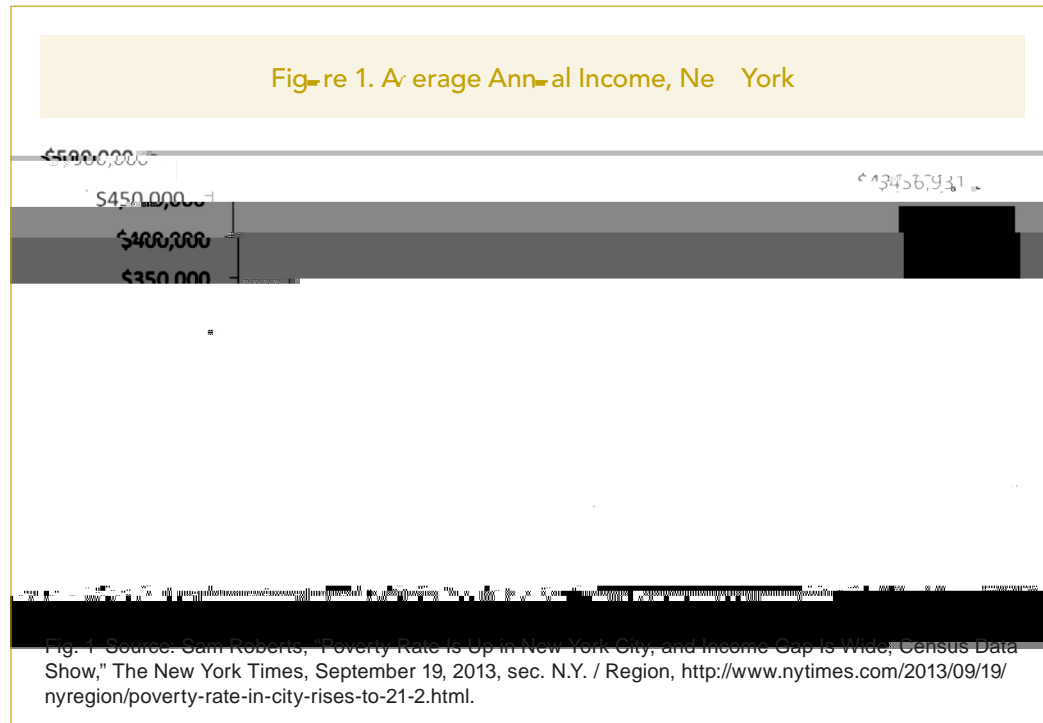


Worker Cooperatives in New York City: A Model for Addressing Income Inequality

The Great Recession created a spiral effect of layoffs, long-term underemployment, and income inequality from which we



(Figure 1).¹ Based on 2012 U.S. Census data, the city's poverty rate rose to 21.2% in 2012 from 20.9% in 2011², meaning that 1.7 million New Yorkers fell in one year below the official poverty threshold. The official federal poverty line is \$23,314 for a family of four.³ This is "the highest level and the largest year-to-year increase since the city adopted a more detailed definition of poverty in 2005."⁴

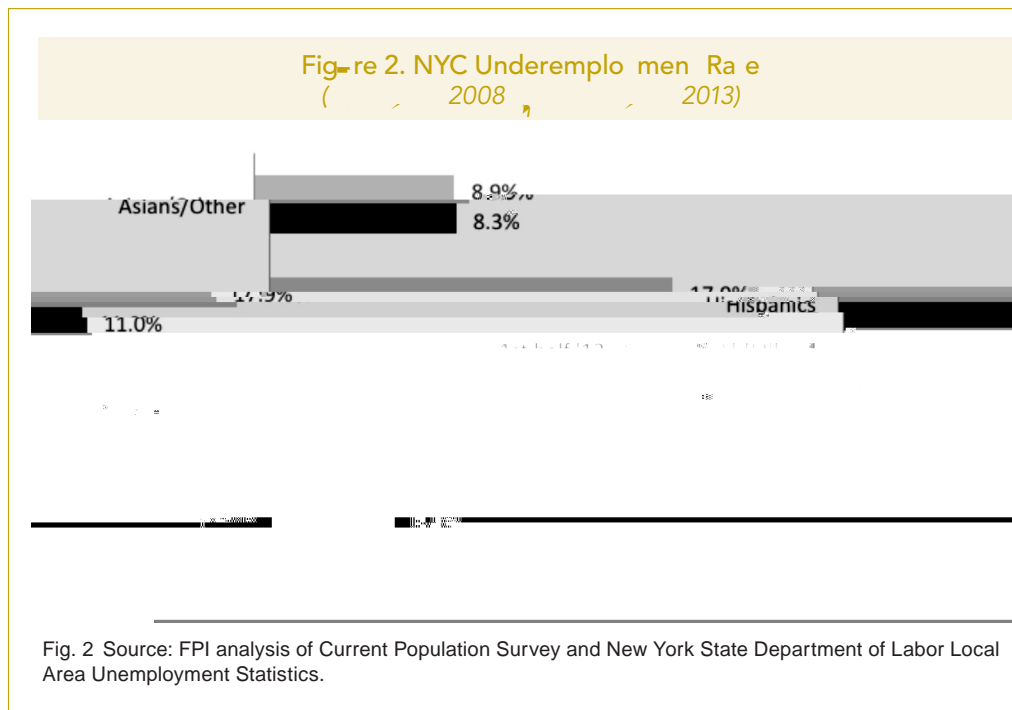
Although the unemployment level in New York City has dropped slightly in recent months, it is still well above the state and national averages. Since the recession, African American and Hispanic communities have continued to face high unemployment and underemployment. For instance, from 2008 to 2013, the underemployment rate of African-Americans in New York City grew from 11.4% to 22.9%. The proportion of Hispanics who were underemployed rose from 11% to 17.9%.⁵ (Figure 2)

In addition, recent job growth has been concentrated in low-wage industries, a factor that added to income inequality in the city. From 2010 to 2013, low-wage jobs have grown 11.4%, while medium-wage jobs and high-wage jobs have only grown 4.9% and 4.4% respectively.⁶ (Figure 3) From 2007 to 2012, New York City saw its proportion of low-wage jobs increase from 31% to 35%. In 2012, 35% of all New Yorkers over the age of 18 worked in a low-wage job,

with worker cooperatives for low-income families and communities.

New York's Job & Income Crisis

Income inequality is at a historic high in New York. The income of the lowest fifth of New York's population was \$8,993, while the highest fifth made \$222,871 and the top 5 percent made \$436,931, which was about 49 times as much as those with the lowest income



which pays less than \$12.89 an hour, or \$26,818.06 annually.⁷

Poverty, unemployment and low-wage jobs are not simply personal tragedies; they cut consumer demand, reduce business revenues, brake the city's economic growth and have dire personal consequences for the families and communities most affected. Even among those who find employment, low wages, poor working conditions, and few or no benefits take a toll on an individual's morale at work and in all aspects of their life.⁸

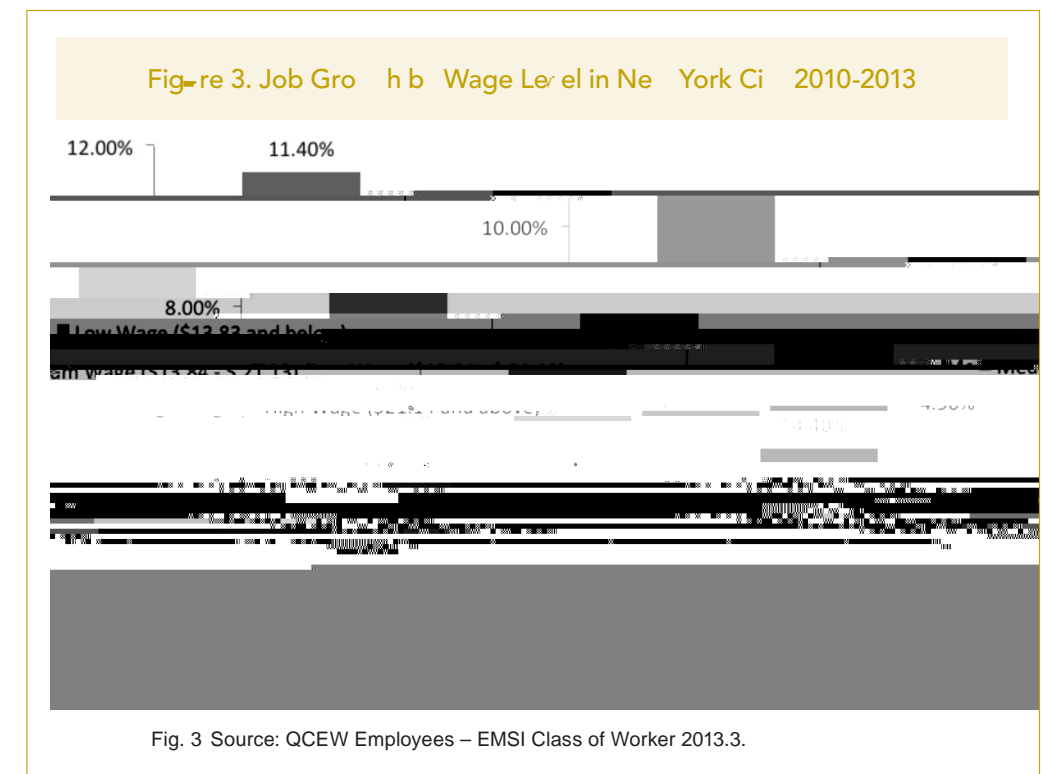
NYC Coops' Hidden Potential

Worker cooperatives are a unique form of small business. They vary by size and industry, but share a common focus on democratic control of the business by workers. The foundational principle for all worker cooperatives is "one worker, one vote" for the board of directors.⁹ Worker cooperatives have a long history dating back to the industrial revolution and have become an example of workers' control and democracy in various countries all over the world. In the United States, there are approximately 223 worker cooperatives and about 70% of the co-ops are located in seven states: California, Massachusetts, Minnesota, New York, Oregon, Washington and Wisconsin.¹⁰ Community non-profits like cooperative incubators and worker centers play a main role in supporting

the creation of worker cooperatives. Non-profits can create and increase

Growth of worker coops in New York City could provide a viable solution to some of its current economic problems. They can offer the opportunity to low-wage workers to earn more by capturing more of the income that might have been lost to administrative managers who own the business in which the laborers work. Such coops also have an inherent tendency to equalize pay between worker-owners. As an example, for many worker cooperatives, "The pay ratio between the highest and the lowest paid is generally 3:1 to 5:1 before taxes."¹¹ By comparison, in the U.S., the average CEO to lowest-paid worker wage difference is 600:1.¹²

In addition, worker cooperatives not only create level pay structures, but also help worker-owners build wealth and equity.¹³ In worker





capital costs are low. If developers can work together with SBS to

