Title

AN ANALYSIS OF WORKER COOPERATIVES AND THEIR POTENTIAL IN CALIFORNIA

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ABSTRACT

This paper examines worker-owners' experiences with and perspectives on worker cooperatives in California. A worker cooperative is a business model where the workers within the business also collectively own and operate it. Lacking a traditional business owner, worker-owners usually practice a form of workplace democracy, whereby workers elect management or hold votes via direct democracy to make business decisions. Prior research on worker cooperatives focuses mainly on examples found outside of the United States or in previous decades. This paper compares worker-owners' experiences in California to those found in traditional businesses in terms of individual structures, day-to-day operations, economic performance, workers' beliefs and perspectives, and interactions with other groups. My research is based on in-depth interviews with worker-owners and experts on worker cooperatives in California. The workers interviewed greatly prefer worker-owned cooperatives over traditional businesses because they allow a greater sense of ownership and control over their labor and day-to-day operations. Interviewees claim that the agency and power they are given within cooperatives helps to also make them more efficient at work. In comparison to their previous employment experiences, interviewees feel a greater sense of respect and dignity in the workplace in worker cooperatives. Worker-owners also emphasize that they experience a greater connection with their communities and the wider labor movement within cooperatives compared to more traditional businesses. Overall, my findings suggest that the worker cooperative model has great potential in terms of both personal and economic empowerment of worker-owners by giving them direct control of their labor, personal lives, and futures.

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TABLE OF CONTENTS

Introduction

The American Dream has many ideas that make it great. From the free market and entrepreneurship, to autonomy and prosperity, to democracy and freedom, it takes many great concepts to make it a reality. What if there were a type of organization that embodied all of these ideas; nay, embodied the concept of the American Dream itself? This type of business is known as the worker cooperative, which can be described as businesses or non-profits that are owned and operated by the employees who make them up, who also have a voice and decision-making power in the business, from day-to-day concerns to strategic decision-making (Pérotin, 2016, p. 3).

So, what are worker cooperatives and how do they operate day-to-day? What different forms do they take, and how do workers view and experience them within California's current economy? This capstone project will address these questions by comparing personal experiences with, and views on, worker cooperatives and traditional businesses through interviews of worker-owners and experts on worker cooperatives.

Worker cooperatives are defined as businesses that are collectively owned and operated by the workers who make them up. They are distinct from other cooperative models, such as consumer cooperatives, which are owned by the cooperative's clientele, or housing cooperatives, which are multifamily buildings owned collectively by their tenants. Worker cooperatives are additionally defined as practicing workplace democracy, where decisions and management are directly controlled and appointed by the worker-owners via representative and/or direct democracy.

In what follows, I first review the scholarly literature on worker cooperatives, including research on their economic characteristics, power and participation structures, challenges and negative characteristics, and their psychological dimensions. Second, I provide background information on worker cooperatives in California, including a review of state and local policies that support these organizations. Third, I discuss my data and methods, including my interview sample and how the interviews were conducted. Following that, I review the findings from my interviews, which cover Californian worker cooperatives' individual structure, typical day-to-day operations, economic performance, worker beliefs and perspectives, and how worker cooperatives interact with other groups and organizations.

Consistent with prior research (Abell et al., 2021; Pierce et al., 2004), my findings reveal that worker-owners prefer their individual structure and day-to-day operations compared to traditional businesses. My interviews suggest that worker cooperatives in California tend to be more prosperous and have greater stability than worker cooperatives elsewhere (see for example, Montero (2022) for El Salvador worker cooperatives, or Pérotin (2016) for Uruguayan worker cooperatives; both using quantitative comparisons (e.g., size distribution, productivity levels, etc.) of worker-owned farms/businesses to traditional businesses, respectively).

Literature Review

Economic Characteristics of Worker Cooperatives

Previous research on worker cooperatives focuses mostly on Europe, where the vast majority of successful and large cooperatives are found (Abell, 2014), although some research focuses on Latin America (e.g., see Montero, 2022) and the United States (Pérotin, 2016). It shows evidence that cooperatives, far from common stereotypes in America of being small businesses run by idealists, have proven themselves to be viable alternatives to traditional business structures (Pérotin, 2016). For example, one study of worker cooperatives in France, Spain, Italy, Uruguay, and the United Kingdom finds that worker cooperatives are larger on average than conventional businesses and not necessarily less capital-intensive, survive at least as long as other businesses, have more stable employment, are more productive than conventional businesses, with staff working “better and smarter” and production organized more efficiently, retain a larger share of their profits than other business models, and have much narrower executive and non-executive pay differentials (Pérotin, 2016, p. 3).

Most striking of all, at least two studies of worker cooperatives in France, Spain, Italy, and the United States found that, on average, worker cooperatives are more productive with the use of the same technology as employee-owned firms. In other words, the way worker cooperatives organize their production yields more for themselves than traditional firms (Craig et. al., 1995; FakhFakh et al., 2011). Additionally, it was found that “in several industries, conventional firms would produce more with their current levels of employment and capital if they adopted the employee-owned firms’ way of organizing production” (Pérotin, 2016, p. 18-19), and that worker cooperatives would “always produce at least as much with their own technology as with conventional firms” (FakhFakh et al., 2011, p. 20). This finding is consistent with another study, which shows how farming cooperatives in El Salvador were more productive in their specialized crops. This study found no strong evidence that worker cooperatives were less productive on aggregate when compared to traditionally structured farms (Montero, 2022).

These studies highlight that worker cooperatives not only can work at scale but also have the potential to out-compete their more traditionally structured counterparts. Despite these inherent strengths, there is a staggering lack of worker cooperative development in the United States of America, as the total combined assets of all worker cooperatives in the USA only amount to a paltry 130 million dollars in 2014 (Abell, 2014). This figure has not grown much since. In contrast, just one cooperative group in Spain, the Mondragon Corporation, is valued in the billions of Euros alone and has over 80,000 employees (Pérotin, 2016).

As workplace democracies, worker cooperatives also vary as much as political democracies, which means they sometimes make less-than-efficient choices to match the values of their voters. Workers cooperatives can also have multiple objectives, from maximizing dividends if they have stocks, to maximizing wages, to caring about hours worked, and employment protection. Famously, worker cooperatives are known for voting to lower their own wages rather than fire fellow workers during a downturn in the name of solidarity and economic security. This can lead to interesting results, as during a period of economic crisis, data on worker cooperatives in Uruguay from April 1996 to December 2005 "indicates that while employment in CFs [Capitalist Firms] in 2003 averaged 87% of employment in 1998, employment in WCs [worker cooperatives] in 2003 was 106% of the 1998 level" (Burdín et al., 2008, p. 522). However, "while real wages in CFs in 2003 averaged 76% of the wages in 1998, wages in WCs in 2003 averaged 67% of the wages in 2003. During this period, the total employment in WCs was relatively more stable than in CFs, while wages in WCs were also more flexible than in CFs" (Burdín et al., 2008, p. 522).

According to this same study by Burdín et al. (2008), cooperatives can also choose to be a place for more risk-averse workers. Based on their quantitative analysis, the authors conclude that within worker cooperatives, "there is no significant relationship between output prices and wages" (Burdín et al., 2008, p. 524). Moreover, out of a sense of self-preservation, worker-ownership should "tend to smooth employment levels over the business cycle, avoiding lay-offs during difficult periods as well as having more conservative expansion plans during favorable times…The evidence therefore shows that during the recent crisis, Uruguayan WCs were more inclined than their capitalist counterparts to protect employment" (Burdín et al., 2008, p. 525). This logic also carries over to non-members hired as workers because, "contrary to our expectations, when jointly interpreting both models, we observe that wages and employment of hired workers in WCs would be relatively stable" (Burdín et al., 2008, p. 525). There are also interesting relationships between wages, employment, and output prices, as "CFs exhibit a well-defined and negative relationship between wages and employment. By contrast, WCs display a well-defined and positive relationship between wages and employment… Additionally, for CFs, the effect of output price changes on employment is significantly positive, whereas for WCs we cannot reject the hypothesis that employment variations are insensitive to output price changes" (Burdín et al., 2008, p. 525). In layman's terms, this means that when a worker cooperative does well, its worker-owners do well; however, this does not necessarily mean they hire more workers during the good times. Cooperative members are extensively involved in decision-making, and there are high turnover rates of elected officers as new workers are elected to the positions, meaning that trade unions are only ever needed in co-ops if some workers are being slighted, but since they elect their management, this is not often the case (Pencavel et al., 2006). Finally, worker-owners have shown restraint in exploiting their fellows, such as when average worker-owners who produce at the median output for the worker cooperative refuse to exploit a high output minority by more heavily redistributing their wages to the majority, mostly out of feelings of fairness (Kremer 1997).

Power and Participation

Moreover, there are debates over how much power and participation worker-owners should have within and among worker cooperatives. These debates range from "(1) the degree or extent of control that can be exercised by employees, (2) the range of issues over which they have influence, and (3) the levels of the organization at which employees can have an impact" (Cheney et al., 2014, p. 596). If organized correctly, this can lead to beneficial results, such as worker governance giving incentives for workers to share private information "to management and to each other, to work more and better, to invest in firm-specific human capital and to monitor each other, which may be more effective than hierarchical monitoring" (Fakhfakh et al., 2011, p. 8). Additionally, "governance participation may promote dignity—a factor that may increase intrinsic motivation" and "decisions in which employees have a voice also internalize their interests. Employee voice may therefore improve decision quality and reduce the attractiveness of 'exit' options like quits that are costly to the firm" (Fakhfakh et al., 2011, p. 8).

Conte et al. (1988, p. 143) provide a more data-driven study of worker participation. The authors used regression techniques to analyze data from 40 U.S. firms that were either "(1) profit-sharing companies, (2) companies with employee stock ownership plans, [or] (3) producer cooperatives in the plywood industry." Based on their findings from this regression analysis, the authors conclude that:

> firms with worker participation in decision-making are approximately 46% more productive than firms without such schemes, ceteris paribus. Schemes that accord workers the right to participate in decisions over wages are found to have a strong positive effect in all specifications…Hence, our results allow for the possibility that firms which have substantial direct share ownership and which simultaneously place emphasis on employee decision-making rights (worker cooperatives, for example) may be more productive than firms which have neither direct employee ownership nor employee participation in decision making (Conte et al., 1988, p. 149).

The authors' findings thus emphasize the positive economic outcomes and potential of worker cooperatives, contrary to the assumption that these types of organizations are unproductive or inefficient in comparison to capitalist firms.

Challenges & Negative Characteristics

Other research suggests that there may be some mixed incentives and other characteristics within cooperatives that might make them more or less efficient than traditional firms. Researchers' assessments of the outcomes of worker-owned cooperatives do vary. Specifically, some research shows that "labor-managed firms may be beset with coordination failures due to the collective nature of incentives and decision processes in democratic firms, and their managers' incentives to manage may be diluted. Theory thus makes ambiguous predictions concerning the incentive and information effects of worker participation on productive efficiency" (Fakhfakh et al., 2011, p. 8). However, as mentioned above, there is a counterargument in that "If there is an asymmetry of information in the firm due to the fact that employees have specific knowledge about the workplace and the behavior of fellow workers, then participatory schemes may give workers greater incentives to provide information to managers. This may result in an increase of managerial control over the workplace in spite of the apparent yielding of certain elements of traditional managerial discretion. Voluntary information sharing may also decrease the costs of monitoring workers" (Conte et al., 1988, p. 141).

Cooperatives can also suffer from other distorted incentives, specifically when it comes to their egalitarian pay structure, which has positive and negative consequences. On the positive side, cooperatives benefit from effectively providing insurance for their worker-owners, as they know they are going to get a guaranteed wage, which could be beneficial for risk-averse workers (Kremer 1997). On the other hand, this distorts effort incentives, as Gaynor and Gertler (1995, p.

603) suggest "that this redistribution comes at a significant cost in output…[firms] that allow members to keep a 10% greater share of their output have 3.8% higher output." Additionally, when workers choose to work at an outside-owned firm over a worker cooperative, this might make cooperatives rare even if the latter's insurance benefits outweigh the costs of effort distortion and redistributive pay (Kremer 1997).

Psychological Dimensions of Worker-Ownership

There is also the psychological dimension of worker cooperatives related to ownership. Most of the recent research on this dimension comes from Pierce et al. (2001, 2004), and it is merely a conceptual model and not based on an empirical study of actual worker-owners in the real world. First, Pierce et al. (2004) defines ownership as a bundle of rights:

> These rights include (a) a right to some share of the owned object's physical being and/or financial value, (b) a right to information about the status of that which is owned, and (c) a right to exercise influence (control) over that which is owned (Pierce et al., 2004, p. 589-590).

According to Pierce et al. (2004), you need all three types of rights: equity, information, and influence, to have the true motivating effects of ownership. In order to actualize this, workers need to have the autonomy, knowledge, and skills, and the ability to participate in decision-making. If these conditions can be met, then it "suggests that psychological ownership is related to a number of important organizational behaviors, among them feelings of responsibility, stewardship, the assumption of personal risk, personal sacrifice, organizational citizenship, the promotion and resistance to change, and performance" (Pierce et al. 2004, p. 596). In light of this, Pierce et al. (2001) claim that all of these behaviors enhance worker-owners motivation to help their organization to succeed because "its success is their success, its competence is theirs" (Pierce et al., 2004, p. 596).

Following from this, "the psychological experience of ownership is also seen as motivational in nature. Theories of the self suggest that the individual is at times propelled to maintain the positive image that they have formed of the self, and at other times, they are propelled to enhance the sense of self. As the target of ownership is increasingly brought into the citadel of the self, the individual becomes vested in the target as he or she finds the self within it…Herein lies the motivational potential that accompanies psychological ownership, as well as the genesis of its performance effects—good performance contributes to (enhances, maintains, and/or protects) the positive image of the self." (Pierce et al., 2004, p. 596-597). As such, the more worker-owners in worker cooperatives are able to see their worker cooperative as "theirs" and a distinct part of themselves, the more they are motivated to enhance and improve it, as they see it as improving themselves.

In addition, "When confronted with a task to perform, high-self-esteem people value high performance, exert effort, persist in the face of adversity, and engage in goal-directed behavior. Additionally, high-self-esteem individuals are more strongly task motivated and less distracted by adverse conditions and are more persistent when dealing with obstacles than their low-self-esteem counterparts (Pierce et al., 2004, p. 603). This thus shows how ownership motivates worker-owners to be more efficient than their non-owning counterparts, as they are able to endure and surpass above and beyond all expectations.

To conclude, "acknowledging that in addition to motivation, procedural and declarative knowledge are two additional major determinants of employee performance, we offer the following proposition: To the extent that skill training, role clarification, worker councils, and a variety of other communication and skill/role enhancing programs are simultaneously implemented with the introduction of an employee ownership arrangement, employee performance will be positively affected" (Pierce et al., 2004, p. 607). Thus, in other words, workers owning their own workplaces can, quite simply, make them better workers than non-owning workers in traditional business environments.

Literature Review Conclusion

In conclusion, according to the literature, worker cooperatives hold immense, untapped potential and benefits for the economy, society, and working people. While it might be true that they have coordination problems or issues if they adopt egalitarian wage structures, they nonetheless prove that they can overcome these deficits. This is because they can potentially provide increased democracy, dignity, and productivity in the workplace that workers desperately crave. This paper seeks to provide a deeper understanding of this resource in California and whether worker-owners' experience in California matches up with theoretical expectations of worker cooperatives. To do this, I conducted in-depth interviews with worker-owners and experts on worker cooperatives in California, as well as several academic researchers who have studied worker cooperatives extensively. The next section reviews previous research and other background information on worker cooperatives in California and state policies related to them.

A Brief Overview of Worker Cooperatives in California

Numbers, Location, and Industries

While California hosts one of the largest numbers of worker cooperatives in the United States of America, there are still only about 100 worker cooperatives in the state, constituting 20% of the national total count. Additionally, they have an average size of 15.8 employees, above the national average of 10-11. Most worker cooperatives are located in the Bay Area, totaling 78 in 2021, with growing communities in Southern California and the Sierra foothills. Worker cooperatives currently operate in a variety of industries, including the cleaning, construction, education services, farming, food distribution, grocery, health care, landscaping, manufacturing, pet care, professional services, solar energy, and staffing industries (Abell et al., 2021).

Cooperative Legislation

California has enacted legislation that aims to support worker cooperatives at both the state and local levels. For example, the Promote Ownership by Workers for Economic Recovery (POWER) Act passed in the Californian state legislature in 2022 created “a panel to conduct a study regarding the creation of an Association of Cooperative Labor Contractors for the purpose of facilitating the growth of democratically run high-road cooperative labor contractors” (CA Labor Code § 10010 (2025)). This study came to two conclusions to help the development of worker cooperatives. First, it recommended that the state create agencies “to promote high-road worker-owned firms (HRWOs) by certifying HRWOs and advisors, targeting procurement for HRWOs, organizing training and financing, and adjusting regulations to improve lending, purchasing, and labor standards” (Levine et al. 2025). Second, it recommended the creation and development of cooperative umbrella organizations that can provide shared business services to multiple worker cooperatives via a state grant system (Levine et al. 2025). Additionally, local governments have adopted initiatives to support the development of worker cooperatives. For example, the mayor of Richmond, California, has publicly committed the city to help foster cooperatively owned businesses (Abell, 2014). Although these policies and initiatives are limited in scope and largely symbolic, they express policymakers’ support for the growth of worker cooperatives.

The California Worker Cooperative Act of 2016 established a general incorporation law for worker cooperatives, as defined here:

> Worker Cooperative provisions exist within California's Cooperative Corporation Code Sections 12200 to 12656.5 with special provisions that directly relate to the legal rights and obligations of worker cooperative corporations. Many worker cooperatives, for a variety of reasons, choose not to incorporate as a Cooperative Corporation and, instead, operate as Partnerships (Cal. Corp Code §§ 15800 - 16962), Limited Liability Companies (Cal. Corp. Code §§ 17701.01 - 17713.13), General Stock Corporations (Cal. Corp. Code §§ 100 - 2319), or even Nonprofit Public Benefit Corporations (Cal. Corp. Code §§ 5110 - 6910). Below, only worker cooperative corporations statutes are discussed. For more information on worker cooperatives forming as LLCs, General Stock Corporations, or Nonprofit Public Benefit Corporations, please visit theselc.org/bite-sizedlaw and Co-opLaw.org. (Abell et al., 2021).

By providing such legislation for incorporation, California expands the legal options for forming and operating worker cooperatives and facilitates the adoption of additional legislation to support them.

Data & Methods

My research is mainly based on semi-structured in-depth interviews with worker-owners and experts knowledgeable about worker cooperatives within California. Worker-owners will be defined as workers who co-own and co-operate their own businesses or non-profits via a form of workplace democracy with at least one other person. Experts will be defined as either researchers who specialize in worker cooperatives or those knowledgeable about worker cooperatives, such as those involved in promoting or providing technical assistance to worker cooperatives. I conducted eight interviews. Interviewees were found either through direct contact face-to-face interactions, through digital means such as by telephone or email, referrals, or through snowball sampling, by which one worker-owner helps to identify and connect me to another. During the months of April to July of 2025, I worked as an intern at the Inland Empire Labor Institute. This helped to connect me to several local worker cooperatives and experts knowledgeable about them in the Inland Empire.

Informed consent for each interview was obtained through an IRB-approved consent form before the interview started. After obtaining informed consent from interviewees, I collected information about interviewees' personal names, the names, locations, and industries of their worker cooperatives. Afterward, I interviewed each participant. If consent was given by the interviewee, the interview was recorded through a separate audio and text file. If they are an expert, they were asked about cooperatives they know about.

The interview was structured as follows (see Appendix 1 for the interview guide). First, the interviewee was asked about the origin, industry, total number of worker-owners, and how long they have been working in this worker cooperative. Second, the interviewee was asked about the individual structure of the cooperative, such as the decision-making process, profit sharing, hiring and firing process, how bosses work, and the general structure of their workplace democracy. Third, the interviewee was asked about the day-to-day operations of the cooperative, such as practical day-to-day decision-making, how challenges are overcome, who gets what job, individual autonomy, and how internal tensions or disagreements are resolved. Fourth, the interviewee was asked about the economic performance of the cooperative, such as the general success of their worker cooperative, what their wage and/or salary is, how they react to economic downturns, how much they produce, how safe their workplace is, and how they deal with competition, especially when compared to other businesses in the same industry. Fifth, the interviewee was asked about their worker beliefs and perspectives on worker cooperatives, such as why they joined this worker cooperative and how they feel about the levels of respect, satisfaction, dignity, and safety they feel in the workplace, especially when compared to other businesses in the same industry. Sixth, the interviewee was asked about the interactions with other groups the interviewee has had while in the cooperative, such as how they interact with other businesses, labor organizations, trade unions, and the community in general. Finally, the interviewee was asked if there was anything else they would like to share and if they could share contact information about other worker-owners or experts that might be interested in participating in the study.

The interview data collected were analyzed, and common themes were identified. I also compared my interviewees' experiences and views of worker cooperatives and traditionally structured businesses, and also what is known about the latter. The interview sample and my main findings are discussed in the section below.

Qualitative Analysis

Interview Sample

I collected eight interviews with worker-owners and experts on worker cooperatives within California. All participants agreed to have their information publicly published in this paper. Their introductions are as follows: First, Ryan is a worker-owner at Slow Bloom Coffee, a small worker cooperative coffee shop with around 10-20 workers located in Redlands that specializes in unique coffee blends. His story will serve as a typical in format but unique in substance example of how workers become worker-owners and worker cooperatives are formed:

> The remaining people who founded the cooperative, which were 15 of us, used our settlement money [from the wage theft claim against their former employer]. We pooled it to go towards the cafe with our Kickstarter money. We reached out to a cooperative lender called, Shared Capital, which is a cooperative and lends to cooperatives and we got a business loan from them and eventually found a location through a friend and a customer, because it's all about who you know, and we found a really cool building in Redlands. And we're able to open our shop, the Slow Bloom coffee cooperative.

This serves as the archetypal case of how most worker cooperatives are formed, usually from ticked-off workers who seek to use the worker cooperative model to achieve a common end. In this case, they continued their jobs as coffee baristas, but this time as worker-owners. The second interviewee, Pedro, is a previous worker-owner (in an undisclosed industry) and current technical assistant to worker cooperatives who supports various worker cooperatives to solve problems with collective decision-making and governance via neutral mediation. Third, Darren is a previous worker-owner at a bakery worker cooperative and current worker cooperative developer, who helps create new cooperatives and economically develop current ones. Fourth, Kelley is a former board member and worker-owner of Slow Bloom Coffee, briefly a member of the Inland Empire Labor Institute as their cooperative development manager, and current worker cooperative specialist. Fifth, Dr. Russell is a Professor Emeritus of UCR who specializes in worker cooperatives and spent years conducting fieldwork at a trash-collecting worker cooperative in California. Sixth, Professor Sorensen is a Professor at UCR who studies monopsony power and is knowledgeable about worker cooperatives and their potential for challenging traditional market firm power and improving labor market conditions. Seventh, Alice Parra Rios is a student intern with the Inland Empire Immigrant Youth Collective and Inland Empire Labor and Community Center; she researches how worker cooperatives can be designed and used to help undocumented immigrant youth and their communities. Finally, Miguel Valencia is a worker-owner whose cooperative provides communications design technology support, i.e., marketing, outreach, and organizing generally, for labor organizations and other worker cooperatives in the San Francisco Bay Area.

Organizational Structure and Workplace Democracy

Worker cooperatives in California tend to follow the traditional organizational orthodoxy of worker cooperatives mentioned in the scholarly literature, which is workplace democracy. Specifically, worker-owners typically practice some combination of direct democracy where all workers directly vote (or come to a consensus) for various functions, combined with elected representatives taking the roles of day-to-day management and leadership, all while practicing the principle of one member, one vote. As Pedro describes it, worker co-ops "have an election structure…(where the board members) have one vote in whatever decision needs to be made, but then all the rest of the members have one vote regarding who gets to be on the board, so they elect the members on the board…(so the) representative democratic structure that still abides by that one-member, one vote principle (still holds)."

One typical (though by no means universal) example can be found in Ryan's Slow Bloom Coffee Cooperative, which has a similar structure, with a "board of directors, president, secretary, and treasurer" all of which are "elected by membership." Interestingly, in some cases like Ryan's "you cannot nominate yourself for these positions. You have to be in good standing with the members of the cooperative and get nominated. And then you need a majority vote to serve." This shows the variety of workplace democracies that worker cooperatives can achieve, as this provides an incentive against opportunistic leadership, as you must be popular with the workers themselves to be even considered to lead. Ryan continues,

> The board of directors is basically in charge of the vision of the cooperative. My job as president, primarily, is to write policy when it comes to cooperative governance. I also kind of oversee the other two members of the Board, the secretary and the treasurer, and as a group, we oversee the next tier, which are called managing directors.

Ryan explains that these managing directors do "essentially what a manager would do." He continues,

> We have split it up in a unique kind of way. We have two managing directors. One is in charge of the internal…as far as making sure that all the member owners are working within our employee handbook and our bylaws, and our whole way of doing things so that there are no problems. They handle interpersonal conflicts, they do discipline, they handle payroll, they handle, you know, all this other stuff that a manager would handle…Our other managing director, too, is in charge of externals. So the board of directors would commission this managing director to grow the business to find a new location to, you know, expand into new products or arenas to partner with other companies. So these two really are the hands of the board of directors.

Slow Bloom's organizational structure is a distinct form of workplace democracy. Although worker cooperatives put into practice workplace democracy, how they do so differs from cooperative to cooperative. Professor Russell warns, however, that just like in any democracy, an "oligarchy, and just a small number of people" can form where a few "gravitate toward managerial positions." This is something that has to be guarded against, as it can make a worker cooperative a workplace democracy in name only, and is best rectified via term limits on managerial and board positions, and “if they mess up, we kick them out and replace them with other people who have the confidence of the membership,” as Professor Russell says.

A less hierarchical example can be found from Miguel’s cooperative, where they “have a couple different departments, and we divvy labor based on services and what task someone's doing. So, for example, there's a web team, and we might think of it as, like, a web team and a design team. Those two, they have an agreement with the whole collective about how much work they're trying to do that year, [what] income they're trying to bring in, but they get to make separate decisions about how they actually do the work. The principal might be, like, the people closest to the work get to decide how the work gets done.” In a nutshell, workers in a worker cooperative can limit hierarchical management if they manage to efficiently divide up the labor and self-assign goals themselves, leading to an autonomous and adaptive work structure, especially when compared to the stiff hierarchies found in traditional businesses.

Another typical facet of worker cooperatives practicing workplace democracy is committees, which are various elected bodies that handle specific tasks and problems. Again, using Ryan’s Slow Bloom Coffee Cooperative as an example: “Our cooperative runs on a committee structure as well. So in order to get everything done, we all kind of team up right. So there's like a front-of-house committee in charge of drink development, and the aesthetic of the whole shop… they're in charge of the customer experience.” Committees have a similar structure to the board of directors. As Ryan describes, “each of those committees has a chair, events coordinator, and officers,” all of which are elected by the workers themselves.

Worker cooperatives can also practice direct democracy on major decisions that usually involve all workers. Using Slow Bloom as an example: “When it comes to approving a budget, that's over $2,000…voting in a new cooperative member or terminating a cooperative member… members have to vote on any change to the cooperative bylaws that requires a majority membership vote.” Since these decisions affect all workers in a cooperative and are usually one-and-done decisions (i.e., ones that do not repeat and should be delegated to a committee otherwise), it makes sense that they should have a direct hand in deciding what should be done in order to bring about decisive action.

However, there are exceptions from the norm when it comes to structure, such as worker cooperatives that practice horizontal power structures and direct democracy, which as Pedro puts it, are “around 16 to 20 people… That one-member, one-vote principle is applied, pretty horizontally, so most of the members…have one vote for any topic of discussion or any decision that needs to be made.” One example of this can be found in Darren’s case with his bakery cooperative: “All members were actually on the board of directors as well… A lot of committee decision-making and a lot of just all group decision-making, through facilitated discussion and consensus, and a modified consensus-based decision-making process.” This shows that worker cooperatives can take a variety of individual forms according to their contexts and workers’ desires.

Worker cooperatives vary in their pay structures to deliver different types of incentives to their workers and take advantage of different tax structures. At the basic level, worker cooperatives are able to make an age-old dream of workers a reality at last: “If you work harder, you will make more money.” Ryan from the Slow Bloom Coffee Cooperative states: “So as a membership. We decide how much we want to give to ourselves and how much we want to invest back in the business…profits go directly to members in shares that are calculated by the number of hours worked for the quarter.” To put some concrete numbers as to how much wages can be increased, Ryan notes that workers make "$24.38 an hour as the starting pay in the company… up to $26.38 (for those that take on extra responsibilities)."

Workers can engage in more complicated pay structures to maximize their own utilities. For example, in Darren's bakery cooperative, there was

> an ongoing discussion about whether to increase wages or have larger patronage dividends at the end of the year… (this was due to) quality of life issues, having money spread out more throughout the year versus having a lump sum at the end of the year. And the tax advantages of having the payout from the patronage dividend versus what the IRS looks at for, a good balance between wages and patronage, so they don't think that you're avoiding paying taxes, so it was always a discussion, but it was primarily through patronage dividends at the end of the year.

This goes to show that worker cooperatives can fully take advantage of their ability to maximize their usage of local information; workers can freely vote to change their pay structure to game the tax system and maximize their profits and wages, something a traditionally run firm might not be able or willing to do.

Worker cooperatives also have a different relationship when it comes to hiring and firing workers. While the former is relatively simple and painless, the latter can be more complicated, as workers are also owners. As explained by Darren's horizontally structured baking cooperative:

> We would have whole group interviews where all of the members and directors would be in an interview with folks coming in to start employment and their path to membership… We eventually kind of pared that down to a hiring

> committee, because we realized that having an interview in front of 20 people is a bit intimidating.

So, due to their unique structures, smaller worker cooperatives can have everyone come to meet new hires, but practicality usually takes over, and through workplace democracy, people can be appointed to take over that role. Hiring can also be a multi-stage process, as in Ryan's Slow Bloom Coffee Cooperative, where after "assembling a hiring committee," the potential worker-owners,

> get hired, and then you start a probationary period where you get the normal hourly rate that all of our members get. But you don't have cooperative membership benefits, which include voting and dividends. So you have a three-month probationary period, and at the end of your three months, we have a vote, and we either vote you in as a full member of the cooperative, in which case you would get voting rights, and you would get dividends, or we vote you out.

As can be seen, workplace democracy and multi-stage hiring can help to ensure all new hires can work with all previous worker-owners, helping to produce a stable, respectful, and cooperative work environment.

Firing is a bit more contentious, however. Unlike a traditionally run firm whose leadership can usually fire at will, worker cooperatives like Darren's horizontal bakery cooperative have to gain consent of most of the workers: "Instead of having everyone have to agree to fire you, it was a majority that had to agree to keep you." Kelley said, "I think workers should always have a say. I think it's good for a worker co-op to have personnel decisions that have some democratic component to them." Even here, worker cooperatives can take advantage of the flexibility of their workplace democracy and make firing workers an easier process for those who remain and those who are cut. Darren's method makes workers feel like it was a show of support instead of choosing to fire someone else, while Kelley's method meant workers who were on track to be fired could influence the decision and convince people to let them stay and work, and when you feel you can influence the outcome of a decision, it makes it easier to swallow when it is decided.

Day-to-Day Operations

Worker cooperatives can adopt different decision-making models for day-to-day operations, some of which are described by Pedro in this way: First, there is the consensus model, where "you have to discuss whatever proposal that you want to pass until everybody's in agreement." Another approach is the majority or supermajority approach, which is when "the majority is 51% of members, and then supermajority might be three-fourths or more than 51%… whatever threshold you want to put as a supermajority in order for a proposal to pass." Finally, there is the hybrid model approach, which is "trying to reach consensus, but if consensus fails, then you can fall back to voting." This shows the diversity and versatility of workplace democracy, as workers can adapt various models as they see fit to manage their worker cooperatives.

According to Kelley, there is a very important comparison to be made when put up against a traditionally structured business:

> The problem in a traditional workplace is not that people have authority… to make decisions when they need to be made. It's that the people who have authority were granted it in undemocratic ways. So, in a co-op, I think it's totally fine and totally reasonable to say, this person, we want them to be in charge.

In short, authority is not the issue; the problem lies in the lack of consent among the governed. A worker cooperative fixes this by implementing workplace democracy and, as long as the elected can be removed from power via subsequent elections, this incongruency is rectified.

For day-to-day problems, workers benefit from having direct control over their jobs. In Darren's horizontal baker's cooperative, for example, workers could "address (problems) individually," "ask a couple co-workers to help", or if the problem was too complex or repetitive, like store maintenance, "the people on shift would handle the immediate issue, then contact the maintenance committee to take care of the bigger blockage issue." Additionally, Pedro puts it as "each co-op should have some guidance around how (individual decision making) happens…(and) give them the power to do that." This shows the unique incentive structure of worker cooperatives, giving the workers enough of a reason to take the initiative as well as the control and power necessary to solve the daily problems as individuals, together, or by forming committees to solve recurring problems, something that in traditional firms would require a boss ordering workers around to achieve.

Worker cooperatives also allow for unique ways of determining work schedules. In Darren's horizontal bakery cooperative, they "we would schedule ourselves for 6 months at a time, so we'd have set shifts…[and] a shift shuffle, where every 6 months, we'd be allowed to keep a certain number of shifts that we had, and then the rest would go in the pot, and we'd go around a circle and pick shifts that we were trained for." The shift schedule and shift shuffle allow flexibility and the right to employment that, by giving workers some control over their preferred shifts by allowing them to easily swap amongst each other, guarantees a certain minimum amount of work to each worker-owner while still making sure that each shift is still filled, giving a sense of job security, stability, and agency greatly valued by workers.

Other cooperatives vary in how they schedule workers. As explained by Kelley, "scheduling preferences are handled through the union contract, which the workers…write themselves." In other words, the workers hash out the ground rules for scheduling in their union contract. As Kelley explained when he worked at Slow Bloom, this contract includes a seniority system in which those who have worked there longer get to choose which shifts they want to work first. Since the workers agree to the contract, this provides a feeling of fairness versus traditionally run businesses, which feel more arbitrary and dictatorial.

How worker cooperatives choose who gets what jobs is also varied, though if the co-op is large enough, it usually takes the form of various committees and procedures. One example comes from Ryan's Slow Bloom Coffee Cooperative, where he states that, "people get these jobs when they apply with the managing directors… member owners had to go and interview for (those) positions." In this case, workers can apply to in-house interviews like traditional workplaces, the difference being that the people interviewing them are beholden to the workers of the cooperative as a whole, as they were either elected directly by the workers or appointed by elected officials, and since workers on average collectively want fair promotions, if the people promoting them show any bias, they are sure to be either removed come the next election or removed by the elected management with sufficient pressure. With this line of reasoning, it can be assumed that traditionally run businesses, where jobs are decided by management or outside owners, their lack of accountability and various inherent biases will lead to suboptimal results when it comes to promotions. In worker cooperatives with accountable leadership, however, as long as worker-owners vote for fair promotions, they will get them.

Additionally, worker cooperatives allow workers to try out other portions of the workplace with little friction. In Darren's horizontal bakery cooperative, for example, "part of the scheduling committee would also set up training, so if someone wanted to train for a different type of shift, they could work it out with the committee, find someone to train them for four to six shifts, and kind of move through it that way." This practice is probably more common in smaller cooperatives and gives workers more flexibility and decision-making power in terms of their job allocations. Kelley also describes another form of job allocation, where a "radical, non-hierarchical structure" allowed for "a menu of work that needs to get done every month, and everybody needs to sign up… until it's all signed up for, and it all gets done… it's all up for grabs, and everybody just has to rotate stuff." He then goes on to describe how, while it sounded "cool," the cooperatives that implemented this practice "admitted, it's not working in our co-op, because nobody wants to do the accounting." Additionally, this method suffers from a lack of proper implementation of the division of labor, as workers cannot get better and more productive at their jobs if they are constantly switching between them. If this were how all cooperatives operated, then they would be inferior to traditional businesses; however, as mentioned earlier, most take a more committed view to one's job (as in you tend to stick around in it for a while), leading to greater flexibility without sacrificing productivity.

Worker cooperatives can give their workers a high degree of autonomy in the workplace. At traditional workplaces, managers threaten workers with punishments if they do not comply. In cooperatives, worker-owners' wages are dependent on the success of the cooperative as a whole, and this gives them the self-motivation to go out and achieve goals. An example of this can be found in Ryan's Slow Bloom Coffee Cooperative, where autonomy was given to small things like not "doing uniforms" or the ability to "listen to any music you want" while on the job, to big things like giving input to what shifts you want, to making a "lot of room for individuality and creativity" while on the job.

Professor Russell also notes that worker cooperatives can not only offer their worker-owners higher wages and better benefits, but also perhaps one of the few things more valuable than more money: more time. Specifically, in relation to the trash pick-up cooperative he studied, he states:

> They all had what was called the task incentive system, which is that you have a route to do each day, and when you finish with your route, you get to go home. And that's your big incentive, and that's what determines your hours.

So, just as when you work harder, you can earn more money in worker cooperatives, it is also possible for you to work quickly and gain more time to enjoy your life. Compare this with many traditional businesses that assign workers to a set work schedule, and if employees work hard, they are punished with additional tasks to complete.

Kelley also describes that “the best thing” about worker cooperatives is that they can offer autonomy in the form of petitions, where:

> Whatever you can think of, whenever you want, you can write a proposal and send it to the board of directors, and then it shows up on the agenda at a meeting for the co-op to vote on it. So if you're like, I think I should be able to listen to CharliXCX every day that I'm working. Then you're like, cool, I'm gonna write in a proposal, send it to the board, and they're like, ‘Oh, Kelly wants to listen to Charli XCX every day they work, so we gotta put it on the agenda,’ and the members look at that and they go, ‘No, that's ridiculous, I'm not gonna do that.’ And so, you have the autonomy to negotiate for whatever you want with your co-members, but you all have to rule on the same thing.

This shows how workplace democracy, while by no means perfect, gives workers a shot at changing literally any aspect of the business that you would like, as long as you can rally support behind it among your fellow worker-owners. In contrast, within traditional businesses, workers have to convince the manager or owner that it's in their self-interest, or they have no say. Autonomy can also be limited in a democratic workplace, however. Pedro describes this limit in this way: "You don't always get what you want in democracy… so you have a proposal that folks are voting on…and you are the sole dissenter. …so, in that sense, your autonomy is limited." That is to say, the direction the cooperative takes may be the exact opposite of certain workers' interests or preferences, and they may suffer from the tyranny of the majority, which, at the worst, makes them feel like they have no power or autonomy in the workplace to do as they please.

Just like any workplace, worker cooperatives have to deal with the tensions that inevitably arise when people have to work together and collaborate. As Pedro puts it, cooperatives may form "factions that would always block the proposals of another group. It did not matter what that proposal was, even if that other group wanted to give the other group, like, everything, they would block it just because it was that group." Pedro discussed how worker cooperatives can overcome this impasse by lowering the approval threshold (i.e., the percentage of workers needed to approve a decision). Another solution was "resolution was done by an external party…because co-ops are so insular, they're in their own little bubble. You really need somebody from the outside to kind of call things out and say, you can't do that, you know?" Additionally, you could have a "conflict resolution committee" that is "accessible to anybody" where you can "make a report…(and) the committee itself can initiate some sort of conflict resolution process." This process usually takes the form of the committee doing "an investigation; they do interviews with those that are involved in the conflict…And then they make recommendations to the board. The board basically decides, like, alright, you guys need to do this, or we're gonna separate you, or, you know, you have to apologize." It is also important to have the committee doing the investigation be separate from the board making decisions in order to make sure there is no conflict of interest and members get a fair judgment.

If the workers are a part of a local union, as was the case in Ryan's Slow Bloom Coffee Cooperative, then they can appeal to an external party via workers having the "ability to file a grievance process with our [United Electrical Workers] union and kind of subvert cooperative governance altogether, if they need to. If they are feeling targeted at work by the supervisors or the board of directors, and there's nobody who is taking action, or the cooperative governance structure is failing them. In some way, they can go to the union for protection." Just as with the separation of the committee from the board, by being a part of a trade union, workers can gain a neutral and fair arbitration process to resolve their grievances. How these grievances can be solved depends on whether it is filed with the union directly and solved using its arbitration processes, or if a representative of the union is stationed at the worker cooperative itself to help judge and mediate disputes. Slow Bloom utilized the former method. In contrast, within traditional business structures, union representation is rare, and management and HR will always be systematically stacked against workers.

Miguel summarizes the general process of conflict resolution in worker cooperatives with this metaphor: "Okay, so you're at the county fair, and there's a giant pig…you can guess how much the pig weighs, and you get a prize if you win. Individuals are notoriously kind of bad at consistently measuring, but, like, if you take an average of what everyone at the county fair guesses, it's pretty on point. People as a whole are pretty good at guessing how much a pig weighs. And so for me, there are definitely times when I want the collective to make this decision about yadda yadda thing, and no one wants to do it….I'm glad I'm not the boss, because

I also more firmly believe that the path we create together will be stronger, and I think that is more often true than not for a lot of reasons." So, worker cooperatives allow for all ideas and visions for what the cooperative should do to be effectively melded together and synthesized into plans that can generally be agreed upon; all one has to do is adopt this mindset of collective decisions being the best, and this can lead to better conflict resolution than traditional businesses.

Economic Performance

Most worker-owners and those knowledgeable about worker cooperatives interviewed for this paper are in agreement: worker cooperatives have great economic performance for their current scale in the California economy. For example, when it came to the Slow Bloom Coffee Cooperative, worker-owner Ryan states,

> Our economic success is unprecedented. We were profitable within our 1st month of operation… Each year has been more profitable, more profitable, more profitable. We have been able to vote to give ourselves raises every single year, and our quarterly dividend payouts, which are a portion of the profits of the quarter that we take, have gone up every year as well. We have been looking to expand into other cities as well, and we have a couple of offers out on a couple of locations, and we'll see if any of them stick. It's kind of a long process. But yeah, very, very, very wildly successful. Thankfully.

This is just one example of a cooperative being successful, but considering it is the oversaturated coffee shop market, it should show that worker cooperatives can thrive above the competition and lead to success for their worker-owners in hyper-competitive industries.

Alice Parra Rios explained how the successful worker cooperative model can be especially useful for undocumented immigrants, noting: "it's able to provide good opportunities… [For]undocumented youth, it's able to provide opportunities for them…I think it is a pretty good economic opportunity for undocumented workers." She notes that, specifically, "if they are directly owners of the cooperative, they can avoid the documentation that would be needed if they were considered an employee." Thus, worker cooperatives have proven themselves as a solid economic model, as they can provide stable jobs and incomes to even the most vulnerable in society.

This being said, worker cooperatives are not immune to failure and can also suffer from economic stagnation. Professor Russell's trash pick-up cooperative had to have a dramatic change in leadership, and when that new leadership came to power, they told him that:

> The old leadership was doing everything the old way for too long… they were still buying open trucks, and hiring… having… using four-man crews, and having the guys just throw the stuff in. He said, they weren't buying the compacting trucks, and the industry was moving toward compacting trucks and smaller crews…They were slow to see it. So, they were backward-looking technologically. They were slow to innovate.

This shows that workplace democracy, just like regular democracy, can also suffer from stagnant leadership at the top, and that this should be remedied with term limits and encouragement of innovative ideas and leaders at the cooperative. Additionally, traditional businesses can also suffer from this leadership stagnation, but unlike the cooperative, which can vote out and easily change its leadership, thereby bringing about a new direction for the cooperative, traditional businesses are locked into their stagnation, as their leadership and their ideas are not so easily changed.

Worker cooperatives also have the ability to be more flexible and adaptive when it comes to economic downturns and recessions. For example, Darren's horizontal bakery cooperative "cut back production, we'd shift kind of our production line a little bit to things that were selling better." They can also benefit from their namesake by cooperating with other worker cooperatives, which Pedro puts as cooperatives that "were part of a network of co-ops… you have the privilege of getting that support from the network as a whole." Ryan from Slow Bloom also notes that, like a traditional business, they could "take out a loan" as they "have a really good relationship with our lender, Shared Capital." Additionally, just as the research predicted, Pedro also states that, "Co-ops are less likely to cut jobs because they are more willing… (to) reduce their own wages and things like that." Because of this combination of job security and decreasing wages, workers have every incentive to come up with creative solutions to problems in order to get things back on track. One example of this comes from Pedro, where he tells of one cooperative during the Covid-19 pandemic that "had created a walkthrough, so you didn't have to go in the building, (and) the pizza was served right at the door of the building. The reason that they are able to overcome these problems is because of the creativity that comes from multiple people trying to think of solutions for the same problem." This once again shows the unique incentive structure of worker cooperatives as they tend to support rather than fire their fellow worker-owners during downturns, thus giving them the stability and opportunity necessary to work as a team to pull their cooperative out of economic turmoil.

Specifically, when it comes to comparing to traditional businesses, Kelley mentions that when they used to issue stock, it was a "much more long-term gain." He continues,

> now people will buy stocks and sell them on, like, a, you know, a few months turnaround instead of, like, a few years, which means that companies now have

> to prove productivity and growth at every quarter, and cannot hold out to say, ‘Look, if we invest in workers, it's gonna help our company grow.’ It's… ‘We need to screw workers to make as much money as we can so we can prove to our shareholders that we're turning a profit right now.’

This hyper fixation on short-term self-interest is inherently self-destructive, and if every traditional business is doing this, then it can ironically cause the recessions they are trying to avoid, as the cost of not re-investing in themselves inevitably catches up to them. Worker cooperatives do not necessarily have to face this problem, as workers have plenty of long-term incentives to invest in themselves, and so they will be better off by not facing the cost of a lack of investment.

When it comes to productivity, worker cooperatives have shown that they not only can keep up with the competition but can surpass it. One thing that worker cooperatives can benefit from when it comes to productivity is low turnover. As described by Pedro, cooperatives “have a workforce that is very knowledgeable, and have been there for a very long time, and they're experts at what they do, and I think having that internal camaraderie really enables that long-term consistency.” As such, instead of constantly complaining that nobody wants to work and due to an inability to invest into and pay their workers appropriate wages in traditional businesses, worker cooperatives have the incentive to pay their workers their fair share of the profits, meaning that workers’ skills and experience both stick around and grow in the cooperative, leading to increased productivity.

Additionally, Kelley describes how, since workers are the ones calling the shots, “they're the ones making decisions about how it's produced and why it's produced, and so there's, yeah, no reason to think they shouldn't be more efficient and more productive.” Or, in other terms, workers have enough incentive to fully take advantage of their local information, in their case, the intimate knowledge of how their job works, and use that information to make their workplace more efficient and productive, as they know that if the cooperative is made better off from this, they will be rewarded with higher income and better job security, as opposed to a traditional business, where they will be most likely just thanked for the improvement (if that at all…), and the business owners will use it to enrich themselves while paying the worker no increase in wages. Thus, because incentives are properly aligned in the worker cooperative, workers can make their jobs, and therefore the whole cooperative, more productive than the competition.

A more mixed example can be found in Darren's horizontal bakery cooperative, where they were a "high-volume, low-price business model…On the production floor, we were really efficient." However, their horizontal structure tended to slow down the decision-making process. As Darren explained: "As far as the decision-making process, it was a lot less efficient than other businesses that I've been in because of, you know, the group decision-making process. That said, I think we made better decisions because of that, but we also couldn't react to things as quickly in some instances."

Worker cooperatives can also adapt to competition in their sector in unique ways. For example, they can fill economic niches that larger brands don't offer. For example, Ryan's Slow Bloom Coffee Cooperative knows that,

> People who like and understand coffee don't go to Starbucks because their coffee doesn't taste good, and so there's not a lot of crossover… We are known for our specialty, hand-roasted, exotic origin, and unusual, unprocessed coffee. That's, you know, something that's more on a nerdy level. Very, very niche. But you know, also wildly popular in its own right.

As such, even though they are in the same market as the juggernaut that is Starbucks, they are able to survive and thrive by carving out a niche in the market by delivering specialty products. While this is not unique per se to worker cooperatives, this is supported by the following competitive edge seen below.

Another way they can form a competitive edge is by forming a “really loyal customer base, and a really solid reputation (for quality)” as was found in Darren’s horizontal bakery cooperative. As Pedro puts it, cooperatives “appeal to the consumer's …ethical sympathies towards workers…they're voting for the better thing that's better for the world…” Most consumers are also workers selling their labor as well, and whether it's to stick it to the system or to help their fellow workers get ahead, consumers can form a bond with local worker cooperatives and choose their goods and services over the competition out of a sense of solidarity.

Interestingly, worker cooperatives can also foster a good deal of healthy competition between workers in the cooperative, making them more motivated. Professor Russell describes a trash pick-up cooperative he studied, where workers would have routes they would go up to pick up garbage. He describes how “it was the pride at being able to make the guy who works in the next route take one more street that you used to do. It was that kind of competition with your fellow worker that was very motivating… and, the pride… among the worker-owners.” So, while this certainly does not apply to all worker cooperatives, they have the potential to inspire and achieve more efficient results in their workers via their sense of ownership, as now workers could take pride and compete with one another to increase that pride.

Worker cooperatives can potentially serve a similar purpose to trade unions when it comes to monopsony power in the labor market, or when there is only one or a few buyers of labor in an industry, thus giving those firms market power to suppress wages. As Professor Sorensen explains, “the key thing is that (cooperatives) open more doors and just have higher wages.” So, in theory, worker cooperatives could compete in these industries where monopsony power is high, and just by virtue of wanting to maximize wages and keep their levels of employment, they could help erode the distortions caused by these firms in this labor market.

Worker cooperatives can also solve the principal-agent problem, where, in traditionally structured businesses, they run into the problem that the people who own the business, the people who manage the business, and the people who make the business work are all different people with different incentives. For example, Professor Sorensen talks about a traditional firm in India that produced soccer balls, and workers there had found “a new stamp that cuts them in a way which creates less waste…. So, do you want to tell your boss about labor-saving technology if you're a worker who's paid an hourly wage rate? Yeah, okay, there are scale effects in the long run, you want the company not to go under, etc. But those incentives are much more aligned between workers and owners when the workers are the owners. Also, incentives are much more aligned between workers and managers when the workers are the managers.” So, since workers are also the owners in a worker cooperative, they do not suffer from the principal-agent problem and have every reason to introduce labor-saving technology, as now they will be able to do their work more efficiently and be able to go home and/or make more money.

Worker Beliefs and Perspectives

As much as they are economic engines designed to benefit worker-owners in the name of self-interest, worker cooperatives are viewed by the worker-owners as more than that. For example, Darren views worker cooperatives as a way to “transform society and transform the way businesses and jobs are viewed in America…(and) build a system that supports people first."

Ryan further elaborates Darren's viewpoint and imagines worker cooperatives as pivotal to the larger labor movement, stating that their goal is "to spread the message of the cooperative model, to show people that there is a better world to live in beyond the wage labor model and to organize the workforce regardless of industry… Every workplace needs to be organized. Every workplace needs that union representation, you know, because a boss or an owner will not do the right thing unless they are forced to." Ryan, therefore, sees cooperatives not just as a vehicle of his own self-interest, i.e., higher wages, job security, etc., but as a beacon to others, a model that can and does work and so can help inspire others to make things better for workers.

Alice notes how worker cooperatives can provide for the most vulnerable in society, noting that "successful worker cooperatives would be ones that directly involve the community, because they consider [themselves as] a resource for the community. So, being able to provide business opportunities, being able to work with other cooperatives in order to [create jobs]." Thus, Alice considers worker cooperatives as a resource and tool to greater ends for a local community, acting as a stabilizing source of power and prosperity through job creation and high incomes for all.

Pedro explains that worker cooperatives are a work-in-progress process and a constant learning practice, as workers experience:

> they're learning something new, and they're doing it together with a group…I think that's just part of being human, you know, when we do something together that's difficult, that's challenging, but we manage to pull it off, it really makes people feel, like, very proud and happy.

Kelly emphasizes this by saying:

> The way that it plays out is, like, fighting, and, like, politicking. And that stuff is, like, working out of our system the fact that we have not been given chances to practice being democratic, and now we're trying to figure out how to do it in real time… It's challenging, it takes a lot of, like, self-reflection, it takes a lot of forgiveness and patience… I think that our co-op and a lot of co-ops I know it's a process, and we don't get it right the first time. We argue, we change, and we grow.

So, just like how our current democracy affects and shapes us, worker cooperatives are constantly evolving their worker-owners by challenging them, and when they succeed, workers grow as people and as a group.

Kelley's idea of what a worker cooperative is related to how we perceive the idea and ideal of democracy in America: "even though we live in the United States, we don't have opportunities to be democratic in that way all the time." He then describes how most schools, families, and workplaces are authoritarian or hierarchically structured and how cooperatives flip this script, engendering a democratic spirit, "You didn't have any real chances to become a democratic creature before you get to the co-op. I mean, the best that we had was voting in an election (and that's not ideal)." Although we in America praise ourselves for our democracy, it is often limited to representational forms of democratic politics in which we only get to choose who gets into power, and even then, we only have two real options. Worker cooperatives provide a much more engaging and empowering (albeit more messy) version of democracy, where we not only become more involved with democracy, but are given greater political and economic power than we have under our current system. Additionally, Professor Sorensen states that since “human rights are much better respected in a democracy,” it only makes sense that “One would expect that worker rights are much better respected under industrial democracy.” He thus suggests that when democracy is practiced by worker-owners, their interests and well-being tend to be prioritized.

Professor Russell makes a point by saying that cooperatives “can help fight the alienation of modern life, and connect you, and make your job more than just a job.” As such, worker cooperatives can be aspirational places where workers not only come together to get higher wages, but also to support each other and maximize not just their individual utility, but their humanity as well. Alice also notes their potential for undocumented immigrants by allowing them a unique path to prosperity that would otherwise be unavailable to them.

Miguel offers a twin vision of worker cooperatives, one where he keeps it short and simple: to “provide ourselves a livable wage.” However, he also suggests it offers a contrasting model of leadership to that found in most workplaces. As he put it here:

> People already in our day-to-day life believe in autocrats and kings. For example, in any [traditional] workplace we work in, there's, like, an autocrat or a king. And so I believe that worker-ownership and collective decision-making are practices that could break the assumption that we need that kind of a leader, or, like, we need leadership. In one story, leaders are great men who guide a whole bunch of people. In the cooperative world, we share leadership, and we work together and guide each other. And it's not just like a fairy tale… It actually works.

Miguel thus envisions worker cooperatives as a direct rebuttal to the hierarchical thinking that prevails in our society, as their very existence is a living, undeniable truth that a non-autocratic system does, in fact, work and is possible for all workers.

Next, interviewees emphasized how members of worker cooperatives often treat each other with more respect and dignity than workers usually experience from managers within traditional business firms. They experience more self-worth as a result. As Ryan puts it, "on a personal level, extremely, we are a very tight-knit group. We all respect each other. We all hang out outside of work. Even the new people who have come in have been brought into the fold, and it really feels like working with friends." This shows that worker cooperatives have the ability to achieve what every traditional workplace and boss has tried to artificially create: true camaraderie, community, and solidarity. This can have tremendous benefits for worker engagement, retention, and innovation that no traditional workplace can hope to match. Ryan goes on to say:

> The bylaws of the cooperative and the worker-owner handbook have been drafted by the managing directors. That pretty much guarantees that everybody should and will be treated with respect, and there are mechanisms in place to make sure everybody is treated equitably and respectfully and with kindness, and then on a personal level, people are treated with generosity, good faith, and a lot of love in our workplace. And dignity, I mean, is through the roof. You know. We're not a cog in the machine. We are the machine, and we are the cogs, and we are the operators, and we are the vision makers.

This goes to show that the high levels of respect, dignity, and self-worth are not spontaneous, but are values that need to be actively fostered and protected if workers are to experience them. If achieved, however, they can be incredibly motivating for workers, again above any levels a traditional workplace can match.

Workers can get respect due to the institutional structure of workplace democracy as compared to the institutionally autocratic and despotic structure of traditionally structured businesses, specifically from the knowledge that, as Kelley describes, “I feel like they have a lot of respect, because workers have the power over management. And even at the worst, workers are feared by their bosses.” In a nutshell, in traditionally structured businesses, management and owners have all the decision-making power when it comes to organizing production, and since they are profit-maximizing, they tend to see workers not as human beings worthy of dignity and respect but instead as inputs just as mechanical as the machines they use. As such, workers are subject to their tyrannical decision-making and are regularly treated like dirt, as anytime they try to organize to change things and be treated more humanely, they are threatened by management with wage cuts, demotion, and unemployment, leading to feelings of disrespect and insignificance among workers. Take this in comparison to a worker cooperative, where management is elected and therefore is the servant of the workers. Now management knows that they are here not to grind workers into metaphorical dust, but are instead here to help organize production to help workers work more efficiently for their own benefit. Workers now also realize that management is beholden and reliant on them, so if any disrespect comes along, workers now have the institutional power to remove abusive management from their positions of power and hold them to account, leading to greater levels of respect than in traditionally structured businesses, where workers do not have this institutional power.

Alice also notes how this structure can provide dignity and pride to those typically denied it in our society, explaining that,

> I know from my parents' lived experience that, like, being employed in these places… my parents primarily work in, like the food industry, so there's a lot more, like, disrespect that they face within the workplace, whether it comes to, like, racism, or difficulties because of their status, or just, like, hard time with customers just because of ignorance, but I feel like with a cooperative, it would be a lot more… like-minded individuals…With a work cooperative, since they have a lot more of a say, they can determine, like, who they want to work alongside with, so the people that they, like, decide to work with, obviously, they have to be a lot more accepting.

Worker cooperatives thus make all workers into worker-owners, creating a certain degree of equality and respect for all in the cooperative. Thus, those typically downtrodden by society <u>must</u> be uplifted to this level and treated with more respect than they would in traditionally structured businesses.

> Workers also experience satisfaction and pride in their work compared to traditionally run businesses. Kelley points to the fact that pride in your work exists: "I mean, it belongs to you and the members that you are a member of, that you belong to, but yeah, that sense of community should feel very satisfying. I think the sense of, like, I'm responsible for this is satisfying, the sense that what you're doing is interconnected to what other people are doing, and that's all extremely satisfying.

Pedro similarly notes how collective ownership is a constant process, "and through that process, they form bonds, they form understanding between each other. They understand what their personal limitations might be… They support each other as much as they can. I mean, it's an important part of being business owners, but also being happy in your job." According to Pedro, work doesn't necessarily have to be a drag on the soul, because by working on something together that you own with other people, and being supported by them in turn, is what allows you to feel satisfied in the first place. You cannot take pride in something that you created if you do not participate in its creation.

Miguel also gives a poignant example of how his work satisfaction improved after he left a job in a traditional business to join a worker cooperative, noting that,

> I worked at some Fortune 500 company, and it was the best-paying job I'd ever had. But it was the golden handcuffs. It was, like, I have to be at my computer. They actually don't have work for me to do, but I have to pretend like I'm being productive. And I took a steep pay cut to come here… I get half the wage that I used to. But the thing that I got back immediately was my day. Like, now my days have purpose. Every day has purpose, and it's purpose, like, I'm building with my friends and my community. I don't know how I could ever give that up.

Pedro emphasizes that an important benefit of contributing to a worker-cooperative comes from having a purpose for your labor and therefore for your life, something intangible and incredibly valuable to us all, and something worker cooperatives can provide to a much greater extent than traditional businesses ever can.

Workers can also experience different levels of safety in the workplace, both physically (as worker-owners are able to dictate workplace conditions) and psychologically, as workers experience a shared sense of solidarity and are less likely to turn on one another. Ryan states that "we really value and stress safety in our workplace when it comes to physical safety as well as just emotional safety, making sure that nobody is being disrespected or bullied or targeted by, you know, supervisors or leadership of any kind, or just their fellow worker member." Additionally, Kelley states that, in a traditional workplace, "some of the things that drive workplace hazards and danger is inefficiency, maybe lack of forethought, lack of oversight, lack of accountability. A co-op is exceptionally accountable to all of its members, and members make the rules. Yeah, I think that their safety would be a priority." Since traditional businesses usually provide the bare minimum when it comes to workplace safety (usually having to be enforced by the government) and only provide safety guidelines in reaction to incidents, worker cooperatives blow them out of the water when it comes to making sure their workers are safe and healthy, taking proactive stances to not let unsafe working conditions fester to the point of injury.

Interactions with other groups

Worker cooperatives have interactions with many types of groups, all of them influenced by the unique structure of worker cooperatives. First, worker cooperatives tend to have a deep bond with their local communities, usually becoming an anchor point for social interaction. For example, Darren explains how his horizontal bakery cooperative had many regular customers with whom they developed strong relationships:

> We got to know them, got to know their needs, and they would come to us to sponsor events or to do other things. …We had a donations committee, so we'd donate leftover product… We really engage with the community quite a bit.

Ryan notes that the relationship with the local community was crucial to Slow Bloom's early success, stating that once the regional player in coffee in Redlands went bankrupt due to Covid-19 and treated its employees poorly,

> Everybody swooped in all at the same time. They all opened around the same time, because they're like, Oh, the big dogs out of town. So now we can swoop in and collect all their customers. But they weren't there. They weren't there fostering relationships, getting to know these people and serving them and

> educating them on coffee, and like, you know, going on this journey (through the pandemic together). And so they didn't have that relationship with them, so they typically pick us instead of other competitors.

As such, fostering ties with the community can be a direct path for ensuring a cooperative's continued survival, as the community seeks to support something that supports them. Pedro goes further and describes that when a co-op is in the incubation stage, "we find community members from the community in which the co-op will be, to volunteer on the board. So it's a volunteer board in the beginning…until the actual members replace them." This is done so that these community members can "promote the cooperative and to get that business," i.e., get over the hurdle of the hardest part of any business by kickstarting it with some guaranteed business. Pedro makes a similar point: "You can look at co-ops as community organizations that are job creation institutions. It's a community institution of good jobs that is owned by community members."

Second, worker cooperatives have to deal with traditionally run businesses as well. Ryan states that some of these relationships are "purely just a business relationship," such as companies that supply their paper cups and napkins. Yet, they form collaborative relationships with other "like-minded" businesses:

> We share a vision like (a local bakery)... We do special events with them. They will hold dinners at our shop after hours… So we can really collaborate with them because we are cut from the same cloth. There are other businesses, too. We like to have small sellers or makers, or local businesses come and do pop-ups, especially food restaurants at the business on weekends, so that generates income. And it's also something fun for our customers to do and experience. So we have great relationships with a ton of businesses…They're

like, I can't wait to come back. When can I book again, you know? So that's a lot of fun for us to do.

Ryan also notes that worker cooperatives can have connections beyond just their locality, as he notes that the coffee industry "is an industry from head to tail that is diseased with exploitation," so for his Slow Bloom Coffee Cooperative, "it's really, really important for (them)... to know the farmers and know where they come from and find equitable importers, because they are the minority. It's important to us to work with cooperative farms, which are like smaller farms that pool their crops together. Or you know, smallholders who are doing good work and need that steady help. That part is really important to us." As can be seen, cooperatives treat some businesses just like a traditional business would, but for others, due to their worker-owner or "like-minded" nature, they form stronger bonds and mutually beneficial relationships that transcend business transactions and self-interest.

When it comes to how worker cooperatives deal with other businesses, Kelley stresses that cooperatives can have a "person authorized to make those purchases," but that it is extremely important that you "build in those type of decision-making policies, but once they're built in, it's better, because everybody had a say on them, and money is far more accountable to the members than in a traditional workplace" as otherwise "spending (may become) unaccountable" to the workers who generate the money that would be spent in the first place. Therefore, it is critical that you guarantee some collective oversight in business relationships in order to keep the spending accountable to the worker-owners of the cooperative.

Third, worker cooperatives also interact with the wider labor movement. For example, a labor union helped Ryan's Slow Bloom Coffee Cooperative get started: "Joining a union is really important to us, and it was the whole crux of why this whole thing happened. And so United

Electrical Radio and Machine Workers of America granted us special union status, even though most unions won't grant a local to workplaces under 50 members, but for our 15-member cooperative, they granted us a union local. So we were UE local 1011." In order to help pay this forward, Slow Bloom also has an "Organizing Committee at Slow Bloom, which basically is like our outreach portion of the company, spreading the cooperative model and spreading unionism throughout businesses in Southern California. Hosting events, attending pickets, you know. Soon, we'll be hosting classes [on labor organizing] at the shop and really being connected to the labor movement in the Inland Empire as a company. That's the Organizing Committee's job."

Finally, worker cooperatives interact with other worker cooperatives in unique ways, such as being in a network of work cooperatives and providing mutual aid and advice. As Darren put it,

> We were part of a regional network of worker co-ops. We'd occasionally have other co-ops call us and ask us, you know, questions, or for support… Sometimes people would help them out, or answer questions, or, you know, they'd come in and kind of see how we did things a little bit, so we would work a little bit with other co-ops.

Pedro mentions that co-ops in the Bay area, for example, "are autonomous (but) interact with each other a lot, especially if they have questions, they might ask other co-ops in their network. Sometimes they do trainings together for new members and they also support each other during bad economic times, so in that model, there's a lot of interactions amongst those co-ops, but it's typically within just that co-op group." Additionally, he states that cooperatives "might have policies that go as far as having policies that, if all things are equal, we're gonna buy from the co-op vendor or the vendor that, has, you know, alignment with their values, with us," which goes to show that worker cooperatives will work with both other cooperatives and like-minded businesses as Ryan noted above. This also shows the potential worker cooperatives have in California as they are able to provide information, training, and even economic opportunities to each other in the name of worker solidarity and mutual aid.

Conclusion

In conclusion, this paper contributes to the rich literature on worker cooperatives by showing how they function and compare to traditional businesses in the unique business context of California, using evidence from an analysis of eight in-depth interviews from worker-owners, organizers employed at worker cooperative development institutions, and researchers knowledgeable about worker cooperatives in general.

Worker cooperatives in California show similar characteristics to other worker cooperatives globally, with some notable exceptions in terms of economic performance, with multiple worker cooperatives exhibiting great stability and even prosperity for their worker-owners, including Slow Bloom. These findings are consistent with the research by (Conte, 1998), (Craig, 1995), (Pérotin, 2016), and (Burdín, 2009), which reveals that worker cooperatives are more stable in employment and more productive than traditional businesses due to their cooperative structure.

In terms of individual structure, all of the worker cooperatives described by interviewees take on a form of workplace democracy where leaders are elected and some decisions are made collectively by all workers. Additionally, worker cooperatives have shown themselves to take a variety of forms in California, such as horizontal and hierarchical power structures to match the needs and wants of their workers. Worker cooperatives in California exhibit the flexibility and self-motivation among workers associated with their day-to-day operations as predicted by

Fakhfakh (2011), with workers collectively choosing what is best for them all and improving workplace conditions and efficiency.

Furthermore, worker-owners in California, similar to those studied in other states and nations, feel more respect and dignity in the workplace as owners of the means of their own production, a finding that is consistent with Pierce's (2004) research on the psychology of ownership. Finally, worker cooperatives in California also hold ties to other businesses, cooperatives, the labor movement, and their communities as they are able to leverage their unique structure to forge distinct and mutually beneficial bonds with each group.

My findings highlight the potential worker cooperatives have in California to scholars and policymakers, and that potential might be further increased through public policy. Specifically, I recommend that policymakers help streamline credit for worker cooperatives or provide state funds directly to them, as well as tax breaks or subsidies if they provide a social good. Examples can be found in a food market cooperative in a food desert or a health care clinic worker cooperative in areas that lack sufficient coverage, as worker cooperatives have shown themselves to be at least as efficient as traditional businesses, far more resilient and persistent, and able to forge strong ties with their communities. Their services are thus likely to stick around and help the local economy and community.

For researchers, it might be prudent to study worker cooperatives in less economically prosperous states in the U.S. to study the properties, such as economic viability, in order to test if worker cooperatives thrive or die in less fortunate economic contexts. Additionally, it might be prudent to add quantitative measures such as wages, profits, and employment numbers, as well as a larger sample size, to the interview process, specifically to add more data to the economic performance section.

Regardless, Californian worker cooperatives have shown themselves to be consistent with the typical worker cooperative literature, with the exception of economic performance, where they have proven themselves to be a grade above the rest. As such, there is much untapped potential for worker cooperatives in California, much of which could be unleashed for the public benefit with the provision of additional resources and institutional support from state and local governments, such as information campaigns about worker cooperatives to help in their initial creation, more financial support and tax incentives to help them survive, and support of worker cooperative "umbrella" organizations to help reduce bureaucracy and overhead, among other initiatives.

Interview Guide

1. Interview Sample
    a. What are the origins of your worker cooperative?
        i. When, where, and why did your worker cooperative first form?
    b. What does your worker cooperative produce/what industry are you in, and how many people are currently involved in the organization?
    c. How long have you personally been involved in this organization, and what role or roles do you play within it?
2. Questions on individual structure
    a. How does your worker cooperative make decisions? Does it vote on everything, or does it elect leaders to make those decisions? If the latter, how do you hold those leaders accountable?

b. Do you have managers/bosses? If so, and if they are elected, how do you elect them? What are their responsibilities and duties in the worker cooperative? Are they the same people as the people who lead the cooperative?
c. How do you share your profits amongst yourselves, i.e., do you split it evenly amongst yourselves or do you use another system?
d. How do you hire/fire other worker-owners?
e. Are there any specifics you would like to mention on the structure of your worker democracy, i.e., how your workplace democracy works?

3. Day-to-Day Operations
    a. How do you make practical day-to-day decision-making, i.e., who does what, and when? How do you react to new challenges and/or conditions on the job?
    b. How are shifts/hours decided? Is it a collective decision or made by an elected leader?
    c. How is it decided who gets what job? How do promotions work? Is there job rotation, i.e., do jobs change between worker-owners, or are they static?
    d. How do you take time off, and how are shifts rescheduled to compensate? Do you have paid time off? Do you have paid sick days?
    e. How much individual autonomy do you have in the worker cooperative? These can be things as simple as being free to listen to music on the job to deciding your own schedule.
    f. Are there tensions over collective decision-making? If so, how are conflicts effectively resolved?
4. Economic Performance

a. How would you describe the economic success and/or stability of your worker cooperative?
b. Have you ever had an economic downturn, and if so, how did you react to it? Do you react to downturns by firing workers, by tapping into savings/taking loans, or by lowering wages? If you lower wages, how do you do so, i.e., do you take absolute or percentage-based decreases in wages?
c. What is the level of emphasis put on job security? How does your worker cooperative fight to make sure everyone stays employed?
d. How would you describe the productivity and/or overall efficiency of your worker cooperative? If applicable and you feel comfortable sharing, how many goods do you think you make per hour and/or day? How many of those goods do you sell per day/week/year?
e. What degree of competition do you face in your sector? How do you deal with competition? Do you deal with a lot of competitors in your region? How do you adapt to competition?

5. Worker Beliefs and Perspectives
    a. What is your personal view of what the overarching goal of your cooperative should be? What is your ideal of what a worker cooperative should be? What should its goal be? Why did you join this worker cooperative?
    b. How respected do you feel by your bosses, managers, and fellow worker-owners in the worker cooperative? Do you feel you have dignity while working in the cooperative, i.e., do you feel you are treated fairly and as a full human being and

not just as another cog in the machine? How so? What are your status/self-worth levels compared to traditionally run businesses?

   c. What is your level of satisfaction in the worker cooperative? Do you feel you have a purpose in the worker cooperative and are able to take pride in your work? How so?
   d. How safe do you feel in the workplace? This can be from work hazards, such as how likely you are to be injured or die, or from your fellow worker-owners in terms of how likely you feel to experience harassment, discrimination, and reprisal for defending yourself from injustice.

6. Interactions with other groups
   a. How do you interact with your community? Do you hold events explaining what worker cooperatives are? What effects, positive or negative, do you think your cooperative has on your community?
   b. As a worker-owner, how do you interact with other businesses/the broader economy? How do you buy/sell your goods and/or services? Does everyone in the cooperative go to these interactions, or do you send a representative to bargain on your collective's behalf? Are there any difficulties or advantages in contracting with other businesses as a worker cooperative?
   c. How does your worker cooperative interact with the wider labor movement, i.e., unions and labor organizations? To what degree is your cooperative involved?
   d. How do you interact with other worker cooperatives? If possible, do you prioritize buying their goods/services over other businesses, even if they may have higher prices? Are you a part of any national or international cooperative organizations?

(United States Federation of Worker Cooperatives, the National Cooperative Business Association, the International Cooperative Alliance, and the National Cooperative Bank).

7. Is there anything else you would like to share with me about your experiences with this worker cooperative that we have not already discussed?
8. Do you have any suggestions on whom I should interview next for this research project?

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