

**PROJECT EQUITY:**  
**Bringing the power of cooperative ownership to low-income communities**  
Strategy & Concept Paper, October 2013

### **Summary**

Project Equity's goal is to help turn the tide on income and wealth gaps, return good jobs and wealth to low-income communities, and regain community-level economic self determination. Our strategy is to develop a network of scalable cooperative businesses in the San Francisco Bay Area that increase workers' ownership within the local economy. With 40 combined years of experience in community-based work, cooperative development, and scaling social ventures, our founders are well positioned to execute this ambitious strategy and vision. We are currently seeking initial financial support for a feasibility study that will create the foundation for our work.

### **The challenge: low-paid jobs are on the rise**

Our broken inner city economy needs a new approach. Why? Because in today's economy, holding down a job (or even two) is not enough to get out of poverty. Our cities are full of hard-working poor people! In Oakland, for example, more than 20% of adults live below the poverty line (which in 2013 is \$23,550/year for a family of four), and 38% of these adults in poverty hold jobs. Nearly half<sup>1</sup> of Oakland's working adults earn below the Basic Family Wage, which is calculated as the minimum needed to cover basic living expenses of food, shelter, healthcare, transportation and childcare<sup>2</sup>. At Project Equity, we envision a world where "working poor" is an oxymoron.

**"Working poor"**  
**should be an**  
**oxymoron**

### **The opportunity: we will create high quality cooperative jobs**

Project Equity will create jobs that provide better compensation and enable Bay Area workers to share in the wealth that their hard work generates. We will leverage the power of the market under a different set of rules, creating scalable businesses that are owned and controlled by their workers. More of the money will stay in our communities, resulting in better wages and equity for worker-owners and capturing the multiplier effect of this spending locally. To accomplish this, we will create a network of worker-owned businesses that:

- Create good jobs for workers in low-income communities, especially those who are currently "working poor"
- Grow to have 50-100 employees each
- Are backed by Business Expertise and supported by investment in Human Development
- Benefit from a network effect created by shared services and shared patient capital

Over time, we will create measurable impact in low-income communities by leveraging lessons about scaling cooperatives from other parts of the world and from the most successful co-op development efforts in the U.S. For example, the 50+-year-old networked cooperatives of Mondragón in Spain see combined annual revenues of \$19 billion and support quality livelihoods for 84,000 worker-owners. While worker co-ops in the U.S. have not achieved such scale<sup>3</sup>, there are strong successes that provide higher-than-industry-average pay, benefits, and wealth creation. These include, among others, [Alvarado St. Bakery](#) and the [WAGES](#) and [Arizmendi](#) co-op networks in the Bay Area (with 100+ workers each) and [Cooperative Home Care Associates](#) in the Bronx, with 2300 employees. Arizmendi and WAGES have documented [markedly higher pay and benefits](#) than their competitors.

### **Our Strategy**

#### **An evidence-based approach**

By developing a network of scalable worker-owned businesses, we will bring the benefits of the co-op model at its best to more Bay Area workers. Our strategy combines success factors from thriving worker-owned cooperatives in Europe and the U.S. Project Equity will initially be formed as a non-profit co-op developer, leveraging aspects of

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<sup>1</sup> Actual statistic is 45%. See [workingeastbay.org/downloads/State of Work in the East Bay and Oakland 2012.pdf](http://workingeastbay.org/downloads/State%20of%20Work%20in%20the%20East%20Bay%20and%20Oakland%202012.pdf)

<sup>2</sup> Basic Family Wage in California is \$54,039 for a family of 4 with 1 working parent. See [lafla.org/pdf/MakingEndsMeet.pdf](http://lafla.org/pdf/MakingEndsMeet.pdf)

<sup>3</sup> What would support co-ops scaling in the U.S.? 1) Scale aspirations by co-ops, 2) Business expertise within more co-ops, 3) Patient capital, 4) Network effects, and 5) Policy and tax frameworks that support co-ops. For more detail, see Hilary Abell's forthcoming white paper on worker co-op development to be published in late 2013 by The Democracy Collaborative

WAGES', Evergreen's and CHCA's models<sup>4</sup> to design a successful relationship between the developer and the co-ops we create, including transitional control over management, strategy and governance, and robust shared services. We will centralize feasibility and business planning, as well as capital access and organizational design according to a common structure within Project Equity, to gain economies of scale as achieved in Spain in Mondragon's early years. We will also cultivate partnerships with Bay Area non-profits who specialize in providing wraparound services to low-income community members to ensure comprehensive support for workers who are stepping up to the responsibilities of cooperative membership.

### **Excellence in both Business Development and Human Development**

Many cooperative development projects have a skewed view of what is needed for success – some apply business rigor but short-change organizational processes and workers' skill development, while others focus on group process and member training and lack business expertise. Business success and smart human and organizational development will be the foundations of Project Equity's model. We strongly believe that business success and human development are mutually re-enforcing.

**Core to co-op development is the growth of a strong business.** We will therefore:

- Hire experienced business people with cooperative sensibilities
- Select our industry or industries based on sound feasibility studies and business plans
- Focus on businesses with potential to scale
- Prioritize business health as the engine of social impact

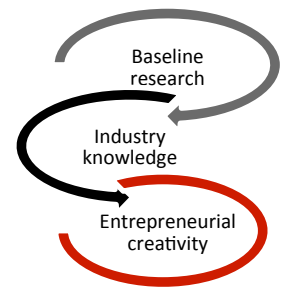


**Core to Human Development is the experience of success.** We will therefore:

- Provide individualized coaching<sup>5</sup>, training and professional development to all worker-owners
- Facilitate wrap-around services provided primarily by partner organizations
- Create a participative workplace culture and feasible avenues for participation in business decisions, emphasizing learning and shared responsibility

### **Steps to Launch**

**We are ready to begin.** Our first concrete steps require partnerships and support. We have recruited national leaders in socially-responsible business and cooperative development to advise our initiative (including one that will serve as fiscal sponsor in our initial development phase), and we have secured initial commitments from programmatic partners such as Pacific Community Ventures for business advising and the Lawyers Committee for Civil Rights for legal advice. Our primary need is for funding to conduct a thoughtful feasibility study and design our program model and organizational structure.



#### **1. Conduct feasibility study to identify first 1-3 businesses**

The approach we will take in our feasibility study is four-fold:

- Complete baseline research into local industry opportunities, growth sectors, workforce trends, and sectors attracting regional and local government investment. From this research, we will select the leading 2-3 industries we wish to assess more deeply.
- For each leading industry, tap local knowledge to assess needs and opportunities within the industry, and along industry supply chains. Where is there pain today? What opportunities might exist to fill a current need, or to address an impending challenge or threat? This will require us to connect with industry veterans and newcomers, as well as government and sector advocates.
- Get creative and think like entrepreneurs. We have developed a set of high level criteria to frame this thinking, for example: minimum number of quality jobs the business must create, portion of workers with

<sup>4</sup> Hilary led WAGES as Executive Director for 8 years of steady growth and increased impact, and she now consults with the Evergreen Cooperatives in Cleveland, the most ambitious co-op development project currently underway.

<sup>5</sup> Alison has deep experience providing effective 1:1 coaching at scale through her leadership role at InsideTrack, a venture-backed Higher Ed company that coaches more than 22,000 students each month.

entry-level skills, etc. We will leverage our own and others' creative thinking to determine the right business opportunities that meet the criteria needed to create the social impact we aim for. We will assess capital requirements, time to job creation, and other criteria as part of this assessment.

- Determine the best combination of industry-specific, place-based, and/or anchor strategies. Leading co-op development efforts in the U.S. have pursued one or more of these broad strategies, and our decisions on these questions will be foundational. Our initiative is by definition place-based, with our initial focus in the Inner East Bay (the corridor from Hayward through Oakland and north to Richmond). Most likely, we will focus on businesses that have synergies with each other, either because they are in the same industry, operate along the same value chain, or have other features in common, and this decision will be fundamental. In terms of anchor institutions (hospitals, universities, etc.), we know that a 'sweetheart client' (a significant initial client) can make the difference between slow growth and business success for any small business. Local anchor institutions could serve this role, and we will assess these opportunities during our feasibility study.

## **2. Design Human Development components (training, coaching, wrap around services)**

The mutually-reinforcing effects of business success and human development provide a high-level framework for our co-op development strategy. By designing and implementing our Human Capital Development approach early on, we will be able to avoid challenges seen in other efforts. We envision a combination of team training (co-ops: responsibilities and rights of worker-owners, management structures, collaborative decision-making, etc., industry and business-specific skills, and the ownership mindset) as well as individual and team coaching that starts with an assessment of individual and group strengths as well as knowledge and skill gaps. Finally, we will develop the framework for assessing our progress and impact, to help us refine and continually improve.

## **3. Design and set up organizational structure and partnerships**

Thoughtful design of our organizational structure will help us move faster and more effectively, including Advisory Group and Board development, legal and organizational structure (relationship between nonprofit and co-ops, nonprofit and business financing mechanisms, shared patient capital network and shared services structure) as well as our community partnerships plan (wraparound services, and a pipeline for recruiting qualified worker-owners from low-income communities).

### **Team**

Our founders bring complementary backgrounds and individual track records of strong community impact. Hilary has deep co-op development experience and Alison has deep social venture and business experience.

Hilary Abell has focused her career on cooperatives, fair trade, and community empowerment. She led the growth of WAGES as its Executive Director for eight years to what it is today: a network of five successful green cleaning cooperatives providing jobs and business ownership to nearly 100 immigrant Latinas. Participants' family incomes rose by 80%, assets increased through robust profit sharing, and women gained skills and social capital through participation in their businesses and communities. She was a worker-owner at Equal Exchange in the 1990s. Currently, Hilary consults with the Evergreen Cooperative Initiative in Cleveland, the most ambitious cooperative development project in the country right now, while pursuing her MBA in Sustainable Management part-time at Presidio Graduate School. Hilary has her B.A. from Princeton University.

Alison Lingane started her career in community-based work, designing and leading job training programs for urban youth. While in business school, she co-founded what is now the Global Social Venture Competition, the largest international business plan competition for double or triple bottom line businesses. Alison has spent the last nearly 15 years dedicated to education-based social ventures that are designed to have human impact at scale, including Benetech (where she built and launched their first product, a digital book service for individuals with reading disabilities), GreatSchools (the 6<sup>th</sup> largest parenting website, a nonprofit using information to drive school improvement), and InsideTrack (a venture-backed scaled services company delivering 1:1 coaching to students to increase college completion rates). Alison has her B.A. from Harvard University, and her MBA from the Haas School of Business.