 unemployment rate ~16%

Background

- Wage Stagnation – Worker’s Share of National Income

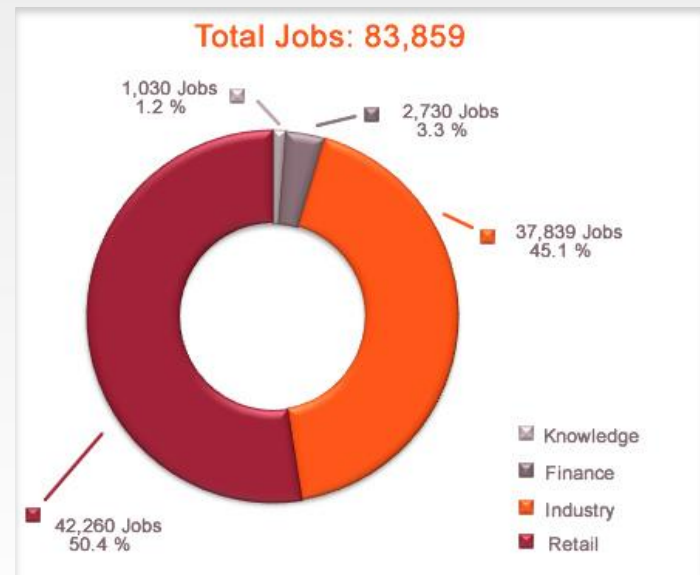
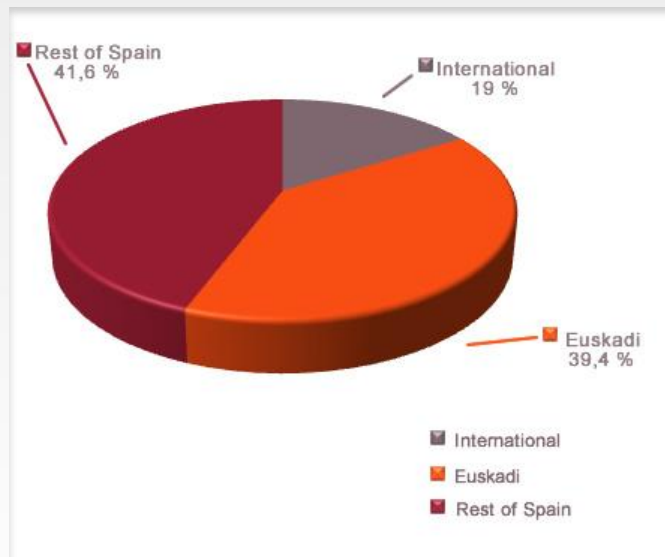


The Mondragon Example

- Father José María Arizmendiarieta
 - Polytechnic University
 - Ulgor
 - 50 years later...
- Mondragon Cooperative Corporation
 - More than 85,000 members
 - Sales of \$24 Billion



Mondragon - Employment

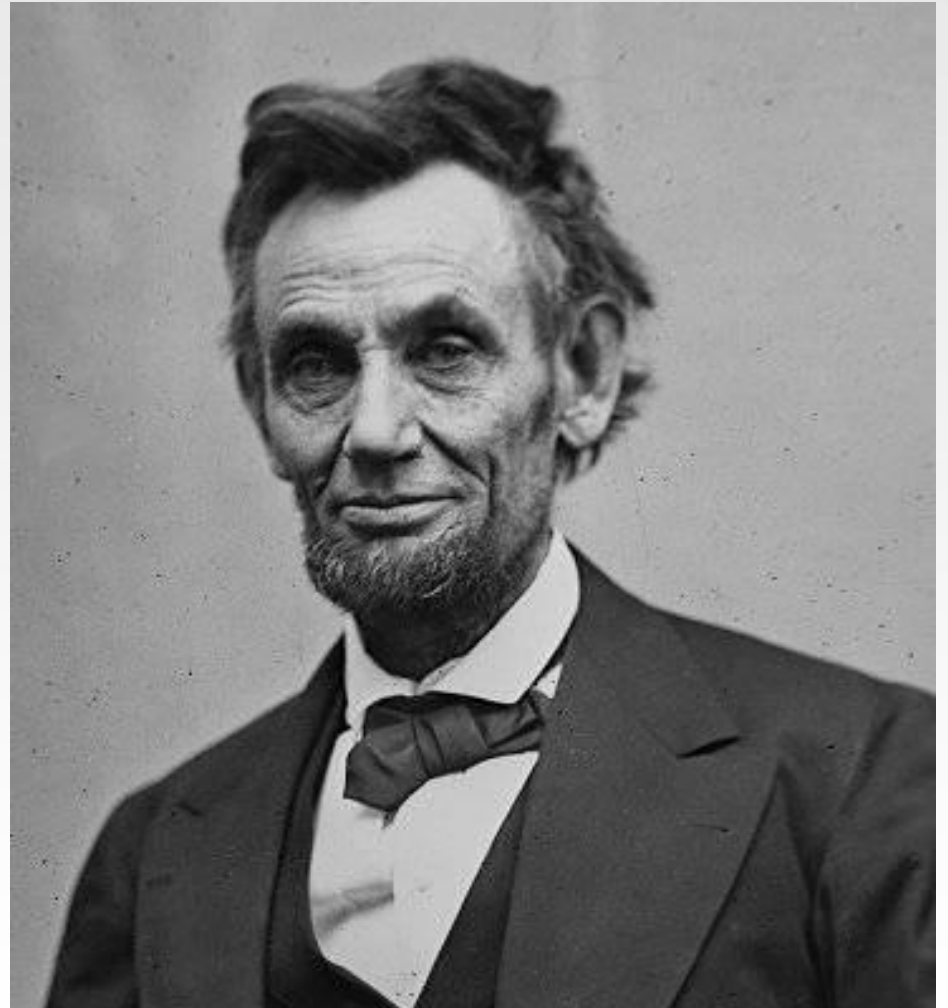


Mission & Values

- Open Admission
- Democratic Organization
- Sovereignty of Labor
- Instrumental and Subordinate Nature of Capital
- Participation in Management
- Wage Solidarity
- Inter-Cooperation
- Social Transformation
- Universality
- Education

“Labor is prior to and independent of capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration.”

Abraham Lincoln



Creating sustainable jobs and sustainable communities requires broadening the definition of value

beyond “the bottom line.”

To sustain this model, we must ensure a dynamic labor-management relationship rooted in partnership, understanding the needs of both the worker-owners as owners and of the worker-owners as workers.

This is a model built on Pragmatism, Self-Reliance, Ownership, and Democracy

Shared Principles

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

Why A Union Cooperative?

- In a traditional cooperative, the ability of workers to hold management accountable on a daily basis is limited and indirect
- The majority of workers could limit the rights of the minority
- Union provides access to lower cost (for higher benefit) pension, healthcare, and education programs

Why Employee Ownership?

- Real Ownership provides a Competitive Advantage
- Increases Employee Motivation
- Increases Employee Productivity
- Increases Employee Creativity
- Improves Business Profitability
- Improves Customer Service
- Anchors Businesses, Jobs and Capital

The Model

- All Workers Own an Equal Share Based on One Worker, One Share, One Vote
- All Worker-Owners are members of the General Assembly that meets at least once a year
- General Assembly elects Board of Directors Based on One Worker, One Share, One Vote
- The Board of Directors should have a majority of Worker-Owners depending on each state's cooperative law

The Model

- Directors are elected to Four Year Terms and must be a worker owner within the cooperative
- No member of the Board can serve as Management or on the Union Committee at the same time
- Board of Directors selects/hires Management from inside/outside of company, based on need

The Model

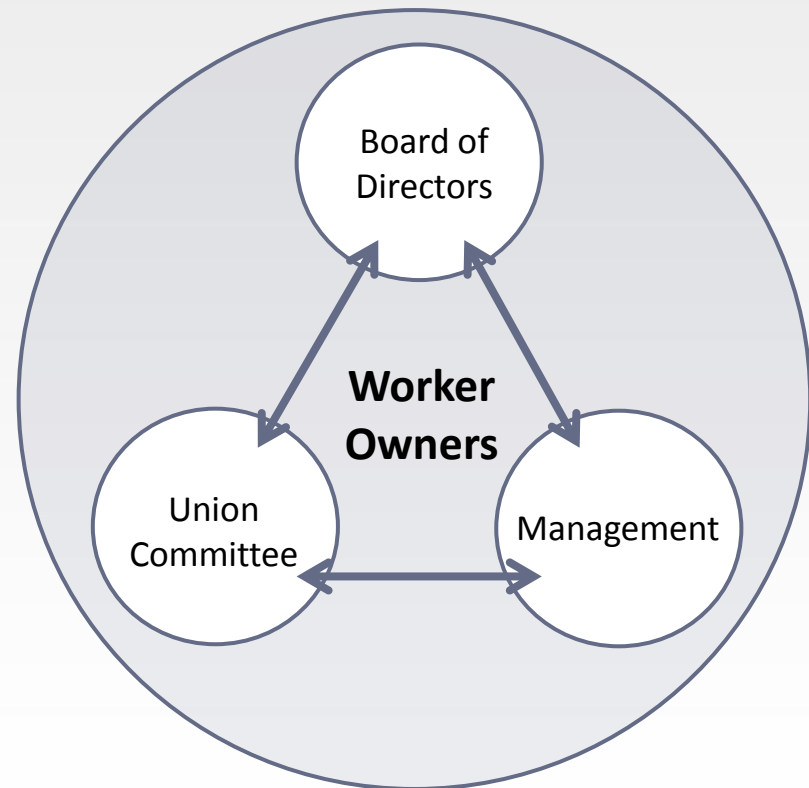
- Management are appointed for a Four Year Term and must be a worker owner within the cooperative
- No member of Management can serve on the Board or on the Union Committee at the same time
- Just like at Mondragon, no manager can serve more than Two Consecutive Terms at any one position

The Model

- Worker-Owners are protected, in their role as non-supervisory employees, by a Union Committee that negotiates a Collective Bargaining Agreement (CBA) with Management, and is modeled on Mondragon's Social Council
- The Union Committee will also serve as the Communication Infrastructure between workers and management on a day-to-day basis
- No member of the Union Committee can serve on the Board or as Management at the same time

The Model

- Three Separate but Equal Groups:



Ownership and Financing

- Due to start-up capital needs, hybrid ownership and investment models may need to be considered
- Hybrid Models should be consistent with Cooperative Principles
- Two Hybrid Models: C Corporation Joint Venture LLC

Ownership and Financing

C Corporation:

- Allows outside investors to own shares and to control seats on the Board
- By-laws, policies and procedures would still follow cooperative model
- Outside shareholders may undermine the cooperative structure

Ownership and Financing

Joint Venture LLC:

- Owners of LLC include outside investors, as well as the worker-owned cooperative
- Cooperative would always be owned by the workers
- Structure may insert a second layer of bureaucracy

Ownership and Financing

- Both Hybrid Models can allow for a Managed Buyout Process of outside shares
- Outside investors may require what is known as a “Golden Share” as a condition of their investment and/or involvement
- A “golden share” could provide investors with a Veto over certain decisions of the cooperative, such as whether or not to sell the business
- Any “golden share” provision should have specific limitations and a Sunset Period usually coincidental with term of investment

Culture

- A key component for long-term viability of the model
- The key is developing an ownership culture that is consistent with the mission and values of the model
- Finding a balance between conflict and co-optation
- Training on working and managing in a cooperative environment
- Accountability, at all levels, is a lynchpin of success

Collective Bargaining Agreement

- Will cover the traditional areas of Wages, Hours, and Working Conditions
- The CBA will also require some additional flexibility to adapt to business/market changes that concern workers as owners
- For cooperatives with multiple bargaining units, a Joint Union Committee can be formed
- Alternatively a Master Contract with separate “local” agreements, can be negotiated

Collective Bargaining Agreement

- Will cover:
 - Job classifications, wage rates, vacation/sick time policies, and incentives
 - Group Based Benefits, such as health insurance and pensions
 - Process for job bidding, scheduling, overtime, etc.
 - Due Process procedures (grievance and arbitration)
 - Process for collection of Union Dues
 - Commitment for Management and the Union Committee to reach mutual agreement on CBA modifications

Collective Bargaining Agreement

Generally, the CBA and the cooperative's By-laws serve two distinct roles, with the by-laws affecting all employees equally, and can be amended annually by the General Assembly

By-Laws

- Operating agreement determining how shares are distributed, voted, and transferred
- Mission and Values of the cooperative
- Roles and Responsibilities of each body within the cooperative
- Process for changing the structure of the cooperative
- How profits are retained and/or distributed
- Probationary period for new workers and the process for converting workers into worker owners

By-Laws, ctd.

- Policies and Procedures that apply to all worker-owners within the cooperative
 - Due process for those outside bargaining unit
 - Provision for allowing non-bargaining unit employees access to group benefits negotiated by Union Committee
 - Endorsement of collective bargaining process
 - Statement of solidarity – workers outside bargaining unit commit equivalent amount to dues to the charity or union of their choice

By-Laws

Where the CBA and By-laws conflict, the CBA is the legally binding document and will prevail, subject to applicable laws

Compensation

- Wages will be base unit of compensation
- Variable pay methods, such as profit sharing, incentives and bonuses are consistent with core principles
- Mondragon system of 85% of compensation in wages and 15% variable pay (based on profit and performance) can serve as model for union cooperatives

Education and Training

- Two basic principles
 - Equipping worker owners with skill sets to perform effectively on the job
 - Equipping worker owners with skill sets to perform as owners and managers of the business
- Areas
 - Operations and Safety
 - Financial Literacy
 - Team Decision Making
 - Tuition Assistance

Social Transformation

The goal might be described as the Evolution of the Workplace

Social Transformation

- Collective Bargaining compliments cooperation and workplace democracy
- Collective Bargaining increases accountability and protects workers' rights
- Joining a union opens up significant opportunities for worker-owners as well as access to shared resources
- Worker owned cooperatives provide Union members an opportunity for more fulfilling jobs and careers, while receiving a share of the profits
- Worker ownership could provide relief to the constant threat of layoffs and plant closings

Social Transformation

- Sharing in the equity of a business allows worker-owners to share in both the freedom and responsibility of that equity
- One class of ownership produces greater productivity and job satisfaction

Social Transformation

Adding a Collective Bargaining Agreement to shared/equal equity represents the **best of both worlds**