



The Practice and Promise of Social Cooperatives

A Research Report from the Rocky Mountain Employee Ownership Center



2025

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EXECUTIVE SUMMARY

Why social coops? Why now?

While the U.S. economy—the largest in the world—generates a nominal GDP of over \$30 trillion, fully one-fifth of that activity is now the work of caregiving—childcare, elder care, disabled care, home care, and other related services.

According to the U.S. Bureau of Labor Statistics and other sources, the U.S. care economy, taken altogether (i.e., the \$2.2 trillion in paid caregiving, another roughly \$400 billion in the “[gray](#)” or “[informal economy](#),” and between \$2.5 and \$3.5 trillion in unpaid-care labor) is now worth up to \$6 trillion.

The demographics of an aging U.S. population are part of this picture but, as the 2020 Covid-19 pandemic demonstrated, the care economy, with its millions of “essential workers,” paid or unpaid, is in fact also our core economy, as [feminist economists](#) have pointed out for decades.

As we describe in this report, this critical sector is undergoing several well-publicized and simultaneous crises:

- [Industry consolidation](#)
- Continued [job precarity](#) for workers, as well as [stagnant wages](#) and [lack of benefits](#)
- Lack of [supportive policy/legal infrastructure](#) for workers

Quality care simply cannot be created and delivered under such conditions. Clearly this sector—so critical to supporting the functioning of our society—requires fresh thinking and new models if we are to turn around these negative trends.

As we argue in this research report, the point is not merely to return social care services such as childcare, eldercare, and disabled care to some earlier status quo (i.e., “to make care great again”). We need models of care enterprises which can transform those jobs and the care they deliver into dignified, sustainable work at fair wages.

Here are some key points about this report:

1. We are aware that the models we need have existed elsewhere for many years, even if they were little-known in the U.S. From a longer list of possible examples globally, we have chosen **Emilia Romagna (Italy), Quebec, and South Korea** for special focus here in order to 1) assess both their notable successes in delivering social care via social co-ops and 2) to suggest how we might adopt their best practices.

This research report, the result of collaboration among dozens of individuals across four countries, aims to ask first **whether we in the U.S. might adopt the model of social cooperatives as a solution to the deepening crisis in our social care services:** childcare, eldercare, disabled care, post-addiction recovery, ex-offender services, etc.

2. Next we explore **what public, financial or technical infrastructure will we need** to successfully adopt some version of these non-U.S. models.

3. Finally, we include a powerful proposal from Canadian cooperativist [John Restakis](#) for creating new markets of social value as a way of moving this sector of work away from what has become an almost wholly transactional basis to one regrounded in human relationality.

Additionally, our report contains the following special sections:

- *“Social Cooperatives in the Solidarity Economy”* (Rebecca Matthew) places social co-ops in the larger global movement toward grassroots empowerment of local communities.
- *“Lessons from the Italian Experience”* (Jerome Warren) offers some historical background for the rise of Italian social co-ops, as well as their new subgroup, community co-ops.
- *“Policy Considerations”* (Mo Manklang) describes the several areas of public policy from which social co-ops could benefit through enabling legislation and rule changes.
- *“Federal Support and Collaboration”* (Kent Forde) is an overview of current resources available for cooperatives generally.

- *“Cooperative Ecosystem Development: The Industrial Commons”* (Sara Chester, Amy Vaughn, Aaron Dawson) is a case study of the regional ecosystem created by the Industrial Commons to sustain their several co-op businesses, a possible model for future ecosystems of social co-ops in the U.S.
- *“Home Care Cooperatives”* (Katrina Kazda, ICA Group) is an overview of the strides made in creating worker co-ops in the troubled home care field, currently the fastest growing workforce in the U.S. These co-ops are in several respects close to the social co-op model.
- *“Drivers Cooperative-Colorado: A Social cooperative for disadvantaged rideshare drivers”* (Minsun Ji, Rocky Mountain Employee Ownership Center) shows how a rideshare driver-owned platform cooperative in Colorado has played an important role as a social cooperative, by providing higher wages to rideshare drivers and by providing marginalized communities (e.g., the elderly and the disabled) with reliable transportation service.

Finally, our report draws on our comparative research to offer several conclusions, transformative opportunities, and recommendations aimed at developing a new and vibrant support ecosystem for social co-ops in the U.S.

Conclusions

- In all of our case studies, we find co-op ecosystems utilizing **the mechanism of “indivisible reserves”** acting as pooled funds to ensure intergenerational stewardship that can help the co-op (and the co-op sector generally) weather hard times and disincentivize demutualization (i.e., no longer operating as a co-op, such as by breakup and distribution of assets). In the U.S., a new generation of social co-ops will need to understand the value in indivisible reserves and take on the practice voluntarily, until the co-op sector can influence a policy mandate of indivisible reserves for all co-ops, not just social co-ops.
- Similarly, we notice the strong sense of **responsibility of individual co-ops to their enabling networks, or consortia at the local, regional and national levels**. The latter organizations—which are almost non-existent in the U.S. at this point (save some sectoral “silos”)—work as resource hubs to assist with cooperative development, formation, and conversion (from conventional businesses or from non-profits). These vital support services are sustained by contributions from member co-ops, usually defined as a certain annual percentage of net profits (e.g., 3% in Emilia Romagna).

- In all cases, the co-op consortia **enable the coordination of many co-ops** to be able to compete for larger contracts with large customers, especially governmental bodies (e.g., regional school systems in the case of CAMST group in Emilia Romagna).
- As in all of Italy historically, an emphasis on building **small to medium scale businesses** is a point of pride in Emilia Romagna, and suggestive of an **“appropriate scale”** for these businesses to achieve. Quite a few social co-ops operate with as many as 100 members, but membership is usually about half that number. This is sometimes called the **“strawberry patch principle”** due to how strawberry plants put out runners to form new strawberry plants rather than growing larger strawberry plants.
- In all three non-U.S. cases studied here, the cooperative sector has achieved **public policies favorable to co-ops generally, and to social co-ops specifically**. The latter have in turn demonstrated to governments that social co-ops can deliver **impressive social innovation in social care delivery** and do so cost effectively. A key driver of social co-op innovation is its **multistakeholder structure** which in many cases around the world includes a **volunteer** class of membership.
- The **“lack of distinction between the helpers and the helped” in social co-ops in Korea** also describes what makes type B social co-ops (focused on workforce development) in Emilia Romagna so distinctive, and are among the major benefits of social cooperation.
- **“Future proofing” of the workforce**—Given the rising AI challenge and the commodification of social care by private equity firms, our task is to ensure that social care remains (or becomes) a highly relational, not transactional—service.
- A core characteristic of social cooperatives is that they mainly develop **activities of general interest**, in such a way that they substitute the mutualistic purpose of typical cooperatives for broader purposes that affect the society or community in which they are inserted.



Transformative Opportunities offered by Social Co-ops

- **Improved quality of social care** that is co-created by providers and users who are free to experiment.
- **Community control** in order to avoid bureaucratic capture and maintain local solidarity.
- New sources of **dignified, meaningful work** which can bring social innovation and foster **collective entrepreneurship**.
- Hubs of **social innovation** offering solutions not typically generated by either government or the private market.
- **Creation of localized jobs**—social co-ops are businesses which are strongly disincentivized from being relocated or outsourced.
- **Job creation without public subsidies**—social co-ops have demonstrated economic viability without the wasteful subsidies sometimes utilized by local governments.
- **Greater community cohesion** through the impact of these socially engaged enterprises

Recommendations

Public Support Resolutions and Preferential Procurement for Social Cooperatives

We advocate for public resolutions and local preferential procurement policies that could immediately recognize the importance of social cooperatives in addressing the challenges of underserved communities. Local or state officials could issue resolutions of the support for targeted social cooperatives in their community, or for the concept of social cooperatives in general, which can help bring favorable public attention and philanthropic funder focus to these kinds of organizations.

Even more impactful, preferential procurement policies at the local, state and federal level for coops that meet certain “public benefit” criteria could help social cooperatives win government contracts and sell products to public agencies. Policies could also be developed to allow tax advantages to such coops (such as reduced business income taxes and lowered unemployment insurance requirements).

Social Franchising of Cooperatives

We can use the concept of social franchising to replicate a successful social cooperative model to other cities. For instance, driver’s cooperatives that are formed in different cities can form a national federation of driver cooperatives to create a mutual-support system to grow the power of rideshare drivers at the national level. Another example is shown in ICA’s Elevate, wherein Elevate has emerged as a national alliance of all homecare cooperatives in the US. By building trans-local networks of social cooperatives, and advancing the franchising of successful social cooperatives, coops could also create joint purchasing agreements between social cooperatives.

Certification of Social Cooperatives

Although there is no specific category of “social cooperatives” in US law, grass-root organizations could create a certificate recognizing social cooperatives. Following the B Corp certification model, which was led by a nonprofit organization (B Lab), prominent national cooperative organizations could take the lead to certify certain cooperatives as social cooperatives, allowing those cooperatives to better market their products and services in their communities. The US Federation of Worker Cooperatives (USFWC) or the National Cooperative Business Association (NCBA) would be natural organizations for providing this kind of certification.

A certification process could also be adopted at the industry sector level, such as homecare cooperatives being certified as social cooperatives by the Elevate Coop being incubated by the ICA Group or other crucial shared services functions, similar to that provided by CCA Global to its member co-ops.

Creating a “Consortium” of Social Cooperatives

Recognizing the growth of social cooperatives in different sectors in the US, coop practitioners could create a national social cooperative consortium such as the Consortia in Italy. As the first step, we recommend the creation of a national 501c4 nonprofit entity which can undertake advocacy and lobbying activities, along with sponsoring additional research on the social and economic impact of social cooperatives.

These recommendations point to immediate efforts that could catalyze significant growth in America's emerging social cooperative movement. While there may be many obstacles in advancing a new cooperative category such as social cooperatives, the key to remember is that all of our efforts to create this new category of cooperatives can start from local, bottom-up efforts. Identifying ourselves explicitly as "social cooperative" advocates and identifying some community benefit cooperatives—such as homecare cooperatives or driver cooperatives—as "social cooperatives" are good starting points for us to recognize that the social cooperative movement in the U.S. is real and is ready for our support in converting bold imagination into reality.



Project Overview

Given the dysfunctions of our political system and the extractive nature of the capitalist economy, we can no longer overlook the power and potential unlocked *when communities self-organize* to reclaim local control of their own stories.

Thus, we believe *the resources of civil society* primarily offer the most viable path forward in the sector of social care, among others.

In this report, we describe a powerful but little-known model of social enterprise, one which for decades has allowed local communities outside the U.S. to transform the delivery and quality of various forms of social care.

This report is a comparative investigation of this model's transformative power in repairing the social bond and strengthening democracy at the local level. **It accomplishes this by delivering key social services (childcare, elder care, disabled care) via community-led, democratically governed enterprises known as social cooperatives.** The data shows an extensive history of social co-ops delivering these services more effectively and less expensively than either public or private alternatives.

This form of cooperative currently has little presence in the U.S. but **has existed for decades in places like Emilia Romagna (Italy), Quebec, and South Korea**, each of which we review in this report.

While social co-ops can deliver numerous types of community benefits, this report focuses on **the sector of social care**, given its size and the precarious status of so many workers in it, as well as its long track record of success elsewhere.

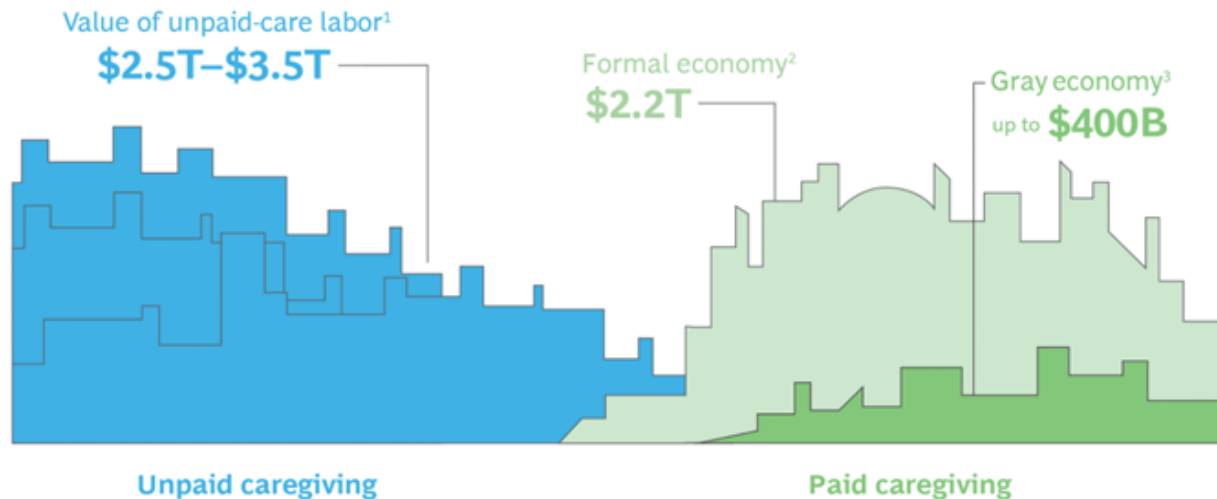
The Challenge

In the U.S. today, **the \$6 trillion care economy—which disproportionately includes women, especially women of color—is at risk of collapsing**, according to the data recently **published** by the World Economic Forum.

The care economy, including its unpaid, formal and “**gray**” (i.e., paid but unaccounted) components, represents caregivers who are responsible for

providing services to populations unable to independently support themselves, totaling **roughly a quarter of the US gross domestic product (GDP)** as of 2022. cite

Exhibit 1 - The US Care Economy Is Worth Up to \$6 Trillion



Sources: US Bureau of Labor Statistics; Institute of Economic Affairs; BCG/Dynata Caregiver Survey 2022 (N=3,673); BCG analysis.

¹Calculated as the value of unpaid-care labor if it were paid: number of individuals providing unpaid care multiplied by the average time spent providing unpaid care in an equivalent full-time position multiplied by the average paid-caregiver wage.

²Calculated in real GDP terms, based on the number of paid caregivers multiplied by the average paid-caregiver wage for educational services, ambulatory health care services, hospitals, nursing and residential care facilities, individual and family services, and child-daycare services.

³Calculated using Institute of Economic Affairs estimates on US shadow economy.

The data suggest that these workers face **an even more precarious (or even jobless) future** than the reality they experience today, due to industry consolidation, stagnant wages, and lack of infrastructure.

Specifically, **the conventional business models in this sector have been hollowed out in the name of efficiency**, leaving no margins to guarantee care workers a decent wage, benefits, or dignified work.

Moreover, the crisis is not only a matter of job precarity—it is also **a crisis of service quality**, raising questions around how most care services are currently created and delivered.

The data show that over the last several decades, certain regions of the world have been distinctly more successful **in their creation and delivery of social care**,

notably those places which have developed the form of [multistakeholder social co-ops](#).

Moreover, the latter enterprises, part of the broader [social economy](#), attempt to operate in relative independence of either the forces of the market or the bureaucratic state.

By comparison with the U.S. care system, this approach to social care—which we examine here in three different geographical regions—have been shown to deliver [some of the highest levels of quality and levels of well-being](#) reported anywhere today.

These **multi-stakeholder models of social care**, however, are almost entirely unknown in the U.S. for a variety of reasons. Thus, beginning in mid-2023, we convened an expert working group in order to create a comparative study of the social co-op model in three regions:

- Emilia Romagna (Italy)
- Quebec
- South Korea

A well-known success story in solidarity economy circles is that of the social co-ops in Italy's Emilia Romagna region, an ecosystem of **multistakeholder enterprises focused on delivering social goods that manage to combine a high quality of care, high wage standards, dignified work, and job satisfaction**. This ecosystem primarily serves some of society's most marginalized groups, such as the formerly incarcerated, those recovering from addiction, neurodivergent individuals, and many others.

Other examples include the so-called “**solidarity co-ops**” in Quebec and the new generation of **social co-ops lately emerging in South Korea**.

The U.S. is home to a small (less than 1,000) but growing group of worker cooperatives, from rideshare services to food businesses to digital design studios. cite Among them, the U.S. has a small number of cooperatives in the homecare and childcare sectors but **these are [conventional worker cooperatives](#), not social co-ops**.

What's the difference? First, unlike the revenue model in a worker co-op, with the profits being distributed among the worker-owners, **social co-ops distribute revenue with a balance between worker benefit and community/organizational benefit**, somewhat resembling the way non-profits in the U.S. operate.

In terms of membership categories, social co-ops comprise **a wide range of stakeholders** which may include caregivers, care recipients, family members, local government officials, local community representatives and volunteers. This diversity of members allows social co-ops—including care recipients—to **co-create their programs**, one source of the high measures of satisfaction typically reported from all participants in this model.

Thus, the question arises: **why has the social co-op model not taken root in the U.S.**, especially given the many advantages which that framework offers over the conventional ones?

Our working group aims to answer this question using a mix of historical review, expert interviews, and data analysis. Based on our comparative analysis, we produced a report with recommendations for the U.S. to incorporate lessons from around the world.

In implementing the final study, it will be important to evaluate **in which sectors of the U.S. care economy** any proposed social co-ops should operate to give them the best chance for long-term success. For example, co-ops focused on delivering elder care, or acting as a staffing agency for the underhoused, or hosting museum tours conducted by neurodivergent individuals would look radically different and operate in different local market environments. We will add this sectoral analysis to the document at a later date.

Additionally, a future version of this study will address the prospects for creating a **social market platform**, similar to the cooperative consortia organizations operating in Italy. This analysis will help us model what a social market (partly utilizing a non-monetary social currency) would look like in the U.S. context.

Why study this topic?

The care of children, the elderly, and the disabled is highly interpersonal by nature. Quality social care demands a business model that includes and sustains relationality, beyond a focus on transactions and efficiency.

Thus, the damaging effects of an unbalanced, over-financialized economy are so striking in the sector of social care. As we see the work of social care—which is focused on the wellbeing of children, the elderly, the disabled, and other marginalized groups—becoming increasingly commodified, what is being compromised and lost in a purely transactional model is its primary value—i.e., its ability to bring **the human, interpersonal qualities of relationality**.

The prospects of consolidation and automation further threaten already-precarious care workers with a collapse of labor across the sector. Since most care workers are women, especially women of color, they are the most vulnerable to these damaging developments.

Thus, the need for alternative approaches to the provision of social care has reached crisis proportions. Such an alternative would ideally deliver meaningful, non-precarious, democratically governed work through the creation of worker-owned and democratically governed enterprises—i.e., social cooperatives.

And yet our inventory of models does not yet include the latter, perhaps the most successful form of enterprise in the field of social care.

This report is a contribution to a better understanding of the nature of social cooperatives, their promise if adopted in the U.S. context, and the policy and regulatory changes needed to enable them.

Scope of the report

This report considers the structure of social cooperatives generally, with a comparative analysis of their histories and development in the Italian region of Emilia Romagna, the Canadian province of Quebec, and the city of Seoul, Korea.

What is being compared?

Our report looks at the historical context for the growth of social co-ops in each region, the elements of their governance, areas of application, and particular characteristics.

What is the methodology used?

Starting in late 2023 through 2024, we utilized a combination of literature research, expert interviews, and personal visits to the three regions to create our report.

What is the nature of the findings?

The report combines descriptions of the social cooperative form, analysis of its impact in each of the three regions, and recommendations for possible adaptation in the U.S. context.

What kind of recommendations are offered?

We offer policy and regulatory recommendations, along with proposals for needed infrastructure.



SOME DEFINITIONS

Social economy

Traditionally, the term social economy refers to four main types of entities providing goods and services to their members or society at large: cooperatives, mutual benefit societies, associations (including charities), and foundations.

Social/solidarity economy

The [RIPESS Charter](#) of the Intercontinental Network for the Promotion of Social Solidarity Economy sets out eleven core values to promote the ethical and value-based economic model:

1. [Humanism](#) – putting human beings, their dignity, culture and full development at the center
2. [Democracy](#) – promoting democratic values
3. [Solidarity](#) – mobilizing resources and establishing relations with other social collectives
4. Inclusiveness – establishing dialogue based on the respect for ideological differences
5. [Subsidiarity](#) – promoting [grassroots](#) development to overcome common problems
6. Diversity – encouraging representation of players of all sectors of society
7. Creativity – promoting innovation that contribute to social change
8. [Sustainable Development](#) – respecting the balance of the ecosystem by protecting the environment and biodiversity
9. Equality, equity and justice for all - fighting against all forms of discrimination and oppression
10. Respecting the integration of countries and people - opposing economic, political, and cultural domination of the North over the South
11. A plural and solidarity-based economy - providing an alternative to the neoliberal economic model by taking actions towards a plural and solidarity-based economy



Cooperativism

As defined by the [International Cooperative Alliance](#), a cooperative (also known as co-operative, co-op, or coop) is "an [autonomous](#) association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled [enterprise](#)". Cooperatives are democratically controlled by their members, with each member having one vote in electing the board of directors.

Cooperatives may include:

- [Worker cooperatives](#): businesses owned and managed by the people who work there
- [Consumer cooperatives](#): businesses owned and managed by the people who consume goods and/or services provided by the cooperative
- Producer cooperatives: businesses where producers pool their output for their common benefit
 - eg. [Agricultural cooperatives](#)
- [Purchasing cooperatives](#) where members pool their purchasing power
- Second- and third-tier cooperatives whose members are other cooperatives
- [Platform cooperatives](#) that use a cooperatively owned and governed website, mobile app or a protocol to facilitate the sale of goods and services.
- [Multi-stakeholder or hybrid cooperatives](#) that share ownership between different stakeholder groups. For example, care cooperatives where ownership is shared between both care-givers and receivers. Stakeholder members might also include non-profits, investors and volunteers. Social co-ops are a notable example of this model.

Social (solidarity) Coops

Social co-ops (referred to in Canada as solidarity co-ops) are multi stakeholder in nature and focused on community benefit, as opposed to only the benefit of worker-owners. Thus their governance allows for multiple member categories, including community members, funding members, and volunteer members.

Social co-ops typically focus on the provision of care services for children, the elderly, and the disabled as well as offering quality jobs for various categories of disadvantaged workers (disabled, formerly addicted, formerly incarcerated, etc.)



Social Cooperatives and the Solidarity Economy

REBECCA MATTHEW | University of Georgia

Reflecting the economic, social, and environmental realities of our world today, Antonio Guterres, U.N. Secretary-General, recently warned “the world has entered an ‘age of chaos’.”¹

Current rates of inequality parallel those of the Gilded Age, as reflected in Oxfam’s recent report noting a \$2 trillion surge in billionaire wealth in 2024, “while the number of people living in poverty has barely changing since 1990.”²

Social unrest, war, and genocide continue to result in death, disability, disease, psychological trauma, and widespread displacement.³ And climate havoc – according to the world’s leading scientists – is resulting in a “...rapidly closing window of opportunity to secure a liveable and sustainable future for all.”⁴

Such outcomes are seen by many as the inevitable consequences of a power-and-profit consolidating economic system.⁵ Thus, trying to reckon with any – if not all – of these interconnected issues without the (re)development of post-capitalist economies is seen by many as futile.⁶ Central to these efforts is an understanding that our economy is socially constructed. Thus, there exist now – *as always* – alternatives. Economies, for example, that seek to produce, exchange, consume, and allocate surplus in ways that embody the indigenous philosophy and practice of *sumac kawsay* - ways of living in accord with people *and* Earth.⁷ The solidarity economy is one such example.

Solidarity Economy Movement

Economist and co-director of the [Wellspring Cooperative](#), Emily Kawano and colleagues define the solidarity economy as “a global movement that offers a framework to connect practices that are aligned with the values of solidarity, democracy, equity, sustainability, and pluralism (not a one-size-fits-all approach), all of which articulate a post-capitalist system that puts the welfare of people and planet front and center.”⁸

Although the language of “solidarity economy” is traced to Europe and Latin America in the late 1980s/early 1990s, its efforts embody ancestral practices that have constituted the bedrock of communities for ages.⁹ Practices like regenerative agriculture, cooperatives of all kinds (e.g., social, worker, consumer, producer, housing), community land trusts and gardens, bartering and mutual aid, and rotating savings clubs – *susus*, *sou-sous*, or *tandas* – practiced in Africa, the Caribbean, and Latin America respectively, as examples.¹⁰

Given the state of our world today, it should come as no surprise that individuals and communities are increasingly seeking out and (re)turning to such time-tested, as well as modern, practices reflective of our world today (e.g., platform cooperatives).

Within the United States, the formation of the [United States Solidarity Economy Network](#) in 2007 signaled a growing interest in the solidarity economy that has continued to expand, particularly within marginalized and underserved communities.¹¹ Detailing the rise of the solidarity economy in the U.S., Sutton notes, for example, a 30% increase in worker cooperatives in just three years (2019-2021) supporting democratized labor, more than 200 community land trusts currently safeguarding land affordability, and a growth in “black-led food cooperatives” providing dignified working conditions and access to healthy foods within marginalized communities.¹²

We likewise see several promising examples of community- and state-wide efforts that encompass coordinated solidarity economy practices (e.g., interweaving of cooperatives of various kinds, land trusts, restorative and regenerative agricultural practices, “really really” free markets, etc.) and ongoing educational and training opportunities, to include [Cooperation Jackson](#), [Native Roots Network](#), and the [Massachusetts Solidarity Economy Network](#).

To increase awareness, provide technical support, and foster local-to-global networking among those engaged in the theory *and* practice of economic alternatives, several organizations have become leaders in these regards, to include the [U.S. Solidarity Economy Network](#), the [Schumacher Center](#), the [Wellbeing Economy Alliance](#), [Democracy at Work Institute](#), the [Post Growth Institute](#), and the [Next Systems Project](#), to name but a few. The United States Solidarity Economy

Network (USSEN), for example, continues to provide leadership and support to encourage the growth and expansion of solidarity economies throughout the country via the creation of a U.S. [solidarity economy map and directory](#), development and curation of educational [tools](#), and support for nationwide convenings to facilitate dialogue and build power for systemic change (e.g., [Resist and Build Summit](#) to be held May 2-5, 2025), among other efforts.

Social Cooperatives and the Solidarity Economy

Throughout these examples, we see cooperatives serving as the cornerstone of many, if not most, solidarity economy efforts.¹³ As suggested by Macaraeg and Vazquez, in their essay exploring the growth of the solidarity economy in the District of Columbia, Maryland, and Virginia, “cooperatives are a vital component within our broader vision of a solidarity economy—an economy prioritizing community accountability, equitable provision of goods and services, and democratic economic planning rather than maximum extraction, growth, and profit.”¹⁴ Social cooperatives, in particular, have emerged as a promising model to support such an economy.

Much like the solidarity economy movement more generally, social cooperatives emerged in response to the effects of neoliberalism’s global ascendancy and the concomitant dismantling of the welfare state.¹⁵ Guided by principles of mutual aid, reciprocity, and collective/community benefit, social cooperatives engage workers, care recipients, family and community members, local government, and volunteers in the provision of needed goods and services in support of social benefit.¹⁶

Often emerging from failures of the state or market in these regards, social cooperatives provide social services (in the Italian categorization, Type A: health, social and educational services) and/or (re)integrate disadvantaged individuals into the labor market (Type B).

Crim notes that although social and solidarity cooperatives (with legal protections) are relatively new, emerging in Italy and Quebec in 1991 and 1997 respectively, they continue to expand and thrive.¹⁷

In Quebec, for example, the SABSA solidarity cooperative (founded in 2011), which involves care recipients, care providers, and those supporting the organization in the provision of a “clinic, mobile health unit, supervised injection unit” is but one of over “11,000 solidarity economy enterprises” throughout the province.¹⁸

In Italy, the European Confederation of Industrial and Service Cooperatives similarly reports more than 15 thousand social cooperatives operating throughout the country, providing care for approximately 12% of the Italian people, “with 7.2 million people assisted and 480 thousand employed.”¹⁹ In Bologna alone, Scholz states that social and multistakeholder cooperatives “provide 85 percent of care services for children, elderly people, the poor, the disabled, and other vulnerable populations.”²⁰

And, in response to the 1997 economic crash and resultant vision to build “a different kind of economy,” South Korea enacted national legislation to support – legally and fiscally – various solidarity economy actors, to include cooperatives and self-sufficiency, social, and community enterprises.²¹ Therein social cooperatives have emerged as a promising means through which to respond to care needs – particularly those of the growing aging population – by centering the wellbeing of *all* stakeholders.

In each of these brief examples – all of which will be explored in greater detail in subsequent sections of this report– we see the ways in which social cooperatives are well-positioned to serve as the bedrock from which to anchor larger, interconnected efforts within solidarity economy – *if* adequately supported legally, fiscally and otherwise. By engaging multiple community stakeholders in the design, content, management, *and* delivery of services; limiting membership to ensure the maintenance of strong relational and social ties within the organization and community (e.g., 100 members); focusing the delivery of services in a particular geographic area; and holding managers accountable not to shareholders but rather the electing membership, social cooperatives are (re)weaving threadbare social connections, responding to community need, and promoting social benefit in ways that support the well-being and sustainability of the entire community ecosystem.²²

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Lessons from the Italian Experience

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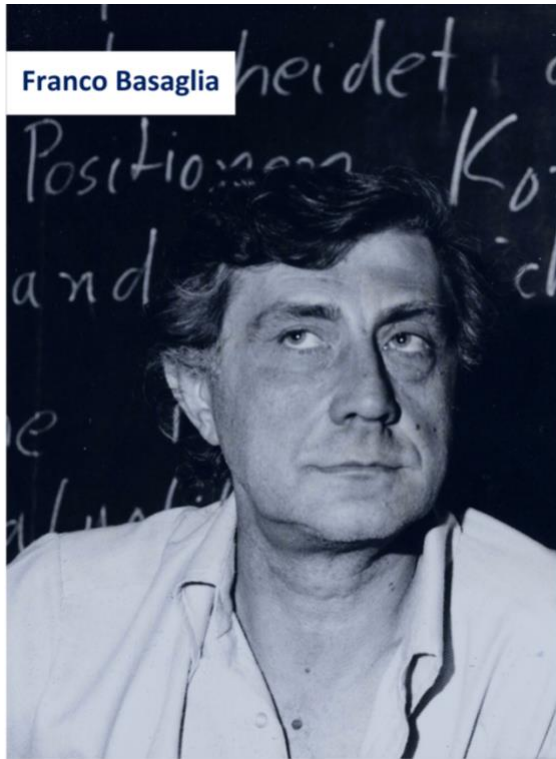
Italy has more cooperatives and cooperators than any other country in the world. Co-ops are present in every sector of the Italian economy, including the provision of social services.

Social cooperatives, which are responsible for the provision of these services, are examples of the self-organization of communities, stemming from several legal, political and historical developments in Italian history.¹

The first of these is the early promotion of cooperatives by three different groups in the 19th century: the Catholic church, liberal nationalist reformers and socialists/communists, each of whose political representatives approved legislation promoting co-ops. This was especially the case during the Giolitti government of 1904-11, where co-ops received preferential treatment for receiving small municipal contracts. This groundwork sparked a chain of developments that even the Fascist regime of the 1930s and 1940s, with its terror against cooperators and their institutions, could not destroy.

Due to their strategic importance in combating fascism, Italy's co-ops were given a privileged status after the war, being enshrined in the 1948 Constitution and given certain tax benefits. When the Italian post-war economy began experiencing a crisis of social services, including mental health provision, the cooperative template was already in place to draw on.

The first mental health-oriented service cooperatives were started in the early 1970s in regions such as Friuli-Venezia Giulia. Amidst acute political pressure to close the asylums, the cooperative model presented itself increasingly as a viable structure by which local communities could supply quality mental health services.



In 1978, the Italian Mental Health Act or Basaglia law was passed, named after the psychiatrist Franco Basaglia. The law reformed the psychiatric system in Italy and contained directives for the closing of all psychiatric hospitals, to be replaced with a range of community-based services.²

In 1991, the first law creating social cooperatives as multi stakeholder co-ops was passed. It created two types of “social enterprise”: **Type A co-ops**, which offer social services of all kinds, and **Type B co-ops**, which are workforce development enterprises aimed at helping marginalized communities become more independent.

Thus, neither co-op type was purely a charitable enterprise in the American sense.

A New Subset: Community Co-ops

An important and emerging subset of the social co-op with its multistakeholder model is *the community cooperative*, whose services cater to the needs of an entire community. An early example was organized in Succiso, a rural, marginalized community in Emilia-Romagna, where local citizens started a Type B social co-op (Valle de Cavalieri) that included a significant share of the local population as members.

The first formal community cooperative in Italy was established in 2014 in the southern Italian region of Puglia, in a village of 2,500 named Melpignano. It began as an energy community, installing solar panels on the roofs of local houses to achieve energy independence and clean, sustainable sources of electricity. The cooperative soon expanded to other services, such as cleaning and filtering local groundwater, which it sold to the local school and on a subscription basis at local filling sites.

The examples of Valle de Cavalieri and Melpignano soon caught on and Italy now

has a patchwork of similar regional community cooperatives providing services from building Internet portals, training in traditional agricultural practices to the unemployed, and repairing and maintaining local parks and archaeological sites. Moreover, regional legislation is now in place to regulate community co-ops as a variation on the social co-op model.

Some Lessons Learned

One notable lesson is how the efforts of stakeholders like Franco Basaglia and the late Carlo Borzaga paid off in the passage of the 1991 law formalizing the national support for social co-ops in Italy. This advocacy was necessary despite the cooperative culture in much of the country. In contrast to our tendency in the U.S. to turn to the non-profit sector, the specific focus here was on devolving mental health services to local stakeholders—i.e., community members—in a bottom-up manner.

Another takeaway is how co-ops in places such as Trieste and Perugia, where regional governments were allies, established a tradition that could inspire other regions. For example, the first social co-op was [Lavoratori Uniti](#), which already existed informally in 1972 and was formally established in 1974. The cleaning co-op was initially tasked with cleaning the city wards and before branching out to other public and private contracts.

Meanwhile, Perugia had the co-op [Nuova Dimensione](#) also started providing childcare and home care for disadvantaged people. In both of these cases, the legislation merely sanctioned and formalized practices which were already existing.

Ultimately, the Italian case was aided by the presence of a strong cooperative sector and (by comparison with the U.S., for example) the lack of other non-profit organizational types like charities or foundations.

Moreover, the 1980 International Cooperative Alliance Congress in Moscow generated an initiative within the Italian co-op movement to actively support social enterprises. All of this groundwork helped with overcoming institutional or other hurdles.

Additionally, the Italian cooperatives benefited greatly from strong federations (i.e., associations in our context). The strength of Italian cooperative federations primarily derives from their member organizations' revenues. With several large co-ops having annual revenues of one billion Euros or more, pooling funds generates significant resources to channel back into development and education, in addition to the more routine services the funds offer (factoring, loans, emergency liquidity, etc.).

While tension can exist between social co-ops as entrepreneurial organizations and the risk of worker self-exploitation in a globalized system of commodification combined with state retreat (the "vicious cycle" hypothesis), the Italian case shows a robust model of self-organization. It is highly unlikely that, in the absence of these institutions, the state would have a stronger presence in community members' lives.

We should note that adequate public funding for social services cannot be achieved merely by the introduction of self-organized social services (in the form of social and community co-ops), but the latter can work as important complements to public funding and as sources of social innovation.

Lastly, other countries and actors might take note that throughout the evolution of the Italian co-op sector, *key innovations frequently transpired first in the periphery and then percolated on to the urban setting*. This can be said of the early cooperative banks/credit unions, as it can be said of the first worker co-ops, some of which were tasked with draining swamps for land reclamation.

Similarly, both social, and later community, co-ops emerged in peripheral regions. Social co-ops emerged in psychiatric wards at the literal border of Italy with Yugoslavia (in Trieste, for instance), while community co-ops emerged in regions basically forgotten by the Italian state and capital markets (rural Emilia-Romagna and Puglia).

Other countries could adopt part of the trajectory that Italy underwent in order to establish robust and resilient regimes for dealing with these challenges." I would identify three strategies: 1) ensuring the existence or promotion of allies in positions of influence, such as government; 2) ensuring that effort is expended on

building up federative structures that can redistribute resources within an ecosystem; and 3), ensuring a balance between a franchise-like standardization versus allowing local projects to develop based on local needs and resources.

The latter balance may be difficult to strike without a long-standing cooperative tradition like Italy's, but it could be built organically over time via good communication, a real commitment to help people with severe needs, and the approach of trial-and-error.

¹ "This text draws on and summarizes key points from Jerome Warren. 2024. "A Path-Dependence Analysis of Italian Social and Community Cooperatives." *Journal of Entrepreneurial and Organizational Diversity*, 13(2): 62-96. Accessed at DOI: <http://dx.doi.org/10.5947/jeod.2024.009>."

²² See the article [The end of the mental hospital. A review of the psychiatric experience in Trieste](#).

Regional Case Studies

Emilia Romagna (Italy)

MATTHEW EPPERSON | Cooperative Development Consultant



With a population of 4.4 million, the economy of Italy's Emilia Romagna region revolves around its capital city of Bologna, comprising a population of 400,000 in a metropolitan area of over one million. For decades, this region has featured the third highest GDP per capita in Italy—and one of the lowest rates of economic inequality, leading to the idea of an “[Emilian model](#).”

Perhaps due to the northern Italian cultural values of community and solidarity, Emilians have a history of resisting centralized corporate power: thus, the comparative lack of large corporations in the region (and in Italy generally).

Besides forming cooperatives, Emilians also frequently form family-run enterprises, and in most cases SMEs (small and medium scale enterprises). The formation of numerous business consortia and cooperative networks has been a successful strategy to preserve the region's economic independence while still achieving economies of scale and scope.

From Piacenza to Rimini, from [food processing to automotive design and manufacturing](#), the region boasts numerous world-class examples of excellence:

- food processing machinery in Parma;
- agricultural machines, automotive design and manufacturing, oil hydraulics and electro-medical equipment from Modena to Bologna;

- ceramic machinery in Sassuolo and Imola;
- food storage and cold-chain systems in Romagna;
- shipbuilding in Ravenna and the other maritime provinces.

Italy has one of the highest concentrations, per capita, of cooperative businesses in the world. Today in Italy 70,000 cooperatives, with 12 million members in all sectors of the economy, employ 1.2 million people and generate 140 billion euros of annual revenue. Estimates indicate that co-operatives generate roughly 8% of Italy's annual Gross Domestic Product. [Looking specifically at Emilia Romagna](#), it has been estimated that as much as 30% of the region's GDP is produced by co-op members who number 2 out of every 3 inhabitants.

Legacoop

Socialist-communist origins.

Confcooperative Associazione

Catholic roots.

Trentino Federation

Hybrid Catholic-socialist

Emilia Romagna's co-ops are members of national groups called consortia, which originally fell along political lines. The largest is **Legacoop** with socialist-communist origins, then the **Confcooperative Associazione** coming from Catholic roots, and the smaller **Trentino Federation**, based in the Trento province and a hybrid Catholic-socialist (alongside two

other, even smaller consortia). The consortia are sources of funding, technical assistance, and access to systems of national or regional procurement. Operating at local and regional levels, they comprise a major part of the remarkable Italian ecosystem around cooperatives generally.

Today, the historic political and religious ties of the apex consortia are less significant, and the consortia inter-cooperate regularly. [For example](#), in 2021 Italian cooperative apex organizations Agci, Confcooperative, and Legacoop, signed a historical agreement with Italian trade union organizations Cgil, Cisl and Uil to promote the establishment and consolidation of cooperative worker buyouts (i.e.,

leveraged worker co-op conversions). However, the formation of a national apex consortia (a hybrid of these aforementioned consortia) has been very slow.

The Italian cooperative movement has applied political pressure to receive legislative recognition and have succeeded over time, including a specific mention of cooperatives in Article 45 of the Italian Constitution (1948) that highlights the beneficial role of co-ops. In the following years, legislation formalized cooperative practices such as indivisible reserves, democratic management, intra-coop lending, tax breaks for indivisible reserves, and a fund to finance co-ops.

The first social cooperatives emerged at the end of the 1970s, in the same period that witnessed the flourishing of organized volunteer groups. Such initiatives were mainly started by groups of volunteers who were dissatisfied with the poor provision of public social and community care services.

By 1981, both voluntary organizations and social solidarity cooperatives began raising requests for legal acknowledgement.

Finally, [in 1991](#), a law enabled the creation of social co-ops with favorable tax treatment, given their public mission, indicated historically in the seventh principle of cooperativism (community benefit).

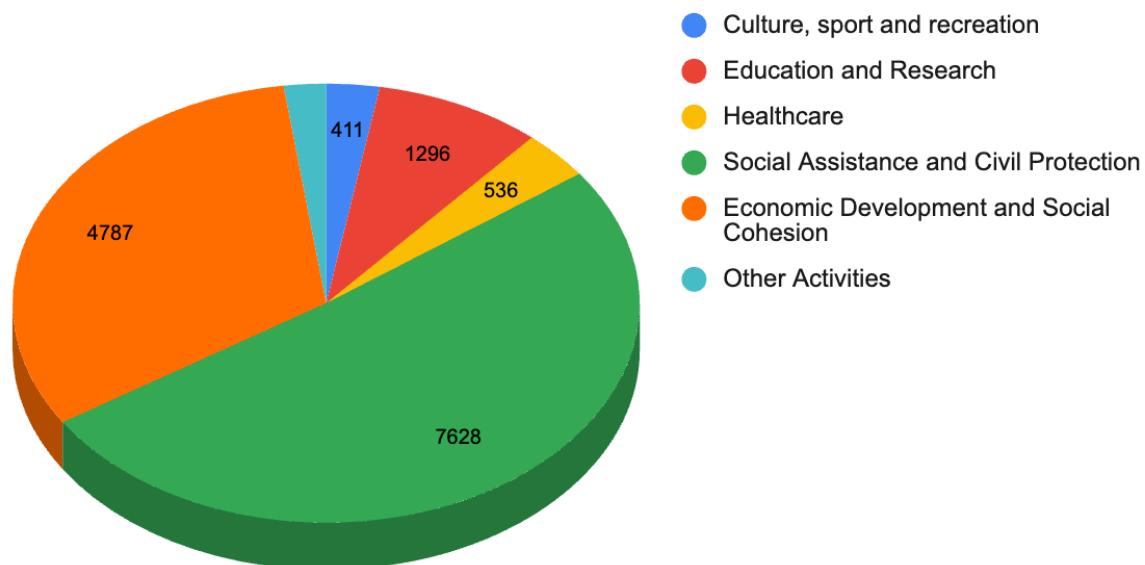
A well-known success story in solidarity economy circles is that of the social co-ops of the Emilia Romagna region, an ecosystem of **some 700 multistakeholder enterprises focused on delivering social goods that manage to combine a high quality of care, high wage standards, dignified work, and job satisfaction**. These enterprises primarily served some of society's most marginalized groups, such as the formerly incarcerated, those recovering from addiction, neurodivergent individuals, and many others. The work of volunteers—who can sometimes join a social co-op in a special membership category for volunteers—played an integral role in creating and sustaining these enterprises.

As described elsewhere in this report, social co-ops in Italy are divided into two types:

- Type A, **social service providers** for social, health and educational services;
- Type B, **work-integration enterprises**, bringing vulnerable persons into the workforce at equitable wages (at least 30% of workers in this category of co-op must be certified as disadvantaged)

In recent years, Type A social co-ops have hired thousands of skilled professionals in the field of health care, psychology, mental health and training. Similarly, Type B social co-ops have hired tens of thousands of disadvantaged workers.

Number of Social Cooperatives by Sector, Italy



Social co-ops must also comply with a non-profit distribution constraint (i.e., “locked assets”), which allows them to generate assets but requires a percentage to go into “**indivisible reserves**”--i.e., co-op members cannot draw upon them personally. These set-aside funds help guarantee the long-term viability of the co-op.

It has been estimated that 40 percent of all employment created in Italy since the mid-1990s has been in the health and social services area, especially in personal and family care.¹

Demand for these services have come from the aged, asylum seekers, single family homes (especially renters), immigrant families, people with mental illnesses, early childhood education and child care centers, and enterprise welfare services offered to their employees and the long-term unemployed.²

A 2012 study on the economic value of the third sector (non-profits, cooperatives, social enterprises) reported a decrease in public financing and an increase in private financing for all the studied organizations. This means that many of the new activities launched over the last few years are funded through sources other than public ones (Unicredit Foundation).³

Despite an earlier dependence on public funding, the large majority of social cooperatives today report enjoying high levels of autonomy, constrained only by compliance with the agreements reached with their financing bodies.

Even less dependent on public resources are the 3,500 Type B social cooperatives engaged integrating disadvantaged persons. These enterprises primarily contract with private corporations that seek to outsource their legal obligation to hire a certain number of disadvantaged workers.

Generally speaking, independence from state funding is essential for social co-ops' success, as this revenue is presumed to be transient and at the whims of local bureaucrats who may be indifferent to, or even hostile, to social co-ops.

In general, it appears that workforce development is the primary focus of social co-ops in Emilia Romagna.

Unlike other types of co-ops which seek to ensure long-term membership, the social co-ops pride themselves on being a temporary "stepping stone" for disadvantaged workers, on their way to career opportunities and other dignified employment, beyond their membership in the co-op.

The startup process for social co-ops in Italy is aided by a regulation which requires that after one year of operations, each co-op contributes 3% of net profits to a pool of funds managed by the apex cooperative consortia, representing a ready source of funding for co-ops in Emilia Romagna.

However, volunteer labor is still the driving force in creating and sustaining social co-ops in this region and nationally. This is not necessarily due to the challenges of achieving funding but rather the nature of spontaneous cooperation to address local needs. Volunteer efforts often begin informally, then later formalize with the assistance of official state recognition, possible funding from the consortia, etc.⁴

Pandora Social Co-op (Milan)

Among Italy's [20,000 social cooperatives](#), one bright star is the [Pandora social co-op](#), founded in Baranzate, a northern suburb of Milan in 2012 by a group called NOA, which works with recovering alcoholics. As Pandora's president Davide Damiano explains, after initially launching a *piadineria* (a café making flatbreads), he and the small team shifted to a cleaning service, eventually adding a program of five workshops teaching different levels of technical skills for specific contract work in Milan's Monza prison, offered in both the men's and women's units.

The latter work includes basic tasks like assembly and packaging but also some trade school-type training which can lead to better jobs. In the Italian system, Pandora falls into the category of a [Type B co-op](#), one focused specifically on workforce reintegration for marginalized groups.

Pandora also offers a "mobile office"—a vehicle which tours the neighborhoods offering help and connection to those needing social services. The co-op partners with the Eris Foundation, also based in Milan, for the latter services. "Only by knowing the city and talking to people can you begin to think about how to create a cooperative."

In 2022, Pandora did something unusual from the perspective of most social care service organizations. Damiano reports that the co-op acquired the startup

business [Streeteat](#)—a mobile restaurant—with an eye toward catching the wave from the 2026 Winter Olympics in Milan.

Pandora is now up to 100 employees, of whom 70 percent are from disadvantaged communities—former drug addicts, former prisoners, current prisoners, and other marginalized groups.

Italian law mandates quotas for employing disabled workers by companies of a certain size, as well as requiring professional training and workplace accommodation. Companies with more than 15 employees must employ one disabled person. For those with over 35 employees, two disabled persons must be employed. Above 50 employees, the required number raises to [7%](#) of the total workforce.

A provision of that legislation allows social co-ops like Pandora to sub-contract with companies to help them fulfill the 7 percent workforce integration requirement. “This work is not just about job creation,” Damiano notes, “the goal is reintegration into society.”

Pandora’s two categories of membership are worker-members (Damiano, a disadvantaged worker, plus two members in a staff role) and member volunteers. Decisions are made by Pandora’s board members but with the staff included in the decision-making.

Worker members can participate in decisions, vote on board membership, and approve the financial balance sheet. (Damiano notes that they also use a “social balance sheet!”)

According to Damiano, the co-op’s recidivism rate among their workers is 12 percent, compared to a national rate in Italy of 68 percent.

Pandora’s capacity to acquire other small businesses and then deploy them for its social purposes requires a kind of entrepreneurial savvy that is uncommon in most U.S. non-profits. While part of this unfamiliarity is perhaps due to the IRS’s

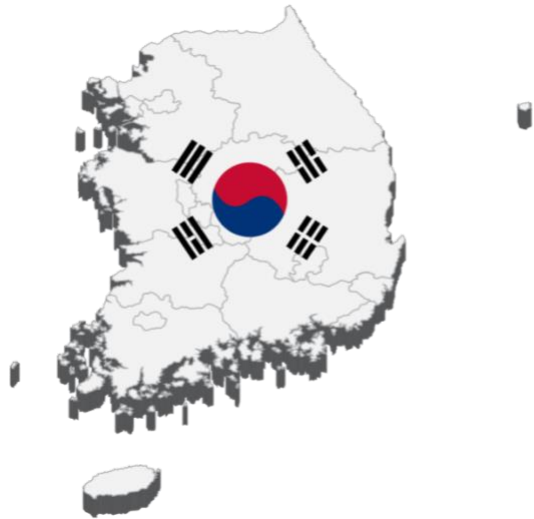
constraints around engaging in profit-making activities, it may also come from the two distinctively different cultures of our non-profit and for-profit sectors.

Another interesting aspect to Pandora's work is the decision in 2018 to forego all contracting with public entities. Damiano is among the Italian social entrepreneurs who reached the conclusion that social co-ops must try to stand on their own, without excessive reliance on either state contracts or private charity. He notes that Pandora is actively involved in Milanese politics and collaborates with other advocacy groups in the city focused on public policy.

"We must demonstrate to the world that even so-called disadvantaged people can perform the work as well or even better than others." Damiano says, "If a social co-op develops its business relying solely on public funding, it makes a huge mistake; the day the contract is awarded to another operator or is no longer funded, the co-op will have to close."

South Korea

MINSUN JI | Rocky Mountain Employee Ownership Center | Drivers Coop - CO



Cooperatives are well known as a resilient economic development strategy, especially during periods of economic downturn or crisis. While all cooperatives have a dual nature in seeking both economic self-sufficiency and community benefit, creating a social cooperative is one clear way to prioritize the cooperative goal of “concern for community,” especially for marginalized populations.

In Korea, the official name of “social cooperatives” did not emerge until 2012, but there had been many previous efforts by social enterprises to push for the legalization of social cooperatives in earlier years. Many of these efforts trace to Korea’s profound economic crisis of 1997, a moment which upended faith in Korea’s traditional reliance on large economic conglomerates (Chaebols) and opened room for Korean officials and residents alike to begin thinking seriously about communitarian, social economy alternatives as a solution to enduring problems like poverty, unemployment, and social polarization, which had been put right by neither market nor state.

During that economic crisis, 300,000 Korean workers were fired every month for over a year. The Korean middle class, which constituted 64% of the nation in 1996, dropped to 39% in 1999, as income levels polarized and poorly paid contingent workers became a majority of the workforce. Public spending on education and social services also dramatically declined as government revenues plummeted.⁵

Amid this profound crisis, one promising sign was dramatic acts of altruism and social giving by the Korean people. For example, to address the growing unemployment crisis, Koreans mobilized to create the people’s committee, a workers’ welfare fund, with some of the proceeds used to help create the People’s

Movement Committee for Overcoming Unemployment. This committee pointed towards the long self-reliance efforts of impoverished shantytown cooperatives as one path out of the crisis.

As Lee Byung-hak (President of Central Self-Sufficiency Fund) explained, these shantytown cooperatives worked together for years prior to 1997, creating small self-help enterprises “to make ends meet in a communitarian way,” such as by operating non-profit neighborhood businesses to repair home appliances, arrange for home deliveries, and share food.⁶

In another example of citizenry self-help, when the Korean government took on a \$58 million USD national debt from the IMF to deal with the economic crisis, Korean citizens mobilized to donate 227 tons of their own personal gold items (worth of \$3 billion USD) to help pay off this national burden.

Inspired by such grass-roots actions, and under public pressure to support a different kind of economy that takes care of vulnerable people (such as the unemployed and the homeless), the government soon passed a bevy of social economy laws: The *National Basic Living Standards Act* (1999) to increase self-sufficiency enterprises, *Social Enterprise Promotion Act* (2007), and *Village Community Act* (2011) to promote village cooperatives, and *the Framework Act on Cooperatives* (2012) to help expand cooperative activity. All of these acts catalyzed the flourishing of social economy activities across the nation, advancing a moral principle of “people before profits” and providing various social and community services for marginalized people.

The Emergence of Korean Social Enterprise



Bear Better

For example, Bear Better, an abbreviation of “Bear makes the world better”, is a social enterprise started in 2012 to create a workplace that values a slow speed of work.

Thus 70% of all employees are people with developmental disabilities who help operate businesses engaged in printing, coffee roasting, a bakery, and flower shops. The most recent data indicate that out of 359 employees, 259 employees are people with developmental disabilities.

Annual revenue is about 10 million dollars. Bear Better not only provides good jobs, but also provides training to help employees develop their job skills and self-confidence.



they seek economic self-sufficiency, employ people, and provide goods and services on the open market—but they must also have an explicit mission of pursuing community benefit.

With the passage of Korea’s SEPA, social enterprises were required to spend at least 40% of their budget for underserved community members. Furthermore, social

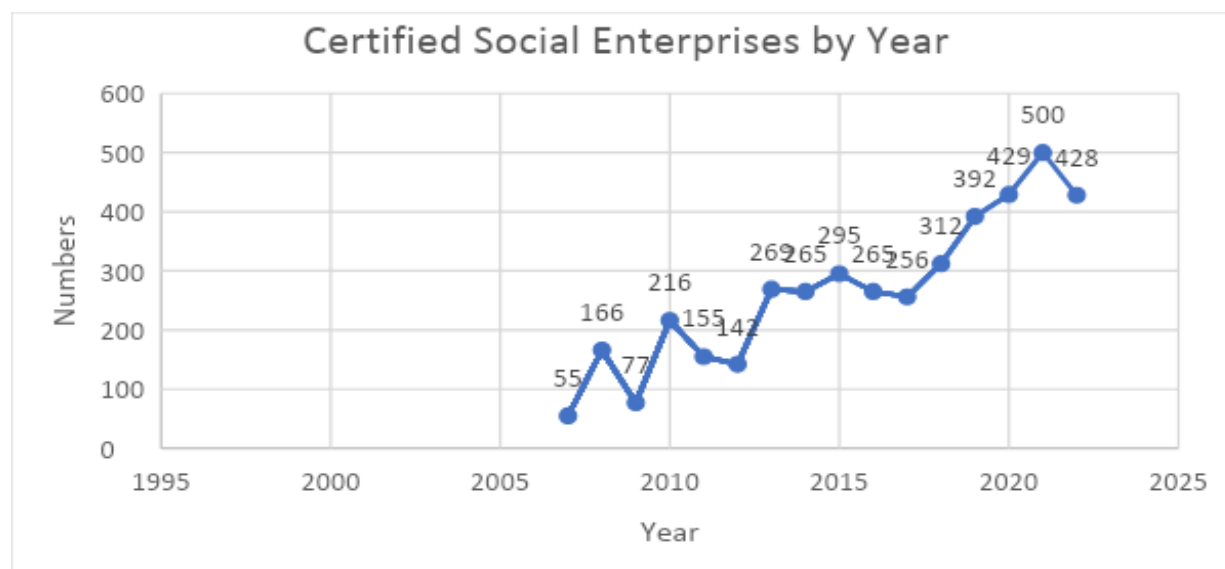
The emergence of Korea’s social cooperatives was deeply influenced by the passage of the Social Enterprise Promotion Act (SEPA) in 2007, which aims to expand social enterprises creating jobs for vulnerable populations. The SEPA defines “social enterprise” as an entity “that pursues a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups with social services or job opportunities or by contributing to the communities while conducting its business activities such as the manufacturing or sale of goods and services.”⁷

These social enterprises are still considered business enterprises, as

enterprises were required to meet the criteria that at least 30% of all employees (and at least three people) had to be underserved people and jobs had to meet the criteria of “good jobs,” such as by providing at least 15 hours a week of work, payment of over minimum wages, and an employment contract without a fixed period, etc.⁸

There are two kinds of social enterprises under SEPA: prospective social enterprises and certified social enterprises. Prospective social enterprises are defined as companies that are changing their nature of work to become certified social enterprises. Meanwhile, certified social enterprises are those already recognized as working with vulnerable populations. The government supports prospective social enterprises with up to \$50,000 for a transitional year and provides certified social enterprises with up to \$100,000 funding per year.⁹ Once a company is certified as a social enterprise, new hires can be partly supported by government subsidized wages for the first three years.¹⁰

According to recent statistics from Korea’s Department of Labor and Employment, the number of social enterprises has grown rapidly. The total number of certified social enterprises in operation increased from 55 in 2007 to 4,522 by the end of 2022, and newly certified social enterprises reached their highest number of 500 in 2021.¹¹



Emergence of the Social Cooperative in 2012

Social cooperatives are a particular kind of social enterprise that have rapidly grown in Korea following passage of the Framework Act on Cooperatives (FAC) in 2012. Historically, forming cooperatives before 2012 was challenging due to strict co-op formation rules such as a high membership threshold (at least 200 members were required) and requirement of a stable and sizable budget (\$300,000 a year was required). However, the FAC relaxed these regulations so people could form a cooperative more easily. Under the FAC, a minimum of only five cooperative members is necessary for eligibility to form a cooperative, which played an important role in growing new cooperatives in the country.

Under these eased regulations, there are four kinds of cooperatives that can be formed under the FAC: a **general cooperative** (including worker cooperatives or cooperatives made up of several small business owners), a **general co-op association**, a **social cooperative for marginalized community members**, and a **social cooperative association**. Under the FAC, these latter two co-ops (“social cooperatives”) are defined as *“a cooperative that is not run for profit and carries out business activities related to the enhancement of rights, interests, and welfare of local residents or provide social services or jobs to disadvantaged people.”*¹³

Such cooperatives can provide jobs and operate like other businesses in the market (selling goods and services), but they cannot make profits from these operations, distribute no dividends to their members, and must be organized to provide community benefits. In this regard, social cooperatives are much like a social enterprise. However, social cooperatives are much more constrained regarding how high of profits may be generated and a social cooperative is organized democratically, with multiple owners each having equal voice in the business operations.

In the first five years after the passage of the FAC, 8,289 new cooperatives were registered (Jang 2017) and the total number grew to 22,610 cooperatives in February 2023. Although most of the newly formed cooperatives are general cooperatives, the number of new social cooperatives has also increased since 2012.

One interesting characteristic of social cooperatives is that many certified social *enterprises* which were formed under the Social Enterprise Promotion Act (SEPA)

have converted their businesses into social *cooperatives* since the passage of the FAC. For instance, Korea's first social cooperative, *Dounuri*, which provides social care for the elderly, children, the disabled, pregnant women, and new mothers was registered as a social enterprise in 2008 but converted to a social cooperative in April 2013. The founder of *Dounuri*, Min Dong-Sae, states that conversion into a social cooperative was a natural progression, because they saw the need to focus more on providing better services rather than profit-seeking activities. Also, another motivation to convert to a social cooperative was the strong desire of employees to create a democratic workplace through cooperative ownership.¹⁴ Many employees who worked at the Dounuri social enterprise were naturally drawn to community purpose and began to dream of something larger than being an employee so that they could have more voice in how the company was governed.

What are social cooperatives? Social cooperatives vs social enterprises

Social cooperatives are part of the social enterprise sector, but they specifically focus on serving marginalized communities. Although social cooperatives may seek a degree of profit, the main goal of the coop cannot be to seek profits, but to benefit underserved communities.

Social cooperatives must register as nonprofit organizations with a requirement that at least 40% of all activities must be dedicated to public benefits and there can be no distribution of individual dividends, even if the organization earns profits. In exchange for adherence to these rules, social cooperatives get tax exemption for their public benefit work, while they only pay corporate taxes on the part of organizational income that is not for public benefit work.

Any kinds of businesses can be formed as social cooperatives, except in the finance and insurance sectors. All sorts of businesses, including restaurants, gas stations, supermarkets, car wash, and groceries can be also registered as social cooperatives as long as they meet the criteria. In this way, the business of social cooperatives is not solely to provide social services (such as caring for the elderly or disabled), but also is expanded to the normal business sector.

There is no required minimal level of initial capital to start a social cooperative, but any one individual's initial equity buy-in amount can't exceed 30% of the total

capital that the co-op needs to launch operations.¹⁵ Social cooperatives can also apply for certified social enterprise status and can receive all the associated benefits, including business development expenses (up to US \$100,000 for a year for social enterprises, and US \$50,000 for prospective enterprises), partial insurance support for social insurance premiums for four years, consulting support, preferential purchasing by public institutions, sales support, and tax support (such as reduction of income tax, corporate tax, acquisition tax, registration tax, and property tax).¹⁶

There are some differences between social cooperatives and social enterprises, such as the aforementioned restrictions on profit-generating activities of social cooperatives. Also, while social enterprises do have a requirement to hire at least 40% of their employees from marginalized communities, there is no requirement to make these employees governing members of the enterprise. This means that social enterprises are not required to create a democratic workplace. But social cooperatives are different. From the beginning, the enterprise is organized as a cooperative, so most of its employees are defined as “owners,” who democratically govern the organization.

Another difference is that a permanent capital reserve requirement for a social cooperative is set at 30 percent of any annual net income surplus, which is much higher than other general cooperatives, which are required to have at least a 10 percent capital reserve account. (These reserves cannot be redistributed to coop members, as they are intended to strengthen the organization’s financial resilience in future challenging times. Thus, the term “indivisible reserves” is used in Italy.)

The following chart summarizes some of the differences between social cooperatives and social enterprises.¹⁷

	Social Cooperatives	Social Enterprises
Governing Law	Framework Act on Cooperatives (2012)	Social Enterprise Promotion Act (2007)
Oversight Department	Department of Planning and Finance	Department of Labor and Employment
Profit vs. Nonprofit Organizations	Nonprofits	For profits + nonprofits
Governance Structure	Democratic, Cooperative Ownership and Governance	Standard: Single Person Ownership, Partnership, etc.
Certification	No certification needed	Certification required
Patronage distribution	No patronage distribution allowed	Two thirds of total patronage must be used for social purposes; remainder may be distributed to business owners
Capital Reserve Requirement	At least 30% of annual business surplus revenues	At least 10% of annual business revenues

Growth of the Social Cooperative Sector

To support the growth of these public-benefit pursuing social cooperatives, the Korean government changed the small-medium business law in 2016 to include social cooperatives as a small-medium business eligible for enhanced government subsidies, contracts, start-up support, and other special support.¹⁸ Also, the government revised the law in 2022 to include some social cooperatives working with the disabled as eligible for increased tax benefits by categorizing them as a disabled-person led business.¹⁹

As of July 2023, Korea had **4,489 social cooperatives**, with more than 39 percent of social cooperatives (a total of 1789) being in the health and social welfare service sectors, such as childcare, disabled care, and elderly care.

The second largest social cooperative sector was educational services for marginalized children and adults (21%), followed by arts and sports related social cooperatives (9%). Among the social welfare sectors, the largest cooperatives were childcare-related social cooperatives (846 total cooperatives) which composed 49% of the total, followed by disabled services social co-ops with more than 77 co-ops (4%) and social cooperatives for the elderly (about 70 social cooperatives; 4% of all social welfare co-ops).

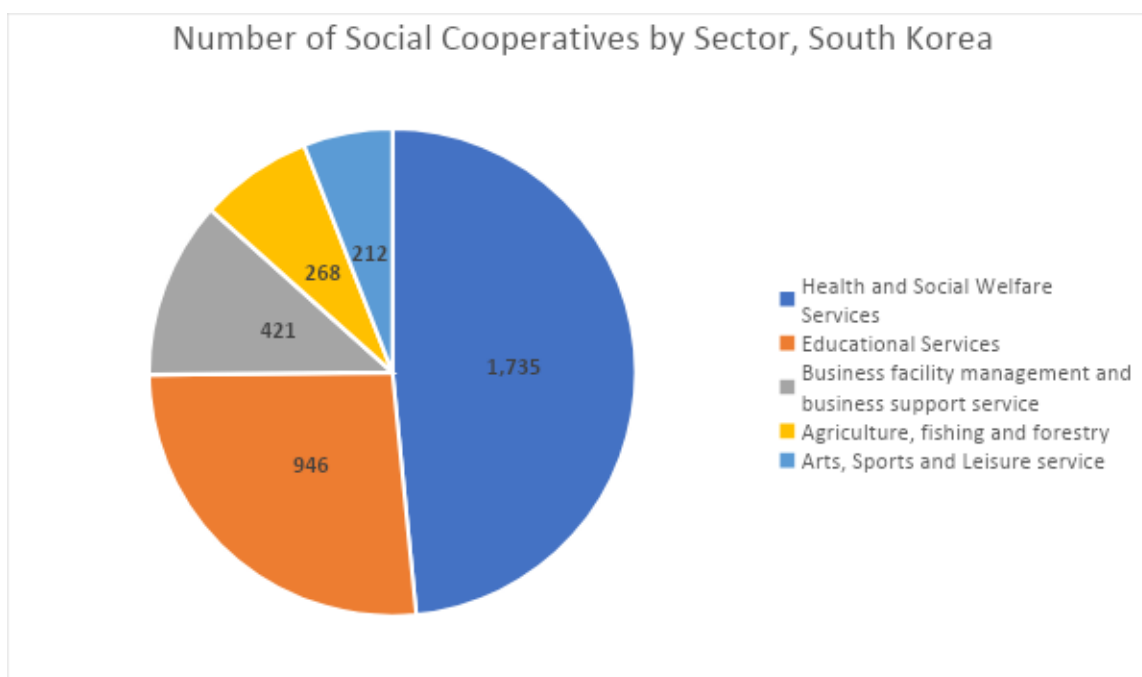
These cooperatives account for a sizable number of Korean jobs, especially considering that they focus on hiring people from traditionally disadvantaged communities, such as the elderly or those with lower education levels. For the past ten years since the emergence of social cooperatives, these institutions have generated 67,000 jobs (as of December 2022), which provided services to over 6.2 million people. Moreover, employment numbers grew by 3,966 between 2021 and 2022, according to an official report by Korea's Ministry of Employment and Labor.²⁰

Korea's medical welfare social co-ops are growing particularly rapidly under the revised 2022 law. Celebrating the tenth anniversary of the FAC, the Korean government changed the requirements of health social cooperatives to allow a lower initial funding level of \$50,000 USD and fewer initial members of 300, which is a significant drop from the previous requirement of \$100,000 USD in initial investment capital and 500 initial members.²¹

With a goal to provide comprehensive medical services for marginalized communities, such as home health care, more health-related social cooperatives have emerged under these eased requirements. Starting with the first health clinic social cooperative in 2013 in the suburban area of Seoul, the Ansan Medical Welfare Social Cooperative Association, there are now 36 health-welfare social cooperatives with 1642 members that generate an average revenue of \$3.94 million USD.²² This revision of health social cooperative law is expected to foster continued growth of more comprehensive health service in marginalized communities.

Sector of Economy	Number of Social Cooperatives	Percent of all Social Cooperatives
Health and Social Welfare Services	1,735	39%
Educational Services	946	21%
Business facility management and business support service	421	9%
Agriculture, fishing and forestry	268	6%
Arts, Sports and Leisure service	212	5%

(Source: Department of Labor and Employment)²³



Challenges

Despite their recent growth, social cooperatives also face challenges. The biggest challenge relates to their heavy dependence on the government for financial support via contracts to deliver social services. While financial support from the government has facilitated the rapid growth of social cooperatives, excessive dependence on government funding makes it difficult for social cooperatives to be self-sufficient and to grow in a sustainable way.

The average survival rate for social cooperatives in their first year (when government support is highest) was 98%, which compares favorably to the survival rate for a general cooperative of about 73% in 2021. However, the survival rate of social cooperatives over a five-year period was 58%, partly because government support typically decreases beyond the third year (in fact, the risk of cooperative failure increases by 16.3% in a social cooperative's fourth year).²⁴ These statistics suggest that, while government support has been critical in sustaining social cooperatives, the pattern of heavy dependence on government funding also implies a danger for cooperatives when they do not transition into a self-sufficient model.

Dounuri

Dounuri is Korea's first registered social cooperative that serves the elderly, the sick, the pregnant, and patients needing domestic care. Founded in 2010 as a social enterprise, Dounuri was operated with the name of "Always Blue Center," which provided impoverished residents with jobs to take care of the elderly and the poor as part of the Self-Reliance Center project. While Dounuri grew rapidly, the founders and staff of the organization had concerns over how they could improve their financial situation so as to allow employees of the organization to maintain their jobs for a long term and to enjoy more of a voice in their organization.

The leaders had a strong belief that when employees (most of whom were low-income residents taking care of others) were content with their job situations and their pay, they could provide better service for others. In this light, the leaders of the organization and employees came together for a one-year strategic planning effort, studying other countries' worker cooperative examples such as home care worker cooperatives in the U.S. Based on this planning, the founders of Dounuri became convinced that converting the enterprise into a social cooperative would give employees more job security and allow the social enterprise is able to grow in a more sustainable way with a stabilized financing structure (partly due to enhanced government support and improved tax advantages). In addition, the cooperative structure would allow employees more of a voice and personal buy-in into their workplace.

After one year of study groups between employees, Korea's first social cooperative, *Dounuri*, was converted from a social enterprise and formed in January 2013 by five founders and four employees. The name *Dounuri*, means "a world of mutual aid" with a vision to provide wide-ranging care services for disadvantaged people from birth to death (babies, children, pregnant women, mothers, adults, elderly, disabled people etc.). The goals of *Dounuri* are to create a good and stable job, provide great service for people; and create a positive social impact through developing the network with other social economy organizations.

Because *Dounuri* is a cooperative, 12 of the 15 board members are low-income employee-owners themselves, who directly take care of the elderly, children and the disabled.²⁵ One of the important goals is to provide these employee-owners with better benefits. Considering that caretakers are often marginalized community members themselves, the goal of *Dounuri* is to provide a stable living condition for caretakers with a motto that a happy employee provides better service. Staff are full-time employees with benefits, and some of the center's employees (in particular, a nursing home for the elderly in the city of Jungrang) are also unionized.

Dounuri's care services are divided into three categories: in-home services, facility services, and culture-living services. In-home services are provided at the home of clients. As many disabled, elderly or new mothers have limited resources for help, co-op members visit clients on a regular basis to provide home care services such as cleaning, bathing, cooking, simple health care check-ins, etc. Per year, about 11,000 elderly people and disabled people were provided with home care and visiting bathing services in 2022. Also, there are 1,000 new members who are mothers with newborn babies every year, and the coop provides health care services for these new mothers.

Dounuri also operates cooperative child-care centers and a few nursing homes (e.g., Jungrang nursing home). The third category of service is cultural-living services which provides various educational programs and workshops on topics relating to health living, culture, general education, etc., so that members and clients can build their personal capacity and build a network for mutual support.

Dounuri received its first contract from the city of Seoul in 2013 to run a nursing facility, turning it around to be a profitable business within a few years. Under this city government contract, *Dounuri* operates a nursing facility and directly operates nine facilities providing social services to city residents: a teaching program, nurses for new mothers, a nutrition center, general nurses, a social work center, and an emotional care program. *Dounuri* also operates four home care facilities for the elderly with government contracts. Organizational revenue was 58 billion won (\$5.8 million USD) in 2015 but the organization increased its revenue to \$10.6 million USD in 2022 with 897 cooperative members and 647 staff²⁶ In July 2022, in honor of the tenth anniversary of the passage of the Cooperative law, Korea's Department of Administration selected *Dounuri* as the best social cooperative of the year.

The success of *Dounuri* in providing various social services is directly related to the founders' vision in creating a democratic and stable workplace environment for employees so that these employees can provide a better life-long service for community members. *Dounuri's* representative, Min Dong-sae, states that one secret for a successful social cooperative was a transparent management system where all members could see their financial statements every quarter, every member gets to decide on important matters of the company, and increased unity among coop members became an important resource in providing high-quality services for community members.²⁷

A *Dounuri* founder, Min Dong-sik, responding to the question of why they decided to convert to a social cooperative, explained: "We were always worried about funding and thus we felt helpless whenever we thought of the future, because we always suffered from the lack of funding. Converting to a social cooperative allowed us to be creative and allowed us to imagine what could be possible. The fact that we were able to imagine and dream a world that we want to be was the most powerful benefit that our social cooperative provided to us."²⁸

As of October 2022, *Dounuri* provided services to 22,000 disadvantaged individuals²⁹ and currently is working to expand this model to other regions by creating associates of *Dounuri* in other provinces and is also expanding their service to building housing for the elderly and the poor. As its vision is to offer high quality

human services, Dounuri has become a powerful social cooperative that is deeply rooted in its mission to serve a marginalized community from “birth to death.”

Conclusion

Social cooperatives in South Korea have played an important social role. They reaffirm the importance of the public benefits of cooperatives in taking care of the weakest and most vulnerable. By forming a social cooperative, an organization can maintain an important principle of “concern for community.” By legitimizing social cooperatives as a potentially self-sufficient enterprise, Korea has embraced a model in which a business enterprise can serve the community even as it seeks enough revenues to be self-sufficient. Though the Korean government has supported the startup of these cooperatives, the long-range vision is that social cooperatives will be able to survive on their own as a public benefit business, demonstrating through mutualism that a sustainable enterprise can pursue more than just “profit seeking.” Through the social cooperative, even the business world can embrace public service to the human needs of us all, “from birth to death.”

Quebec

ELIAS CRIM | Solidarity Hall



The largest of Canada's 13 provinces by area and the second-largest by population (almost 9 million), Quebec is Canada's only French-speaking province. The region's three main economic actors are the government, capitalist enterprises and what Quebecers call social economy enterprises (co-operative businesses, social enterprises, non-profits). Its workforce is over 40% unionized.

The province's substantial co-op ecosystem is comprised of government agencies (through their policies and programs), co-op support organizations, networks (federations) of co-ops, and various types of co-operative businesses.

Quebec is also distinctive in its commitment to the social economy, made up of enterprises in both the private and non-profit sectors that employ some type of collectivity in ownership and/or decision-making. *The social economy sector in Quebec now includes 11,200 enterprises employing 220,000 people.*

Historically, the province has seen frequent tripartite negotiations—among business, government and labor—as part of its political culture.

Since 2004, Quebec has created the most new co-ops annually of any Canadian province. The co-op sector counts 8 million people as members (many of multiple co-ops) and employs almost 90,000 people, half of them in the financial services sector.

The Desjardins Group, for example, is a network of over 400 financial co-ops (in the form of credit unions) across Canada, the largest single financial institution in Quebec, and the province's largest single employer (over 40,000 jobs). In Quebec City today, all taxi drivers belong to co-ops.

The rise of the social economy generally in Quebec over the last four generations is often related to a desire for Francophone independence against Anglophone dominance, especially by the federal government in Ottawa.

It also demonstrates the importance of proximity in creating economic strategies appropriate to local conditions.

Quebec has also been a region where social movements have risen to become actors and co-designers in the area of economic development, as demonstrated by the work of the [Chantier de l'économie sociale](#), for example.

Moreover, the provincial government has now incorporated the cooperative sector into its economic development strategy, partly because of its commitment to supporting firms which cannot be bought by or sold to foreign owners.

The requirement of [indivisible reserves](#) functions as a kind of self-imposed savings plan on co-op revenues for the purpose of funding new co-ops, effectively making these enterprises into multi-generational goods benefiting others beyond the founders. The policy, when paired with efforts toward co-op education and strong governance, also helps combat demutualization (loss of co-op business structure).

Types of Canadian co-ops include consumer, producer, worker, worker-shareholder (similar to an ESOP), and solidarity (multistakeholder).

A solidarity co-op is the Canadian term for a multistakeholder co-op and typically refers to organizations in the field of social care (called social co-ops elsewhere).

Solidarity co-ops in Quebec must have three classes of members: 1) workers, 2) users/clients, and 3) community/solidarity members.

In this case study focusing on Quebec, we will use the term solidarity co-op, the local term for a social co-op.

Cooperative History in the Province of Quebec



[*La Caisse Populaire de Lévis in 1920*](#)

Quebec's history of cooperativism has nineteenth century roots but Alphonse Desjardins' founding of the first credit union (or *caisse populaire*) in 1900 is a key date. In 1910, the multipurpose Co-operative Fédérée (federation of agricultural co-ops) was established. Spurred by the rise of the [Antigonish](#)

[Movement](#) in Nova Scotia during the 1930s, the next few decades saw the spread of cooperativism and cooperative banking nationwide.

In 1938, the *Conseil Supérieur de la Coopération* (known today as the Quebec Council of Co-operatives and Mutuals or CQCM), a group notable at the time for its independence from the Catholic Church, was formed: it proved to be influential on future leaders of the "[Quiet Revolution](#)", beginning in the 1960s.

Worker co-ops on a larger scale began to appear after World War II in Quebec's forest industries and then in Montreal by the 1960s. An important development was the adoption of universal healthcare in Canada, beginning with Saskatchewan in 1961, as part of a national push to control healthcare costs.

The 1960s also saw the co-op sector shift from a generally anti-state posture to one favorable to state intervention. In 1963, the provincial government in Quebec began supporting co-ops with services.

Some additional key dates which demonstrate the slow construction of an entire regional ecosystem of support:

1976	Parti Quebecois comes to power with a vision of social democracy as a strategy for economic independence, partly through a focus on cooperativism
1977	The Societe de developpement des cooperatives created, which in turn in 1991 became part of Investissement Quebec. It provides financing for cooperatives and non-profits.
1979	Investissement Quebec offers financing for co-ops.
1980	Referendum on Quebec sovereignty, defeated.
1980	A Cooperative Summit led to the creation of the Cooperative Investment Plan and the CIP Act, passed in 1985. That same year the Regional Development Cooperative Assistance Program was implemented.
1983	Workers' Solidarity Fund (pension fund contributions) established by the Quebec Federation of Labor, allowing labor to engage directly in economic development.
1984	Creation of the Cirque du Soleil as a worker collective.
1980	Formation of Regional Development Cooperatives (RDCs), putting technical assistance professionals in each of the 17 provincial areas.
1985	Cooperative Investment Plan (CIP) initiated, allows for 125% tax deduction for any investment in a co-op by a worker or member.
1991	Appointment of a vice chair of cooperatives and non-profits at Investissement Quebec.

1995	Second referendum on Quebec sovereignty
1996	The Confederation of National Trade Unions creates a labor solidarity fund, Fondaction.
1997	Summit on employment and the economy leads to the creation of the Chantier de l'économie sociale du Québec , along with the creation of new social finance tools (RISQ, FAQDD), and the launch of national daycare and homecare programs.
2003	Implementation of the Cooperative Development Policy, inspired by best practices in Italy, France, Spain. Also created: the Deferred Tax Rebate.
2005	Creation of the Fiducie Trust by the Chantier de l'économie sociale, a fund dedicated to social economy infrastructure projects.
2005	New Cooperatives Act, establishing indivisible reserves and reinforcing the distinct nature of co-ops.
2013	Social economy framework law passed, recognizing the social/solidarity economy as a pillar of the Quebec economy and obliging the government to consider SSE organizations when enacting new programs. Defined the social economy framework.
2016	Global Social Economy Forum meets in Montreal.
2018	First study of social economy in the 11 First Nations of Quebec.
2019	First statistical portrait of Quebec's social economy sector, equaling more than 12% of GDP.

Rise of Solidarity Co-ops

Solidarity cooperatives evolved in the 1990s after a research visit by a team from the CDR Montréal-Laval with co-op groups in Spain, France, and Italy.

In the last decade, the number of solidarity cooperatives has increased sharply, many of them as conversions from non-profits. One estimate of the total number operating today in Quebec is over 700.

The first solidarity co-ops in Quebec were largely in the sectors of rural proximity service provision (i.e., grocery stores, gas stations, health clinics, even a ski resort), health care and home care.

The model's increased frequency may reflect the common desire to have a mix between a non-profit and a for-profit enterprise. Entities that might have become non-profits now choose to incorporate as solidarity cooperatives so they can have multiple streams of income and engage the users of a service in the governance of service provision. Whatever the advantages of single-member co-ops, it is well-understood that they are unsuitable for social needs.

Another perceived advantage of the solidarity co-op model is its versatility at involving young people, social service clients, low-income workers and other marginalized populations.

Funding for solidarity co-ops is some combination of social share, privileged share, donations, subsidies, in-kind, and volunteer contributions.

In terms of board structure, each of the three member classes (users, worker/clients, supporting/community members) in a solidarity co-op gets one board member. Thus, the board of a care clinic might include a caregiver, a care recipient, and a donor or volunteer.

External (i.e., non-member) directors are possible but not to exceed one-third of the board seats. Unlike in Italy and France, public bodies are not a membership category.

The category of *supporting/community member* is a distinctive feature of these organizations, allowing anyone with an economic, social or cultural interest to participate in governance. It is likely that this structure encourages the forming of networks with other socially-oriented organizations.

Apex Organizations

Successful cooperative ecosystems typically rely on business networks—sometimes called consortia or apex organizations—which can speak with a single voice in negotiations with government.

In Quebec, the Chantier de l'économie sociale is the notable example of such a network of networks, supplying enabling services (finance, training, business services, research).

Co-op Financing/Social Finance

Quebec's social economy owes part of its success to the creation of several organizations whose focus is **social finance**—a category of funding which resembles what we in the U.S. might call impact investing or catalytic capital.

The [Fiducie Trust](#) of the Chantier makes 15-year patient capital investments in social economy enterprises to help cover their operations and real estate investments. It pays 6% to its shareholders which include the labor funds and other investors who otherwise would not have a way to invest in this sector.

The [Réseau d'investissement social du Québec \(RISQ\)](#) is a non-profit venture capital fund dedicated to social economy enterprises. Its mission is to provide access to financing adapted to the reality of community enterprises and to support their growth from start-up, expansion to maturity. RISQ supports innovative projects

that promote social action and structure across communities in all regions of Quebec.

Since 2000, the [Fond D'action Quebecois \(FAQDD\)](#) has managed more than \$127 million entrusted by various public and private partners. This funding has supported more than 2,760 projects led by 4,500 companies and organizations in all regions of Quebec.

Technical Assistance

Nationally, technical assistance is available to co-ops via [CoopZone](#), a national network of co-op developers operated by the Canadian Worker Cooperative Federation.

Regionally, the Quebecois co-op ecosystem offers four sources for technical assistance:

- CLDs (local co-op development centers, approximately 120)
- CDRs (regional development centers like the [Cooperative de développement regional du Quebec](#) or CDRQ)
- Sectoral federations (i.e., by industry)—for example, the Quebec Federation of Health Cooperatives (FQCS) supports 44 health co-ops across the province, while the Quebec Council of Adapted Enterprises (CQEA) supports 36 co-ops and non-profits providing employment to disabled workers. The publicly financed Cooperative of Ambulance Technicians (CTAQ) is a federation of ambulance co-ops with approximately 350 unionized worker-owners, mostly paramedics.
- Private consultants

Co-op Federations

- The [Reseau](#), a federation for worker co-ops in Quebec operating as a regional development center.
- The [Cooperative de développement regional du Quebec](#) (CDRQ)

Some Characteristics of Solidarity Co-ops

The multi-stakeholder nature of social co-ops aims to build up stakeholder involvement. Thus they tend to be successful at the goal of cohesiveness, given their dual mandate as both associations and enterprises.

Related to this is a potential issue in any multistakeholder co-op, i.e., balancing interests, such as between workers and consumers. Interestingly, dynamics between member classes can sometimes also be a spur to innovation.

It has been noted that despite their larger owner pool, solidarity co-ops often do not yet take advantage of their potential capitalization opportunities.

A question which sometimes arises is whether solidarity co-ops are truly part of the solidarity economy, given that their corporate requirements do not typically mention a larger social or economic agenda. A related issue is racial equity, especially for Quebec's non-white immigrant communities.

Two Particular Sectors

Healthcare

Today Quebec is home to over 60% of all Canadian healthcare co-ops and approximately one-third of all co-ops in the country. Healthcare co-ops typically have the biggest memberships, followed by housing co-ops, and then worker co-ops.

As noted earlier, almost all healthcare co-ops in Quebec are solidarity co-ops. The [Quebec Federation of Health Cooperatives](#) (FQCS) links 44 health co-ops across the province. The organization serving healthcare co-ops across Canada is the [Healthcare Cooperatives Federation of Canada](#).

Homecare/Elder Care

In this sector, the enterprises are a mix of non-profits and solidarity co-ops. Over 11% of all Canadians are involved in the provision of elder care, primarily women, including extended family and friends.

Since 1997, the government of Quebec has provided state support for developing homecare co-ops. The most common services are related to housing, then assisted living and home care.

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⁵ Robinson Tony and Minsun Ji M. 2022. *Sustainable, Smart and Solidary Seoul*. Springer, p. 142/

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⁹ <https://easylaw.go.kr/CSP/CnpClsMain.laf?popMenu=ov&csmSeq=652&ccfNo=5&cciNo=2&cnpClsNo=1>

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¹¹ https://www.socialenterprise.or.kr/social/ente/company.do?m_cd=D003

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Policy Considerations

MO MANKLANG | U.S. Federation of Worker Cooperatives

As we see in movements around the world, including Italy, South Korea, and Quebec, public support from the national government has been essential to the development of a robust and lasting ecosystem of cooperatives.

Time after time, we also see cooperatives develop in the most urgent of circumstances, proving that they serve communities with good jobs, resilient businesses, and strong commitment to community. *Social cooperatives, while they are a new legal concept to the United States, are nothing truly new, as this report reveals.*



Four main supports are needed in order to socialize and legitimize cooperatives in the United States - **education, outreach, regulatory review, and financing**. While social cooperatives can be jump started through any of these avenues, ensuring a strategic, well-rounded set of supports **education** is perhaps the single greatest challenge for cooperative formation in the U.S. Cooperatives have a long history in the nation, dating all the way back to Benjamin Franklin who established the Philadelphia Contributionship of the Insurance of Houses from Loss by Fire in 1752.¹

While about one third of Americans belong to a credit union, most do not associate that membership with the word “cooperative.”² For decades, organizations like the National Cooperative Business Association (NCBA CLUSA), the U.S. Federation of Worker Cooperatives (USFWC), and America’s credit unions have dedicated

resources to waving the flag for cooperatives, educating both the general public and governments of every level. Still, the vast majority of Congress remains unfamiliar with cooperatives.

However, once the case is made, we typically see bipartisan support for cooperative models. Social cooperatives in particular provide a solution to a variety of community challenges, housed in a privately held legal form that still, at its core, serves a broad base of members. Education regarding the proven benefits of social co-ops on the global stage can be the fulcrum through which cooperatives are launched into wider support. Studying the opportunity to create multi-stakeholder social cooperatives provides a widely attractive solution for regulators and legislators on both sides of the aisle.

Paired with a full-throated **outreach** approach, social cooperatives can provide a much-needed solution for Americans. As the “silver tsunami” continues to roll over our small business sector, business owners will have a hard choice to make: to close their business; to sell it to another owner or business, typically a much-larger business headquartered in a different geography or selling to their workers through conversion to a worker-owned option.³

An estimated one-third of small businesses do not have a succession plan.⁴ In this context, a simple awareness of opportunities to transfer the ownership of traditional businesses into community hands through cooperative models can mean the difference between industry monopolies and strong local economies. Additionally, ensuring that there is a wide range of service providers and financial institutions that are able to support these businesses is necessary for the survival of these businesses.

While education and outreach are important, parity with other organizational models is key. The regulatory environment for cooperatives in the U.S. needs deep review and consideration. **Reviewing business and nonprofit regulations** that would govern social cooperatives will determine whether the model can survive. During the COVID-19 pandemic, advocates fought to ensure inclusion of

cooperatives in the business support measures.⁵ Many cooperatives only survived through the expertise of a handful of Department staff who understood the structure of the business model. Social cooperatives by their nature hold the concerns of workers as well as the community. The same reasons the U.S. gives preference to 501(c)3 nonprofits, women- minority- and veteran- owned businesses should also apply to social cooperatives because of their wide range of stakeholders and concentration on social services.⁶ What is needed is a review of the regulatory environment for coo-ops with an eye toward this new model as well as the common challenges that face the current array of cooperative businesses in the country.

As with any business, appropriate **financing** must be readily available. Most businesses in the U.S. receive some sort of grant or loan financing in order to cover startup costs and help the business to stabilize. Even after years of advocacy, national financing options remain unrealistic for cooperatives to access.⁷ As is covered throughout this report, social cooperatives that benefit from startup, transition, and workforce development support eventually lead toward independence from public funding. Cases from countries such as Italy and Korea prove that it is possible and logical for social cooperatives to chart a course toward stability with the proper support.

Recent years lead us to believe that the time is ripe for social cooperatives in the United States. Since the passage of the Main Street Employee Ownership Act in 2018, worker ownership has garnered slow but growing support within the federal government.⁸ Bipartisan support led to easier conversations with legislators regardless of geography and political alignment, which have been leveraged toward broader interest in the topic. Most recently, the White House held its first convening on Worker Ownership in July 2024, bringing together experts from across the country to discuss opportunities to grow the field through federal support. Though direct benefit has yet to be seen from the passage of the Main Street Employee Ownership Act, the momentum gained from this win has led to additional wins such as the WORK Act, which created the Division of Employee Ownership within the Department of Labor as well as inclusion in the CHIPS and

Science Act, which led to support of the Industrial Commons campus, also described in this report.⁹ The ongoing successes resulting from the USDA's Cooperative Services—especially the Rural Cooperative Business Grant—add to the argument that investment in cooperatives is both a beneficial and effective use of public funds.¹⁰ There has not been a time in recent history where cooperatives have been discussed as often as a solution to the social and economic issues that face the nation; the opportunity for a strategic effort to introduce social cooperatives is ripe.

Throughout the examples of successful social cooperative ecosystems throughout the global economy, it is clear there are a few tactics that should be examined and utilized.

Research and development through pilot projects and international tours can help people to quickly internalize the power and promise of social co-ops in a U.S. context. Programs such as the Regional Innovation Engines¹¹ and Tech Hub¹² programs that have recently rolled out indicate strong support for locally-based strategies with a variety of stakeholders. These grants depend on a tiered approach to grant-making: initial funding to bring together stakeholders to strategize around the idea, and subsequent funding to implement those strategies. A similar approach can be taken with social cooperatives, using the same framework to develop multi-stakeholder cooperatives that serve the public good.

Integration and coordination across federal departments will help social co-ops to develop more efficiently and quickly. As of 2025, there are “in-house” efforts with a cooperative focus within the U.S. Department of Agriculture, the Department of Labor, the U.S. Treasury, and the Economic Development Administration. This variety of touchpoints can provide the context needed to ensure that social co-ops are unified with other cooperative efforts in the U.S. and also expedite their expansion by leaning on the expertise of career government workers with deep familiarity with co-op models. The [Interagency Working Group](#), convened by the USDA, and the [Congressional Cooperative Business Caucus](#) that NCBA CLUSA brings together are prime venues for a shared knowledge base and a unification of efforts.

As social cooperatives are built up, verifying that these organizations adhere to the principles integral to the model is key. Leaders in the field like NCBA CLUSA and the USFWC can take their cues from [FINRA](#), the largest independent regulator for all securities firms doing business in the United States. Having an entity that is closer to subject matter can ensure integrity separate from government regulation. It is clear that statutes that were created decades ago can inhibit the growth of cooperatives at the state level. Thus using a private regulation model through trade associations that represent the majority of the sector can help to ensure validity and social purpose. New York State is beginning to utilize such a model through its Office of Cannabis Management¹³, verifying worker cooperatives through the USFWC.

The opportunity to leverage the political moment should not be ignored. With a growing focus on business opportunity and entrepreneurship, the necessity for social cooperatives is clear. This solution addresses both the need for good jobs and resilient workplaces, as well as the need for strong community ties and values-driven business.

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Federal Support and Collaboration

KENT FORDE | U.S. Public Health Service

While social cooperatives are not yet a recognized legal/regulatory category in the U.S., they can benefit from the mix of legislation and advocacy already underway at the federal level.

We should first note that social cooperatives differ from other types of cooperatives in having an explicit social purpose. In many ways, they resemble nonprofits more than conventional businesses. Thus, they act from a shared concern for community well-being as well as for democratic workplaces and dignified labor at a just wage.

Research comparing community engagement levels for coop members versus employees of nonprofit organizations indicates that coop members are typically more engaged than their peers in the non-profit sector. Other findings show that cooperatives, including social cooperatives, fill the gap to meet unmet needs where the market, community businesses, service organizations, and public policies had not fully met a community's need.

The quintessential example of a widescale need being met with a cooperative solution is the [electrification of America](#). This is a story in which federal support for cooperatives was critical, although delayed for many years. As late as the mid-1930s, nine out of ten rural homes were without electric service. In 1936, the Rural Electrification Act became law and allowed the federal government to offer low-cost loans to create cooperatives to bring electricity to rural America. By 1953, over 90 percent of U.S. farms had electricity. *That scale of impact can be delivered once again at the federal level, but it will require the right cooperative solutions applied to the right challenges by the right partners working collaboratively.*

Cooperatives, by their nature and history, are dependent on support and collaboration. The U.S. federal government has had and continues to have a critical role to play in supporting cooperatives. To optimally foster federal support and collaboration into the future, cooperatives should have a sound foundation and align with a larger movement and/or goal. Fortunately for cooperatives, that sound

foundation has already been established in its core values and principles. Thus, we may hope a larger cooperative movement nationwide will be arriving in 2025.

Cooperatives, according to the [International Cooperative Alliance](#), operate on a set of universally and globally accepted values and principles. The latter create the framework that allow cooperatives to thrive.

More specifically, the cooperative values are equality, equity, solidarity, self-help, self-responsibility, and democracy. The seven universal cooperative principles are:

- 1) Voluntary And Open Membership**
- 2) Democratic Member Control**
- 3) Member Economic Participation**
- 4) Autonomy And Independence**
- 5) Education, Training, And Information**
- 6) Cooperation Among Cooperatives**
- 7) Concern For Community**

The cooperative model core values and principles are unequivocal in its strength and scalability.

Another boost to the coop movement is the U.N.'s declaration of the year 2025 as the [International Year of Cooperatives](#) with the theme "Cooperatives Build a Better World." One of the key objectives of this U.N. 2025 declaration is: "Governments creating an enabling environment for cooperatives."

But, of course, communities are key to this collaboration being successful. Therefore, to the degree to which the cooperative movements aligns with federal programs is the degree to which a reciprocal level of federal support can be realized. These efforts may be initiated by either or both federal or other community champions. The case to be made is that support for cooperatives amounts to support for communities in need, which is typically how cooperatives arise.

The U.S. Congress can and must be a partner in advancing cooperatives as solutions to community challenges. And in fact a vehicle for congressional cooperative action exists in the form of a bipartisan [Congressional Cooperative Business Caucus](#) working to develop and inform cooperative initiatives at the federal level. A key partner in this congressional project is the National Cooperative Business



Association ([NCBA/CLUSA](#)), created in 1916, which plays an advocacy role to inform and also to recruit new Congressional Caucus members.

In order to bring the level of federal support and collaborative energy seen in the historic electrification program into a modern-day context, NCBA/CLUSA and other coop organizations supported a 2014 Farm Bill that authorized the U.S. Department of Agriculture (USDA) Secretary to ***“chair an interagency working group to foster cooperative development and ensure coordination with federal agencies...”*** 7 U.S.C. section 1932(e)(12).

This [Interagency Working Group on Cooperative Development](#), led by USDA Rural Development, is currently a center of federal activity and collaboration around cooperatives. Recent topics explored and discussed by this work group include: cooperative housing, child care, environmental concerns, equitable ecosystems, food cooperatives, and cooperatives after incarceration. Other important cooperative workgroup partners are found at the [Federal, Tribal, State-Local, and Private](#) levels.

Another signature USDA Rural Development program is the [Rural Cooperative Development Grant program](#). This program improves the economic situation in rural America by helping individuals and businesses start, expand or improve rural cooperatives and other mutually-owned businesses through Cooperative Development Centers.

In addition to these targeted cooperative development efforts, the USDA also supports the cooperative ecosystem through the National Institute of Food and Agriculture (NIFA). NIFA partners to support the

nationwide program called the [Cooperative Extension System \(CES\)](#) via the annual disbursement of federally appropriated formula grants to CES stakeholders.

The CES has a wide reach through its offices in or near most of the nation's approximately 3,000 counties. NIFA and the entire CES enterprise, composed of both universities and local cooperative extension offices, provide research-based information to a wide variety of stakeholders. To fully optimize and advance cooperatives as solutions to community challenges every partnership must be fully engaged and folded into the cooperative continuum. The NIFA and the entire CES fits in the cooperative continuum.

Relatedly, in 2024, the Agency for Healthcare Research and Quality (AHRQ) at the U.S. Department of Health and Human Services (HHS) announced a Notice of Funding Opportunity (NOFO) to establish state-based [Healthcare Extension Cooperatives](#). AHRQ plans to award grants of up to \$25 million each over five years to 15 state-based Healthcare Extension Cooperatives in 2025. The Healthcare Extension Cooperatives are designed to reduce the time between evidence development and utilizing it in clinical practice. In addition, AHRQ will award funds to both provide technical assistance and separately to conduct an in-depth evaluation of this program.

Thus HHS has acknowledged that cooperatives offer models of care that should be supported and significant investments are being made. This particular investment will speed the more widespread sharing of patient-centered outcomes research (PCOR) into health care delivery, including care provided by federal health entities. These lessons will be used to improve health policy, payment, and aim to reduce health care disparities, especially focusing on medically vulnerable patients.

Incubating more home care cooperatives for the growing elderly population is an emerging necessity in our healthcare landscape. In health care systems, quality of care is dependent upon job stability and a trusting relationship between the health provider and the care recipient. Cooperatives have a role to play here as being places where data show both [stability](#) and [trust](#) are more commonplace.

The Homecare Cooperative Initiative is supported by a number of stakeholders, including USDA, and provides home care cooperative development opportunities and enhances the environment for home care member-owners. (This initiative hosts an annual [Home Care Cooperative Conference](#)—see their website).

Unfortunately, there are significant challenges in home care, specifically for the elderly living at home. The home care field demonstrates an annual caregiver turnover rate of 79%. However, home care offered through home care worker cooperatives often makes a steady, encouraging atmosphere. According to a 2023 [survey](#) data collected by [The ICA Group](#), the home care cooperatives reported a 30% annual turnover rate and an increase of hourly pay of \$1.20 over other, non-cooperative, home care agencies.

Another conjoined effort at the federal level is by the Department of Labor (DOL). In 2023, DOL launched an initiative, the [Employee Benefits Security Administration \(ESBA\)](#), to promote worker-owned businesses, increase workplace democracy, and improve the bottom line for many Americans. The initiative specifically includes cooperatives by its design, but also by its choice in leadership.

Hilary Abell, the DOL appointed leader of this division overseeing this Initiative, has an extensive background in employee ownership. She also co-founded [Project Equity](#), was a worker-owner at [Equal Exchange](#), served as a member of the Worker Owned Recovery California Coalition, was a fellow of the Rutgers Institute for the Study of Employee Ownership and Profit Sharing, and a board member of Carolina Common Enterprise.

The U.S. Department of Veterans Affairs (VA) is dedicated to ending the experience of homelessness for its Veterans. In 2008, the VA started a program that continues through [called the Supportive Services for Veteran Families \(SSVF\)](#) program. The SSVF awards funding to selected private non-profit organizations and consumer cooperatives that assist very low-income veteran families residing in or transitioning to permanent housing.

Those organizations or cooperatives provide a range of supportive services to eligible veteran families that are designed to promote housing stability. According to the list of SSVF grantees over the years, there have only been a few cooperatives that have successfully been funded in this area. Therefore, this is an area in which many more cooperatives, with the proper technical assistance, could be more competitive in the SSVF grant competition. This would allow cooperatives nationwide to be more directly joined in the VA's mission to prevent and end veteran homelessness.

But we need not only look at federal U.S. domestic programs for insights to cooperative support and collaborations. For about two decades now, the U.S. Agency for International Development (USAID) has supported cooperatives in their [Cooperative Development Program](#). This cooperative investment spans the spectrum from rural credit cooperative development funds and other financial institutional support to specific commodity enhancement of crops like cashews and coffee.

This domestic and international experience of federal support and collaboration can inform cooperative development into the future, including the promising area of social cooperatives.

Social Franchising as a Model for Scaling

MARU BAUTISTA | Cooperative Development Consultant

What Is Social Franchising?



Social franchising is the application of commercial franchising methods to achieve socially beneficial results. It is used globally to increase access to products and services across a range of socially oriented industries, including education, health, agriculture, water, sanitation, and clean energy.¹

In commercial franchising, a franchisor licenses various elements of their business, for example: their business brand, industry know-how, technology, specialized training programs, etc. Franchising is usually a revenue generating strategy for established businesses, and an avenue for entrepreneurs to start their own businesses. In the United States, social franchising efforts are utilizing and complying with commercial franchising laws and regulations.

Commercial franchising is regulated through Franchise Laws, at the federal and state level, and it has become a highly regulated field. One of the reasons for this

level of regulation is because franchise systems have a great deal of control over franchisees.

A franchisor:

- 1) Owns the trademark
- 2) Develops guidelines and requirements to ensure franchisees look and feel the same as the original one
- 3) Requires ongoing payment for being part of the system.

Franchising is a popular business model in the United States. A franchisor offers a brand, a proven business model, tools and technical support, and even lower operational costs because of the economies of scale it creates. First time entrepreneurs are given some assurances that the purchase of a franchise will offer a path towards a successful and profitable business.

While existing rules dictate how a franchisor must stay in compliance, such as drafting and publishing a franchise disclosure document, or conducting yearly audits, there are possibilities of adapting commercial franchising to center social benefits and cooperation vs. profit.

Why Consider Franchising as a Model for Scaling Social Cooperatives?

Startup cooperatives have a long road to sustainability. Each cooperative faces important challenges: accessing patient capital, finding the right technical assistance for business planning, and finding support in building a healthy ownership structure over time to name a few. In addition, cooperators who are first time entrepreneurs and who have experienced the economic disparities of racial capitalism tend to use the cooperative model as a tool for wealth building and centering their voices.

This context means that in order to be successful in their business, they need ongoing support. This type of technical assistance and access to friendly capital, while growing across the country, is still not enough to address the needs of individual cooperatives. On the other hand, cooperatives that have reached

sustainability and are seeking to expand their model or their business are already testing various options for scale.

The social franchising model could be applicable for startup co-ops and for co-ops seeking to expand, because it offers structured ways to collaborate and share business practices that have been proven to work. In both of these cases, building the right infrastructure to support their systems and sharing resources could provide the know-how, the stability, and the opportunity to grow.

Franchising can be beneficial when the goals for scale are social, such as offering more opportunities for community members to own their business or increasing the accessibility of services or products in disadvantaged communities. For example, a system could do industry research, develop business models, and offer technical assistance in order to ease the startup phase of social cooperatives. A franchise system could pool resources to strengthen and make a brand more visible across cities while sharing marketing tools and materials. A strong system could offer ongoing industry training to all franchisees and provide spaces to share best practices across cooperatives.

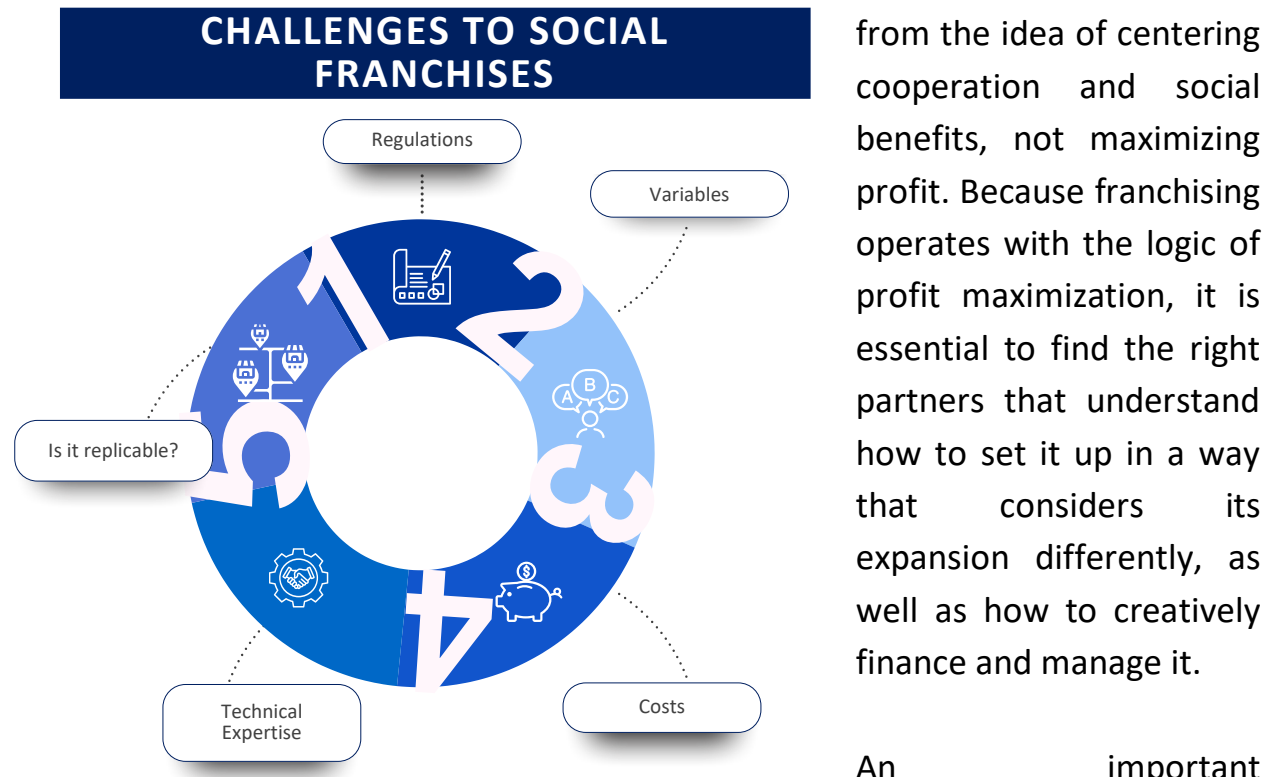
A social franchise could provide clarity in roles and responsibilities across all stakeholders. An entity—which could be a cooperative of cooperatives—could become the franchisor and utilize the franchise systems to outline how the relationship would work. In essence, it could incorporate the role of the cooperative developer, but provide more clarity about the scope and limitations of their work. In addition, in a franchise system, any learnings that come from individual cooperatives could be more easily implemented for everyone to benefit. In this way, a franchise system could be more responsive to the needs of individual cooperatives.

What Are Some Challenges of This Model?

This is a highly regulated field, and there are many requirements to set it up a franchise, which makes it costly. There are thirteen registering states in the

country, which means that if one is setting up a franchise in those states, one has to comply with all the rules and regulations, including conducting and submitting yearly audits to the state.

Setting up a franchise requires technical expertise—which exists but needs to start



from the idea of centering cooperation and social benefits, not maximizing profit. Because franchising operates with the logic of profit maximization, it is essential to find the right partners that understand how to set it up in a way that considers its expansion differently, as well as how to creatively finance and manage it.

An important consideration is identifying what is replicable. When there is an existing business model that is ready to be replicated and there is enough capital to expand, then the time and steps to set up a franchise are relatively simple.

A very simplified version of the steps is as follows:

- ⇒ Systematize business operations and turn them into an Operations Manual
- ⇒ Work with lawyers to write up a Franchise Disclosure Document
- ⇒ Register with the applicable agencies
- ⇒ Hire a team to manage the franchise
- ⇒ Start attracting potential franchisee partners.

This process could be challenging when thinking about social franchising as a tool for expansion when there aren't clear elements to replicate in a business, or those wishing to scale don't have the right industry experience to build on. Some have tried starting a franchise system from scratch, building a business and a strong brand to scale up while developing the franchise tools and systems, all while pacing the expansion of new franchisees with their growing needs.

In this example, there are a lot of variables, and this is a tough balance to strike, which is why it is important to have clarity about what is being replicated and why and to truly consider why a franchise model could be helpful in reaching those goals.

Final Thoughts

We should interrogate the goals of expanding a cooperative business and the available resources to do it well. While commercial franchising provides the right tools to scale up, the costs of setting it up and maintaining the system can be overwhelming at the start. An alternative could be to start licensing the strongest elements of a business model, while developing additional infrastructure to support the start or growth of new social cooperatives. Licensing is easier and less costly to set up and maintain, and the terms of use can typically be more flexible. A franchise could be set up after a license is in place, after tools are developed and tested, and the system has a better understanding of how to address the needs of social cooperatives.

Further Reading

For detailed information on these models, please read: [Expanding Your Worker Cooperative Business: A Guide to Licensing & Franchising](#).

¹ [“Social Franchising.” MSA Worldwide](#). Accessed at <https://msaworldwide.com/about-franchising/social-franchising-main>

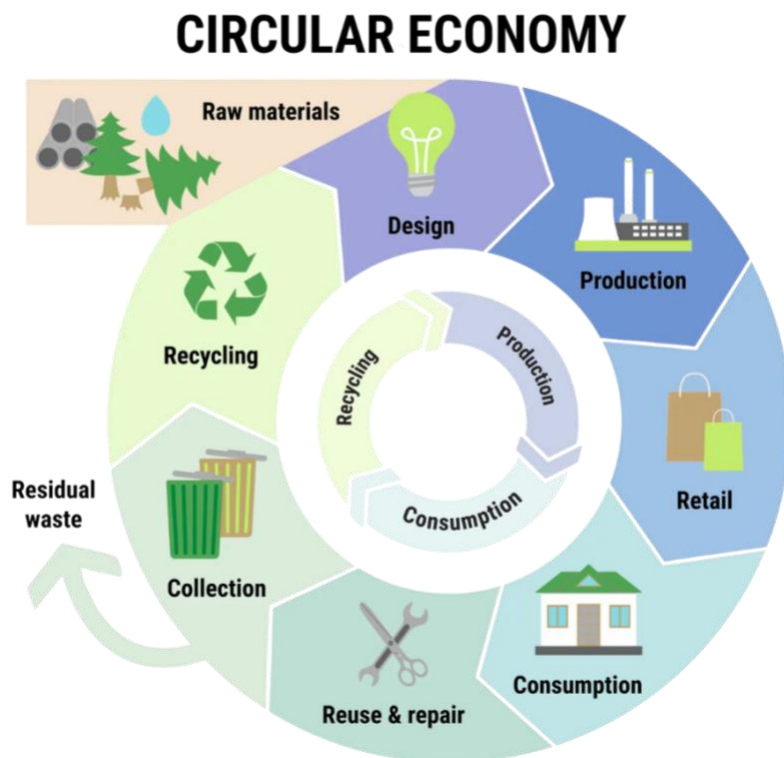
Cooperative Ecosystem Development

SARA CHESTER, AMY VAUGHAN, AND AARON DAWSON | The Industrial Commons

The Industrial Commons (TIC), based in Morganton, North Carolina, is an innovative organization combining non-profit work with for-profit cooperatives.

TIC uses an “ecosystem’ approach: a tangible, deliberate, thoughtful, and integrated system of policies, practices, and institutions that convene for the support and development of enterprises that are owned, controlled, and accountable to members of the community in which they exist.”¹

With a mission to rebuild a diverse working class based on rooted wealth, their work is founded in pragmatic problem-solving. Molly Hemstreet, a native of the area, became interested in starting a worker-owned cooperative with a group of Mayan leaders who had been part of a recent labor campaign at a local chicken processing plant. She realized she could leverage the assets of the longstanding

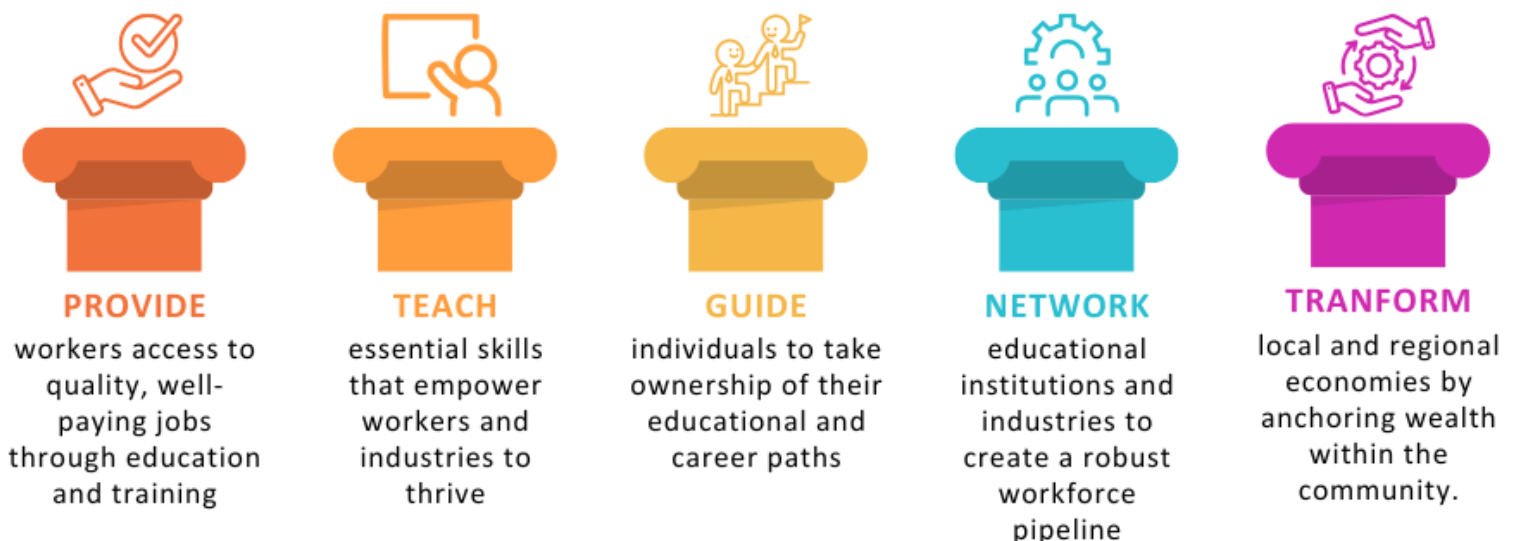


regional textile supply chain to start a cut-and-sew factory. Hemstreet reached out to the local economic development agency for assistance and met Sara Chester, also from Moganton, and their visionary partnership gave birth to the Carolina Textile District in 2012. They established The Industrial Commons in 2015, whose creative work is shaping the [circular economy](#) in the US textile industry.²

Setting the organization up as an ecosystem supported a development philosophy that, in the words of its local leaders, “uses cooperative principles to harness the participatory power of communities to solve their own problems and to build an economy and equitable social fabric that breaks the cycle of generational poverty and marginalization.”³

The TIC ecosystem is at the intersection of traditional, established institutions and the working-class people who make up the majority of the local population. To manage the deep-rooted nature of systemic problems, *“TIC supports a wide range of interconnected programs, which... build on the assets of the western North Carolina region and bring workers, manufacturers, and community members together to find solutions that not only make sense economically, but that steward the natural beauty of the region and benefit its people.”*⁴ These robust, interconnected programs are built by those from the community and use metrics to measure and strengthen, ensuring real impact is being made in the region.

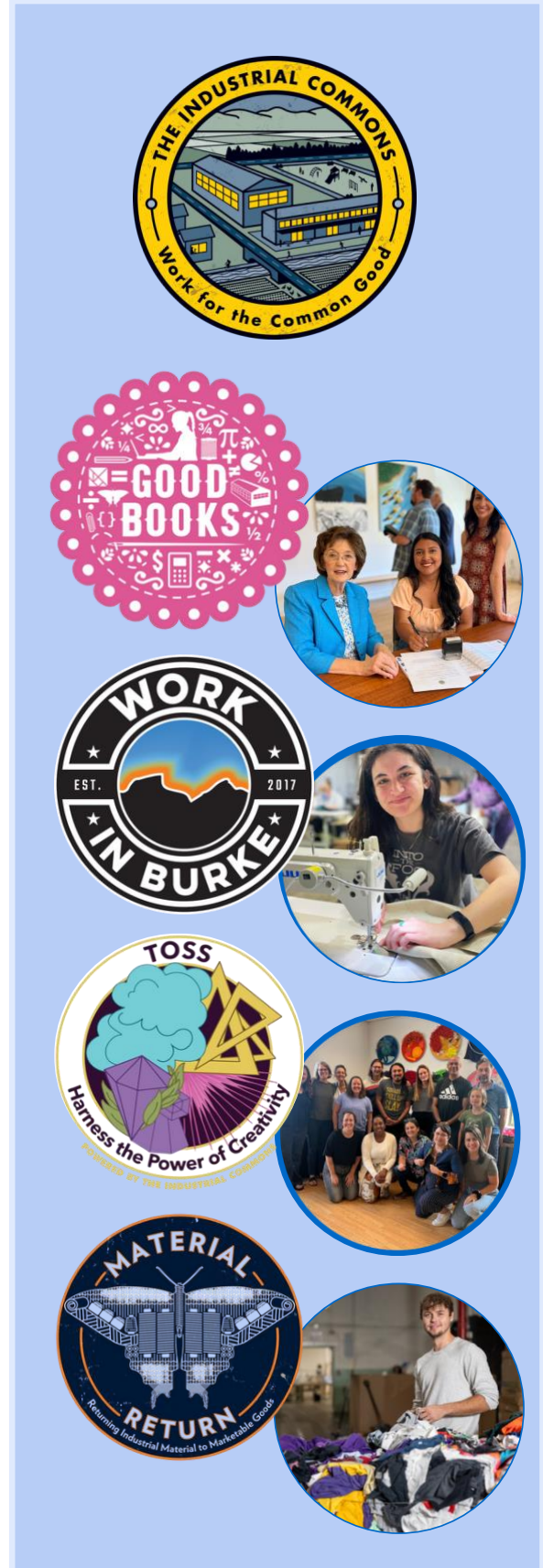
TIC has created a “Rural Wealth Blueprint,” with the idea that their model could be translated to other rural communities providing a roadmap for rural leaders and changemakers to re-write the narrative of rural, generational poverty in their own regions - based on their own regional assets; it is comprised of five pillars:



These pillars help guide their four fields of work: Business Development, Workforce Development, Network Development, and Community Engagement.

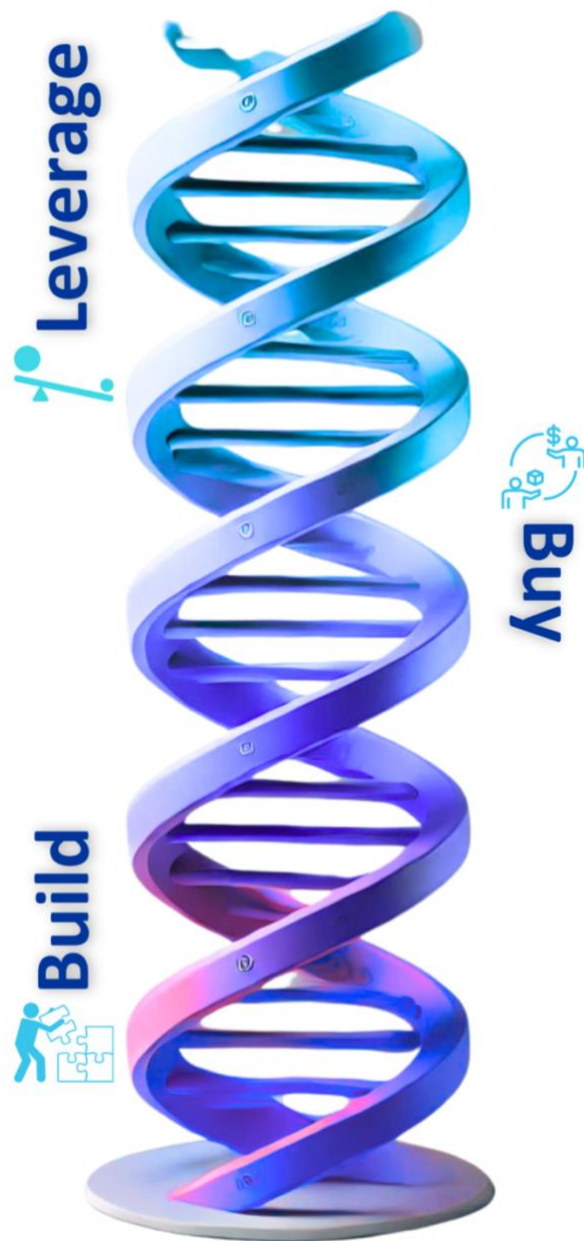
They create replicable, asset-driven models offering opportunities in their community and others like it by building relationships among stakeholders. Based on Paulo Freire's Theory of Popular Education, their model involves stakeholders in identifying problems, learning by doing, and collectively solving problems. The methodology states that the people closest to the problem have the solution and their collaborative engagement reveals these solutions. Freire's work, originally in adult literacy, has been adapted to help communities solve problems by *"link[ing] knowledge to action so that [people] actively work to change their societies at a local level and beyond."*⁵⁴ The programs and projects are measured and strengthened through metrics and data. TIC's careful cultivation of the ecosystem's purpose guides their work and guarantees focus on the community's needs, not unwanted distractions.

What follows are three "key learnings" that leaders at TIC have gleaned over the past ten years of working in a Southern rural context. These discoveries intersect with community, work, and education. They include listening and working within the community using existing resources while tracking a variety of data to ensure that programs are positively



impacting the community, as well as building systems of governance that uplift and prioritize the voices of a diverse group of frontline workers. Leaders at TIC are the first to admit that they don't have it all figured out and are still very young in their journey of building a cooperative ecosystem. In fact, you'll often hear the phrase around TIC, *"We're building the ship as we sail it."* However, in the true spirit of cooperativism, they are also generous about sharing what they have learned in their first 10 years, and these are some of those key topics.

Build, Buy, or Leverage - part of TIC's DNA



From early on leaders at TIC established clarity by documenting what they call their "DNA". They established that building participation at every level of their organization as well as giving people power and democracy throughout were elemental to their mission. They have worked to build a system that offers hospitality and open sharing, honoring everyone's stories and lifting the beauty of community diversity. Their support of financial, social, and environmental stability is truly fundamental to their work, and the **Build, Buy, or Leverage** mantra, which has guided TIC by fostering the growth of the ecosystem, is a part of that thinking.

Build, Buy, or Leverage means that TIC's response to the problems of their community is to only start something new if needed. For any new idea: a project, a new co-op, a program, or a piece of physical infrastructure, they work to determine early on if it is something that is missing in the region that TIC could

build; something that doesn't exist and TIC needs to buy; or something that has capacity in the region already that TIC can leverage. When possible, they partner and leverage the capacity and collective strength of well-established businesses and institutions. Using the Build, Buy, or Leverage mantra as a frame assists them in forging connections and building social capital to achieve community-originated goals. They have cultivated deep connections with educational partners at Western Piedmont Community College and Burke County Public Schools; local textile manufacturers such as Meridian Specialty Yarn Group and Valedese Weavers; and with community institutions like the local hospital and sheriff's department all to use assets within the community and grow the ecosystem, while increasing the diversity of voices and better understand the gaps of the system that TIC could bridge.

The Build, Buy, Leverage frame has assisted TIC with establishing businesses like Opportunity Threads, which is a cut-and-sew textile factory, and Material Return, a circular textile business that processes textile waste into usable yarn, as co-ops keeping decisions and wealth local. These two co-ops have pulled from the abundance of resources within the region - textile infrastructure and un- or under-employed workers.

The success of Build, Buy, or Leverage in Material Return emerged from the specific gap in the process (called slivering) that they were able to fill. They didn't need to re-create the entire textile supply chain, and by filling the gap, they opened up millions of dollars in market opportunity to businesses throughout the region who now have access to this innovation.

As TIC developed these cooperatives, they learned from industry leaders that more skilled sewers and manufacturing technicians were needed. The Build, Buy or Leverage mantra led to the creation of the Industrial Sewing Program held in partnership with Western Piedmont Community College. This program is a two-week boot camp designed to help local companies having trouble finding skilled workers for their textile work. TIC leveraged partnerships with industries and the local community college to develop this sewing boot camp. The community college's challenge was physical space and limited attendance, so TIC hosts the classes in their building and leverages relationships within the community to drive recruitment efforts. This boot camp provides workers with the training needed to

operate industrial sewing machines and then they are connected to an industry job with guaranteed benefits. TIC doesn't do anything in isolation.

Partnerships with allies and networking with multiple stakeholders allow TIC to hear diverse perspectives. TIC staff are given paid time to serve on other community boards allowing them to stay connected to these institutions, both influencing them and seeking partnership opportunities. These relationships ensure the strength of the ecosystem and give power - the strength comes from "being big by being small together."

Using data to empower change and connect the community to its roots

Reliance on data and metrics to guide growth is one useful practice encouraging healthy growth of the ecosystem. TIC's measurement and evaluation framework is based on the UN Sustainable Development Goals. TIC uses the data for more than grant applications and annual reports; they lean in to ask difficult questions, like, "If this isn't working, is it time to pivot?" They believe that if they aren't evaluating their success using good metrics, then they are only hoping to achieve what they aim to. There is strong value in pivoting away from what isn't working and evolving.

One example of a positive pivot for growth is the Industrial Sewing Program, originally a semester-long course held for a few hours each night over several months. After gathering input from students, industry, the community college, and CTD, the class was changed to a two-week "boot camp" with eight-hour days. Now students who are entrepreneurs, retirees, recent high school graduates, and folks looking to change careers commit to two weeks and 180 hours of instruction, driving from all over the region. On average graduates experience a \$15 increase in per-hour wages. This pivot is producing resounding successes for everyone from workers to manufacturers.

Educationally, TIC builds programs that remove barriers for learners, creating pipelines of access to diverse education models supporting learners. Opportunity Youth, young people between the ages of 16-24 who are not in school and not working, is a data point that can be tracked and also tied to bigger state or federal initiatives. For Burke County, where The Industrial Commons is located, the Opportunity Youth Rate in 2020 was 22%. When organizations connect to these bigger initiatives, it allows them to grow programs. One area within Workforce Development that benefited from a pivot because metrics and anecdotal evidence

revealed gaps was the switch from a traditional training program in OPT-IN to a case management approach. OPT-IN is an 8-week internship program for recent high school graduates that prepares them for a job in local industry. The program links interns with a volunteer community mentor and a case manager, from the TIC program Work In Burke, which teaches industry skills and soft skills needed for career success. Because of the metrics gained from prior groups in the OPT-IN program, TIC was able to change and better support student workers. The case workers and community partners could see the problems students were having immediately and worked to help remove these barriers.

By meeting learners where they are through providing inclusive instruction and utilizing innovative and collaborative learning models, TIC provides a skilled workforce to support industry and drive thoughtful innovation. These programs have many data points to help TIC decide when changes need to be made, increasing success rates.

One of the more significant epiphanies surrounding data tracking is understanding the difference between output and outcome. Output is the data from the Industrial Sewing Program - 38 graduates, but the **OUTCOME** is the increased hourly wage for someone who goes from \$10 an hour before the class to \$18 an hour after the class. For the OPT-IN program TIC is very proud of the output - to have served 57 students from 2021-2024, connecting them to quality, well-paying jobs; however, they are even more proud of the OUTCOME, reducing the Opportunity Youth Rate in Burke County by 4% to 18.2% by 2024. By focusing on both outputs and OUTCOMES, TIC ensures they produce results for the region and the entire economic system.

In its first five years, TIC focused on tracking and reporting metrics and data, but the team discovered that in addition to numbers, they needed feedback from experts in the fields who were able to give relevant anecdotal evaluations connecting to larger regional trends, so they formed a group of “Ecologists.”

Participants in the Ecologist focus group possess experiential wisdom important to the ecosystem’s development efforts. They are interviewed every six months around five key topic areas (all tied back to the UN Sustainable Development Goals) that include: Housing, Jobs, Education, Health and Well-Being, and Ecosystem Development.

Their role is to help TIC understand the current state of the region, how the region changes during the evaluation, and the impact that TIC can claim, which comes primarily from the work of the ecosystem. The qualitative evaluation will run for five years, and this type of reflection encourages not only insightful feedback but also prompts questions that help the ecosystem adjust or explore other areas. This program serves as a critical documentation of TIC's work as reflected by members of the community impacted by or observing the impact of TIC's work. It also nurtures diverse voices within the community to help TIC understand the problems facing the community and reveal the strengths of the system.

Governance and Policy - Giving the Community a Voice

The Industrial Commons' governance has evolved through the diligent growth of boards and advisory committees. The Industrial Commons ecosystem has grown out of the success of Opportunity Threads (OT), the first worker co-op that Molly Hemstreet, founder of The Industrial Commons, helped start, in 2008. Based on that success, TIC was formed as a nonprofit in 2015 as a way to grow a new model of sector- and place-based strategy for the South, one based on founding and scaling worker cooperatives in the textile industry as a way to provide good jobs for Western North Carolina and revitalize the region's once thriving textile industry but for a new, green economy. Currently, TIC has one established co-op (OT) and two incubating co-ops (Material Return and Good Books). TIC is in the process of building an umbrella governance structure that will tie together these various cooperative and non-profit structures in a way that can create both autonomy and alignment, allowing for greater communication and collaboration as the work progresses. By 2027, TIC plans to have this umbrella governance structure in place in order to connect these co-ops and organizations under one unifying but still representational structure. Currently, the incubating co-ops are organized as LLCs, which are owned by a Public Benefits Corporation, which is wholly owned by the 501(c)(3).

One important feature of TIC is its insistence that all stakeholders in the community have a seat and voice at the table. The ecosystem evolved by deliberately developing pathways for people to provide opinions in order to guide systemic growth. Nonprofits are required to have a board, but TIC has maintained as a part of their board's work to be in constant conversation with people about whether

the group is moving in the right direction, using the Rural Wealth Blueprint as a conversational guide.

Their ecosystem is a place where individuals are working together to create an economy that prioritizes not just profit but also people. The 501c3 Board of Directors has been cultivated throughout the ecosystem's growth to give stakeholders from the TIC community oversight.

They started with representatives from the textile manufacturers and business development representatives who understood the issues facing owners as well as workers. The TIC Board also consists of TIC workers, in addition to community partners, encouraging wide input from the full ecosystem. As TIC has grown, they have worked to maintain board members who reflect the diversity of the communities they touch and who share the values and mission of TIC, ensuring that TIC is fiscally and legally responsible, as well as following their vision and mission.

In order to broaden their connections and ability to listen to their community, TIC has layered advisory committees into their governance structure, supporting those efforts to lift diverse community voices. The advisory committees work with each nonprofit program in the TIC ecosystem. Programs recruit from their community advocates to guide conversations and action to meet community needs. These advisory committees are an essential support of the work because they advocate for the program in the community and larger spaces like funding or policy. TIC believes that seeing people who reflect the diversity of the community in the role of leadership is vital.

The TOSS Advisory Board, part of the Community Engagement field, demonstrated the role these committees play in advocating for clear cultural communication. For a recent mural project highlighting the Hmong community, one of the advisory committee members identified a potential cultural flashpoint around the national dress on one subject mixed with a cultural tradition from a different nationality. It could have been a significant problem, but because of the inclusion of so many knowledgeable community members, who had been encouraged and guided to openly discuss issues, the artist quickly worked with the committee and altered the mural to accurately represent the community. TIC has been described as an organization that is trying to lift the community so that all can be seen and heard,

but these advisory committees also assist the ecosystem by identifying blind spots and opportunities.

Conclusion: Success comes from Collaboration

TIC has built a successful model and is also a model that other communities can learn from, but commitment to place is paramount to vision and success. It has drawn up a strategy for rural revitalization through worker cooperatives and programs grounded in community representation, which is all based on the strengths and wisdom that come from a region.

Because of outside interest in what TIC is doing, they have created ways for others to learn about their organization and its evolution. Open Houses offer an engaging way for those interested to have the opportunity to tour facilities and ask questions directly of these visionary workers. During the 2-hour Open House, TIC explains its theory of change, describes its values, and shares the work of its ecosystem to promote democratic workplaces and a circular economy through social enterprises. The ACE Institute offers a week-long experience at TIC and allows organizations to explore their community's problems more deeply and consider creative ways to invite solutions. Leaders, staff, and workers at TIC have many insights and are eager to share them with others interested in creating their own cooperative ecosystems in their communities.

The Industrial Commons believes organizations must allow where they are to guide them and consider community needs from multiple perspectives. Using the guides of Build, Buy, or Leverage to drive the partnerships and construction of the ecosystem has resulted in positive benefits for many different sectors of the community.

Using metrics to drive outcome-based results offers a multifaceted story of success telling a more complete picture of changes within the ecosystem and the community. Crafting governance and policy that align the various enterprises and programs within the ecosystem, while empowering stakeholders to forge paths rooted in democratic participation from their base, has created a process by which the ecosystem can evolve to meet the changing needs of the community. offering transparency, flexibility, and strength to the nonprofit and co-ops.

The Industrial Commons has created an ecosystem that listens to the community, uses clear measures of progress to guide their work, gives members a voice through economic, democratic process, and encompasses workers, industry, and community - preparing all for the here and now while envisioning a brighter, more prosperous future.

¹Lund, Margaret. 2023. "A Case Study in Cooperative Innovation & Regional Self-Determination." The Industrial Commons. Accessed at

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² Image source: Mulkey, Sara. 2024. "A Circular Economy for Stretch Film: Design Out Waste." Lantech. Accessed at <https://www.lantech.com/a-circular-economy-for-stretch-film-design-out-waste/>

³ Ibid.

⁴ Ibid.

⁵ "About Paulo Freire." 2024. Freire Institute. <https://freire.org/paulo-freire>

Key Sectors in the U.S.

Home Care Cooperatives

KATRINA KAZDA | The ICA Group

Industry Context/Background

In the U.S., the term home care refers to care that is provided in the home to seniors and individuals with disabilities to enable them to live safely at home.

There are numerous levels of home-based care, based on the acuity level of the individual's needs, but generally home care focuses on companionship and supports that let people live independently such as bathing, grooming, toileting, light housekeeping, food preparation and the like. Home care services are paid for by private individuals (out of pocket), through private long term care insurance programs, and by public entities including Veterans Affairs, and Medicaid, a program funded jointly by states and the federal government, which provides health coverage to millions of low-income adults, children, pregnant women, elderly adults and people with disabilities. There are no *Federal* standards for home care worker training or certification, or for home care agency licensing. These standards, where they exist, are set by states, vary widely, and often relate only to publicly funded programs. In short, home care in the United States is a complex web with minimal standards and varied oversight.



While not intended as a comprehensive overview of the U.S. home care market, the following description lays out the essential elements a reader needs to know to understand the context in which the home care cooperative movement has grown.

Job Quality

In the United States, the alarming reality is that home care jobs are simply not desirable jobs. Nationally, the average hourly wage for home care workers is just \$16.13 with a low of \$10.80 in Louisiana and a high of \$20.19 in Washington state.

As a result, 39% of home care workers live below or near the federal poverty line and 46% rely on one or more forms of public assistance to meet their basic needs.¹ According to a study by the home care industry, 59% of home care workers reported \$0 in discretionary income and 59% have a net worth of less than \$25,000. Not surprisingly, given the United States historical systems of racism, sexism and classism, which have powered the low-wage labor market, the effects of these conditions fall primarily on women, people of color, and immigrants. In home care, *86% of the workforce are women, 63% are people of color, and 32% are immigrants.*

Further reflective of these structural conditions, home care workers were only covered by US minimum wage laws starting in 2011. Finally, a 2009 study found that 17% of home care workers earned less than minimum wage, 83% experienced overtime wage violations, and 90% worked off the clock.

Workforce Demand and the Rapidly Rising Older Population

The U.S., like many other nations across the globe, is experiencing unprecedented growth in its senior population. Over the next 25 years, the number of Americans aged 65 and older will grow dramatically from 58 million in 2022 to 82 million by 2050, at which time seniors will represent nearly 25% of the total U.S. population.² This growth, paired with cultural shifts away from institutional-based care to home and community-based care, has driven extreme growth in demand for home-based care services.

As a result, *in sheer numbers, the home care workforce is the fastest growing in the U.S;* between 2014 and 2023, the home care workforce more than doubled in size

from 1.4 million to 2.9 million workers, and between 2020 and 2030, the number of home care workers is expected to grow by 22% accounting for 1 in 6 new jobs in the US.³

This combination of unprecedented demand and poor job quality has resulted in a decade-long caregiver shortage crisis, with an estimated ten people needing home care services for every one caregiver currently in the workforce, and a majority of home care agencies turning away clients due to staffing shortages.⁴ While the last few years have seen some effort by the industry to respond to the worker shortage by making job quality improvements, efforts have fallen short, with new investments favoring technological fixes (e.g., AI, telehealth, digital therapeutics) over the known costs of direct, relationship-based care. And industry caregiver turnover is near its highest rate in a decade (79% annual).

The Role of Government & Industry in Setting Working Conditions

As the largest payer for home care services, Medicaid has an outsized influence in setting working conditions in the industry including wages, benefits and training (Medicaid pays for more than 70% of home care services in the US). Medicaid is a Federal program where each state's spending on healthcare for poor and disabled people is matched by the Federal government at a minimum of a 1:1 ratio.⁵ While Medicaid is a federal program, it is administered by states, and there is a wide variety in states' interpretation and implementation of the program.

In large part, wages and benefits for home care workers are effectively set by state lawmakers when they set the rates for Medicaid payments to home care agencies. But federal regulatory changes to the Medicaid program can dramatically impact the shape of local programs. As an example, Medicaid recently issued a Payment Adequacy Provision (also known as the 80/20 rule), requiring providers to pass 80% of Medicaid rates on to the direct care workers providing homemaker, home health, and personal care services. However, they did not increase investments. As one can see, the home care industry, and individual home care providers, are heavily impacted by both state and federal regulatory conditions and changes.

In addition, *it is important to note that home care services, unlike nursing home care or hospital services, are not an entitlement in the U.S., meaning the State has*

no legal obligation to provide services. Despite a growing societal shift away from institution-based care, and growing investment of public dollars into home-based care, public policy has not yet caught up.

Finally, while unions have played a central role in improving home care job quality, these benefits are not felt widely. More than 50% of home care workers are covered by a union contract in just four states: Washington, Oregon, California and Massachusetts, where their unions play integral roles in advocating for increased home care spending in state budgets. In all other states, a small minority of workers are covered by a union contract.⁶ Without an organized political lobby, state Departments of Health deprioritize home care relative to hospitals and nursing homes, which are better resourced and have much stronger lobbying power.

Workers Response

Workers have responded to this devastating workforce crisis in numerous ways. They have joined or formed unions and have made important gains, including coverage by minimum wage laws, and meaningful wage increases (in certain states). Efforts led by the National Domestic Workers Alliance, and their local member chapters, have passed state level policy wins and secured millions in wage theft actions.

Worker cooperatives are another emerging area where caregivers are banding together to take control of their labor. Worker-owned home care cooperatives recognize and value workers for their critical role within the healthcare system and are committed to creating high quality caregiver jobs.

The first home care cooperative in the U.S., Cooperative Home Care Associates, was launched in 1985, and today there are 22 worker-owned home care cooperatives operating across nine states, with more than a dozen home care cooperatives under development. While still an emergent field, the number of home care workers that have come together to form caregiver-owned home care cooperatives in the U.S. has more than tripled in the past ten years.



Some worker-owners of CHCA's (30 years as owners)

Cooperative ownership doesn't solve job quality disparities, but it does build a vehicle for changing the nature of work, and a platform for building the collective power needed to demand deeper systemic change.

Yet the obstacles to co-op formation remain staggeringly high in the U.S. and meaningful change is needed now to improve the lives of the nation's nearly three million working caregivers, and the millions of new caregivers needed to enter the field to meet growing demand, while longer term policy change is sought.

Here the solution is *the creation of a national secondary institution*, where individual home care cooperatives can come together to pool resources, share best practices and build political power to demand caregiver-centered policy change



longer term. The ICA Group, in partnership with the Cooperative Development Foundation, home care cooperatives, and cooperative developers from across the country, is incubating **Elevate Cooperative** to fulfill this need.

Home Care and the Social Cooperative Model

In many ways, home care cooperatives could be considered social cooperatives. Their general mission of providing quality jobs and quality care in home care is a social one, fulfilling a critical societal need (or an explicit general interest mission).

As worker cooperatives, they ensure substantial representation of worker members at every possible level of the governance structure, and all have active or past caregivers serving in managerial roles. Because of the low margins in the industry, profits are limited, and where surplus exists it is typically invested in better wages or benefits, training, or necessary business upgrades, before being distributed as patronage. Many cooperatives also leverage grant funds to support technical assistance, education and training, business development and other needs. Grant funds are sometimes used to provide subsidies for clients who do not qualify for publicly subsidized home care services but cannot afford to pay the full cost of private care. In these ways, home care cooperatives today mirror many key aspects of the social cooperative model in other countries across the globe.

Thus far, few home care cooperatives in the U.S. have been multi-stakeholder, and where they have existed, these models have not been successful. Even in multi-stakeholder cooperatives, societal structures and perceptions that deprioritize caregiver needs and investments have been difficult to overcome. Despite those challenges, interest has been growing in multi-stakeholder models in recent years, and certainly greater practice will lead to learning and improvement.

The extent to which a formal legal status for social cooperatives in the U.S could benefit home care cooperatives will depend on the specifics. A non-profit like tax treatment and greater access to grants would be a significant benefit and one that could help address (though not eliminate) the lack of public investment in home care that makes improving caregiving wages and job quality so difficult for home care cooperatives.

Greater investment in research and development of multi-stakeholder models that consider the societal inequities within which they would operate would also benefit the sector.

In the meantime, home care cooperatives serve as a living model of social cooperatives in the U.S and an example of the opportunity that exists for cooperative businesses to fulfill unmet social needs, while creating opportunity and benefits for the workers who do this critical work.

Drivers Cooperative-Colorado: A Social Cooperative for Disadvantaged Rideshare Drivers

MINSUN JI | RMEOC | Drivers Coop - CO

Rideshare drivers, most of whom are gig workers, are one of the most vulnerable social and economic classes that need to be protected and supported. The best way to protect rideshare gig drivers is through creating a cooperative, and more specifically, creating a social cooperative.

Social cooperatives share the same goal as other cooperatives, including following a principle of “one person, one vote” in their organizational governance, and adhering to a principle of solidarity wherein all individuals support one another.

While similarities are significant, the biggest difference between social cooperatives and conventional worker-owned coops lies in their purpose. While all cooperatives exist to benefit members, social cooperatives by definition also strongly emphasize the “social” purposes of the cooperative, which goes beyond the goal of benefiting members only. Social cooperatives seek to advance public good in the broader community as a core part of their organizational mission, such as by benefiting underserved communities through job creation strategies or by improving healthy food access in low-income food deserts.

In the case of the Drivers Cooperative-Colorado (DCC), the organization has many of the characteristics of a social cooperative.



Securing these benefits for rideshare drivers has been a conscious strategy by DCC to address a social ill and improve the public wealth. The root cause of exploitation of rideshare workers is an economic structure wherein large global companies (e.g., Uber) utilize platforms to extract high profits from workers who are treated as independent contractors, rather than employees with rights to a minimum wage and other fair labor standards. In this situation, most rideshare drivers receive very low pay and are subject to frequent deactivation by their platform, based on any rider complaint and without due process.

Though immigrants often face limited economic opportunities (due to such obstacles as workplace discrimination or limited English skills), the rideshare economy offers quick, accessible work and attracts many immigrant workers. Although there is no reliable count of CO rideshare driver demographics, NY, CA and WA studies have found that 85% of rideshare drivers are immigrants. The websites of Uber and Lyft also claim that many of their workers are immigrants. RMEOC's recent survey of CO rideshare drivers indicates that 70% of local rideshare drivers are immigrants from Africa, the Middle East, Asia and Latin America.

Although Uber and Lyft lure these workers with promises of workplace independence, flexible schedules and good pay, the reality is that the large commissions paid to Uber and other job costs (like gas and vehicle maintenance) mean these workers are typically lowly paid. Currently, the big platform companies operate with opaque algorithms and exploitive payment practices, generating immense profits for global shareholders. Workers have no access to the insides of these proprietary apps and have little understanding, control, or voice in how



opaque algorithms are used to tightly manage their work lives, pay low wages, and reproduce capitalist structures of oppression.

One CA survey found that 71% of app workers work 30 hours a week, and more than half work over 40 hours. Despite these long hours, as many as 20% of drivers commonly earn zero dollars a shift after expenses, and 15% are forced to rely on public assistance to get by. In Colorado, more than 10,000 rideshare drivers are working as full-time or part-time drivers but their hourly wage hovers between \$5.52 (according to a 2022 Colorado Justice report) and \$10 (according to a 2023 Colorado Fiscal Institute Report). Similarly, [a report on NY-based drivers](#) found that 1/3 are receiving SNAP benefits.



DCC was envisioned as a social benefit response to these deleterious conditions. By launching a worker-owned coop, the DCC vision was that public benefit could be achieved by securing better pay and benefits, and a more democratic workplace, for an exploited workforce.

This vision inspired the Drivers Coop in New York to launch in 2021, and the Drivers Coop-Colorado was born soon thereafter, becoming the second rideshare drivers cooperative in the nation to launch with the same goal in mind: to put low-wage rideshare drivers in to control of the app and of their own economic futures.

Showcasing another feature of a social cooperative, DCC was born out of a cooperative incubation (i.e., training and guidance) project from a nonprofit organization, the Rocky Mountain Employee Ownership Center. Seeking public benefit, RMEOC understood the difficulties that would be faced by rideshare drivers should to build a cooperative business among a traditionally marginalized population with limited business management skills.

Consequently, RMEOC took on a project of incubating the Driver's Cooperative with an explicit agenda of building both the management capacity and the solidarity

power of drivers so as to redirect technology to the benefit of average workers, not global investors.



Among many responsibilities, a fundamental role that RMEOC took on was to raise funding for the cooperative, understanding the lack of access to capital among the underserved community. RMEOC raised more than \$500,000 to launch the cooperative and begin the first on-demand

platform available in Colorado. The Coop app was officially launched in fall 2024, after two years of effort to raise seed-funding, build an app, and create the infrastructure for the cooperative. The role of RMEOC in supporting the coop at start-up and (as envisioned) over the next three years is similar to the logic of how governments in some countries—such as South Korea—provide seed funding support to public benefit social cooperatives for several years, so that desirable cooperatives can build business skills and reach stability.

A third way in which DCC serves as a social cooperative is that the organization is committed to providing underserved communities—such as elderly, disabled, and formerly incarcerated—with reliable transportation. From the start, DCC has worked with local nonprofit and governmental partners to build partnerships to provide reliable and affordable transportation to people with brain-injuries, previously incarcerated people, and low-income citizens needing election-day transportation to the polls. All of these populations face transportation deficits, and it is part of DCC's mission to fill those social gaps.

DCC aims to obtain more contracts with local government agencies, so that it can provide increased service to disabled, low income, or elderly populations. Within

this goal, DCC has provided a series of training sessions for members, teaching skills for how to reach out to various governmental and nonprofit organizations for partnerships. Already the city of Denver's Planning Department has authorized a contract to provide transportation support for low income and senior residents in the Denver metro area.

As the Denver area Regional Transportation District has given a contract to Uber for almost \$9 million a year for transporting such populations, our goal at RMEOC is to seek similar contract support from governmental sectors who can support a local cooperative while fulfilling social transportation needs.

In short, DCC is much more than a rideshare platform. Though serious challenges remain, such as revising and upgrading the functionality of its app, DCC is full of hopes to serve not only drivers but also to improve their surrounding community.

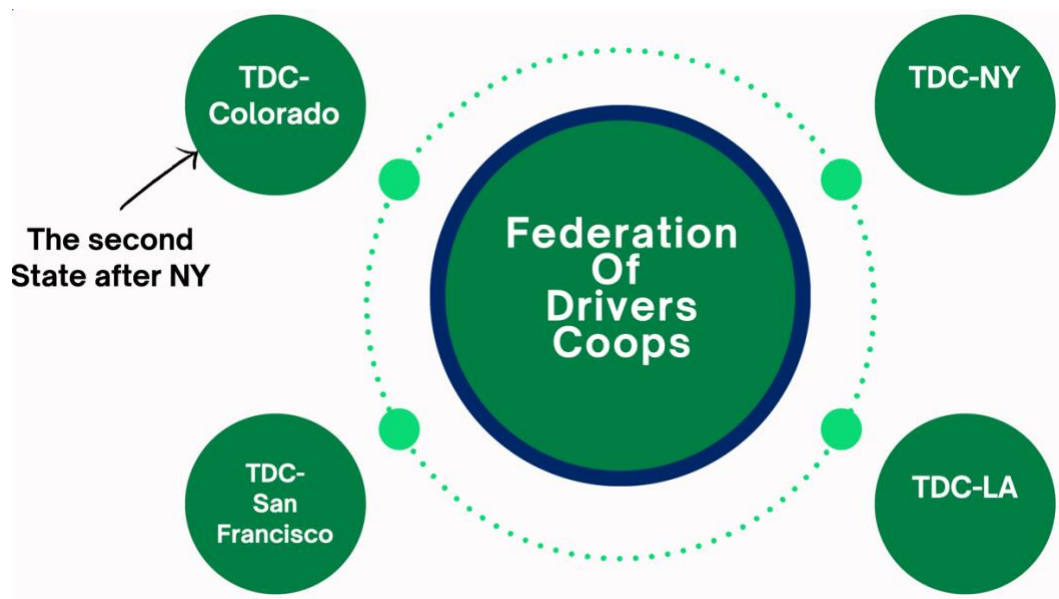
Challenges for Public Policy

Unfortunately, the US legal and political system has yet to recognize the substantial public benefits that could be achieved by formally recognizing and supporting this innovative model of social cooperatives. Although many advanced countries—such as Canada, Italy and South Korea—have established rules governing social cooperatives that pursue these kinds of goals, and have supportive policies such as preferential procurement rules, favorable taxation regimes, and dedicated grants for these cooperatives, the concept of social cooperatives has not yet been defined or formally legalized in the US.

However, this does not mean that there are no de facto social cooperatives operating in America. Already, many of newer cooperatives that have been established after the economic crisis in 2008 have several characteristics of social cooperatives, as many of these new coops were created by people of color, low income workers, or immigrants. Reflecting all of these de facto recent changes within the cooperative community, the time is ripe for the U.S. to formally recognize these hard working cooperatives for what they are: engines of public benefit and high-quality social innovation.

At this moment, rideshare drivers in multiple U.S. cities are working toward the same dream of creating and controlling their own platform through a drivers cooperative. There is a real potential and partnership opportunity among rideshare

drivers to build a nationwide federation of drivers cooperatives—united as a powerful social cooperative with national reach.



There is also a new imperative for such initiatives, given the new administration's attempts to remove DEI initiatives and eviscerate support systems for underserved communities.

State and local government leadership in recognizing social cooperatives—and supporting them with local policy and funding—can advance an increasingly powerful social movement strategy in the face of conservative political retrenchment. Public advocacy and preferential treatment for this unique business formation can create a more level playing field for marginalized communities and provide public benefits by supporting entrepreneurial self-help movements.

This effort to build social cooperatives locally, and in national federations, has begun with grass-roots community organizing, but to really go to scale, these social cooperatives need the vision and support of state and local governments.

Social cooperatives seek to become self-sustaining businesses, even while serving public purposes like increasing wage levels and filling unmet market needs of marginalized communities.

But these social cooperatives can certainly benefit from governmental support as they launch, seek start-up capital, grow to scale, and become self-sustaining. Local governments can provide that kind of support through legal recognition of the

social cooperative business form, dedicated grants, preferential procurement opportunities, contracts with public agencies to provide services, favorable tax incentives, and official proclamations of support.

Many governments do provide some of these supports to cooperatives in general, and this is a positive development when it occurs, but more could be done to specifically advance the notion of a public benefit social cooperative.

Not all coops are created equal. Some come with more resources, and some don't. Some seek to provide a public benefit as part of their core mission, while others are simply a typical business, organized in cooperative fashion. When it comes to supporting cooperatives, governments across the US should focus more on supporting those cooperatives with social purposes—so that social equity and public benefit can be advanced as an additional advantage to supporting the cooperative form.

As the current administration calls for ending DEI, eliminating affirmative action, rolling back consumer protections, and dismantling worker protections, it is time for us to create a separate category of social cooperatives as an innovative grass-roots counterweight to these negative national trends.

Entrepreneurial energy abounds in our communities, together with a natural impulse to do good and benefit one's neighbors—especially in this time of political and economic crisis. Just as RMEOC incubated the Drivers Cooperative-CO as a conscious strategy to build a self-sustaining social benefit cooperative—so is there the potential for hundreds or thousands of similar projects nationwide, with the proper recognition and support. As national opportunities for such innovative social benefit programs become foreclosed, there is no better time than now for our state and local leaders to embrace new grass-roots models.

¹ Direct Care Workers in the United States, Key Facts: 2024. PHI

² Fact Sheet: Aging in the United States. Population Reference Bureau: <https://www.prb.org/resources/fact-sheet-aging-in-the-united-states/>

³ Direct Care Workers in the United States, Key Facts: 2024. PHI

⁴ ICA Group. The client to caregiver ratio varies widely by state with some states like Florida, having ratios as high as 24 to 1; Home Care Pulse/Activated Insights: <https://activatedinsights.com/benchmarking/>

⁵ The ratio varies state by state. For up-to-date ratios see: <https://www.kff.org/>

ICA Group. The client to caregiver ratio varies widely by state with some states like Florida, having ratios as high as 24 to 1.

⁶ Without sectoral bargaining, workers in the United States can only collectively negotiate wages if a majority of workers at an individual employer vote in favor during an election administered by the Federal government.

Home Care Pulse/Activated Insights: <https://activatedinsights.com/benchmarking/>

Social Coops and the Role of Social Value Markets

JOHN RESTAKIS | Co-founder Synergia Institute

Our understanding of markets and the role they play in defining how economies operate, and who they benefit, is key to understanding how we formulate responses to the catastrophic effects of our separation of economics from social life—and its related social welfare activities—over the last several decades.



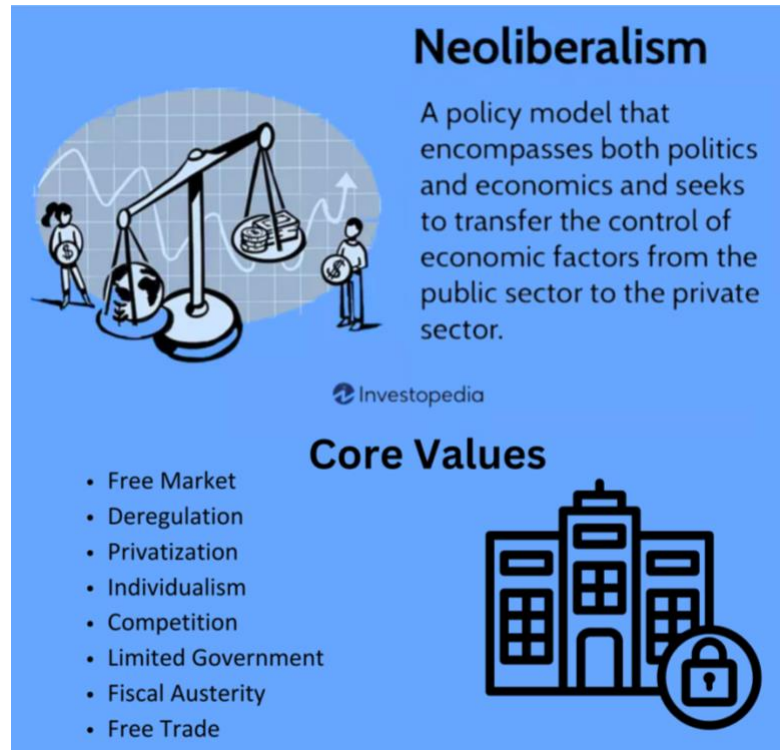
Concerns about the decline of health and social care programs have been ongoing over this period. The industrialized societies of Europe and North America were the first to institute what we recognize as the welfare state, a model of collective social welfare that soon became the gold standard for a modern democracy. However, decades of privatization and austerity have hollowed out what were once established baselines for publicly funded

health and social services. The re-election of Trump in the U.S., and the rise of similar far right political figures in Europe and elsewhere, will further undermine the social infrastructure of these societies. Already, talk of privatizing social security and Medicare in the U.S. threatens the welfare of millions.¹

Social cooperatives are part of a response by civil society when economic conditions become detrimental to everyday life. To understand their significance, we must understand the historical context in which they arose.

Beginning in Bismarck's Germany, where the first social security programs were established, up to the high point of public health and social care programs instituted by the United Kingdom (UK) and the Nordic countries in the post-war era, social welfare seemed a reliable measure of progress towards greater social and economic equity. Neoliberalism and the free market policies of the Reagan–Thatcher governments put an end to that.²

The state, once the guarantor of public health and social welfare, became the mechanism by which public programs – or more accurately, public assets built with tax money – were privatized and remade into sources of private profit. The rationale for this assault on public programs was always the same – that private markets are better suited to provide these kinds of social services than the state. This is a central tenet of neoliberal ideology and of the austerity policies that flow from it.



This view is quite simply a deceit. It misrepresents both the nature of commercial markets and the nature of social care. The systemic failures of privatized health and social care models have been apparent for decades. One need only compare the effects of market-based models of care to publicly owned systems to see the difference. In the provision of health and social care, the U.S. stands out as a classic case of massive market failure in terms of cost, in terms of coverage, and in the quality of care provided.³

However, for all the undeniable benefits that the welfare state brought to public health and welfare, it is easy to forget the deficiencies that came with it. The bureaucratization of care brought a host of new problems, pitting the inflexible

demands of centralized management systems against the individual needs – not to mention preferences - of citizens and their communities. *State welfare presupposed user anonymity, poverty, and powerlessness.* The human and social factors of care were all but erased.

Moreover, the very nature of social care makes it incompatible either with the profit motive that drives conventional markets or the centralized bureaucracies that characterize state-run systems. *Clearly, a new model of social care and an alternative understanding of markets is needed.*

Reclaiming the ‘Social’ in Social Care

By comparison with commercial goods, social care is regarded as *a relational good* – a good or a service that is embedded in an actual relationship between people. We will speak further of relational goods, but in social *care it is the quality of the relationship itself that carries value.*

Relational goods acquire value through sincerity, or genuineness – they cannot be bought or sold or merely consumed as impersonal services or commodities. The essential quality of care – its reliance on the formation of authentic caring relationships between actual people – was eclipsed by a model of centralized administration that eliminated any meaningful role for the recipients of these services. Even more insidiously, state welfare programs became a primary means of surveillance and control over a vast underclass.⁴

My argument here is that social care, and the broader social/solidarity economy, are the foundations from which a broken and unmoored society might be rebuilt to serve authentic human needs. In an age of climate breakdown and skyrocketing social insecurity, the reconstruction of social welfare is one means of building a new kind of polity – a program of social reformation and a chance at political renewal.

In short, if our societies are to survive, they must be based on what healthy societies have always been based upon: the communal bonds of reciprocity and the pre-eminence of social values over material gain.

Social co-operatives are the most promising attempt to re-humanize social care due to the way they restore the social and interpersonal relations that are its foundation.

As detailed in this report, social cooperatives emerged in Italy in the late 1970s following the deinstitutionalization of psychiatric patients and the dissatisfaction of both caregivers and families with the quality of care provided by the public system.⁵ Caregivers and families teamed up to create social care services that were owned and operated by frontline workers and the people they served.

In 1991, the Italian state stepped in to pass legislation explicitly recognizing the central role of social co-operatives in integrating and serving marginalized communities and expanding the range and quality of care available. The legislation also acknowledged the inherent alignment of purposes between the state and social co-operatives.⁶

Social co-operatives reframed the traditional social purpose of co-operatives to meet the complex demands of an industrialized society in which the old, one-size-fits-all model of care no longer worked. What began as an effort to re-humanize social care and make it more responsive to the actual needs of communities, soon transformed the social care system in Italy.

Social co-operatives began a process of democratizing public services in Italy. They have offered a social alternative to the privatization and contracting out of public services to private companies. Above all, they have shown *how democratic control and reciprocity can be the basis for a system of care that is founded on the collective production of social value* – not centralized control, or charity, or private profit. In effect, the operating principles of the social/solidarity economy have been mobilized at human scale to reconstruct the entire edifice of health and social care.⁷

Social Coops in Practice



What began as a communal effort to reform services for the most vulnerable in society has now widened to include a wide range of new services to the community as a whole. Social cooperatives provide treatment for substance users, retrain and employ ex-prisoners, provide travel and recreation services to families of disabled children, create new community services for children and families, and provide long-term care to older people.

But the model is not without its problems. Chief among these is its reliance on progressive governments and public contracts, many of which replicate the efficiency and low-cost aims of private providers.

In the system of social co-operatives described above, while the design and delivery of social care is in the hands of care workers and end users, the economic basis of the model is still rooted in the capitalist system. The payment of these services still comes from the transfer of tax monies by the state or from the payments of individual users, which are based in turn on wages earned in the wider economy. It is a form of co-operative social democracy.

Social cooperatives are dependent on public contracts, tax monies, and a market economy over which they have no control. They are vulnerable to changes in public policy, to changes in government priorities, and to the colonizing and profit-seeking aims of capital. What is needed for such a model to thrive – beyond progressive public policy – is *a complementary market that corresponds to the communal values of the social/solidarity economy, and which can support its operations.*

Needed: Social Value Markets

How might the social/solidarity economy enlarge its presence and influence to become a defining force in a new paradigm of political economy? How do social economy organizations acquire the resources and skills they need to flourish? And finally, how do they scale out and diffuse the values and practices of reciprocity and social benefit that define the aims and operations of a more humane economy?⁸

The emergence of what we may call a social value market for these purposes is essential to the new kind of economic paradigm outlined here. That is, it does not seem possible to advance a convincing theory of the social/solidarity economy without a corresponding theory of a social market that corresponds to it and provides its economic foundation. Without a social market supporting and reflecting the values and operations of the entities that comprise it, the social economy remains a vaporous and half-realized idea.

As I have stressed, the purpose of the social/solidarity economy is not primarily the production and exchange of goods and services in pursuit of private ends, or of monetary value, but rather *the creation and use of social relations that produce social value for collective ends*.

Social values are embedded in the structure of social economy organizations and a market for the creation of social value is not the same as a market for generating private wealth.

Social value is a characteristic of a vast range of human activities that enrich and give meaning to life—both personal and social – far beyond what can be captured by conventional market relations. This includes the enrichment of human experience through the creative arts, culture, recreation, craftsmanship, and nurturing relationships with others. The erasure of the social content and meaning of these practices is the loss of irreplaceable treasure, and the commodification of their social value by the logic of capital is a primary cause of the cultural and social impoverishment of contemporary society.⁹

In the social economy, the creation of a true social market is of paramount importance both for the generation and diffusion of social value, and for establishing the relative autonomy and economic independence of the social

economy itself. Without it, the social/solidarity economy will always be dependent on government or capital, and the emergence of a civil economy paradigm for society would not be possible.

What then is a social market?

Just as a commercial market makes possible the types of production and exchange relations that generate profit, a social market facilitates the creation of social relationships whose purpose is the provision of services to people.

As opposed to the production of exchangeable goods and services for commercial value, social markets sustain the production of relational goods for social value—i.e., non-material goods that are a product of the interpersonal relationships created between people.

In the area of human services, examples include social care, education, and the provision of counselling services or health care. Relational goods are produced and consumed simultaneously by those interacting in the relationship, wherein the relationship itself is the primary object and benefit. Thus, while relational goods are goods, they are not commodities.

The sale of a relational good immediately destroys its relational or social character. This implies that while they have social value, they have no market price. How then can they be valued and exchanged in a market?

What is needed are new social and economic policies that recognize and enlarge the social and mutual foundations of the social/solidarity economy. On what basis could such policies and such a market operate?

The answer lies in the institutionalization, valuation, and exchange of those socio/economic principles that lie at the heart of social economy organizations and of the social/solidarity economy as a whole—**reciprocity, mutuality, and social benefit**.

The creation of sustainable social markets entails the following:

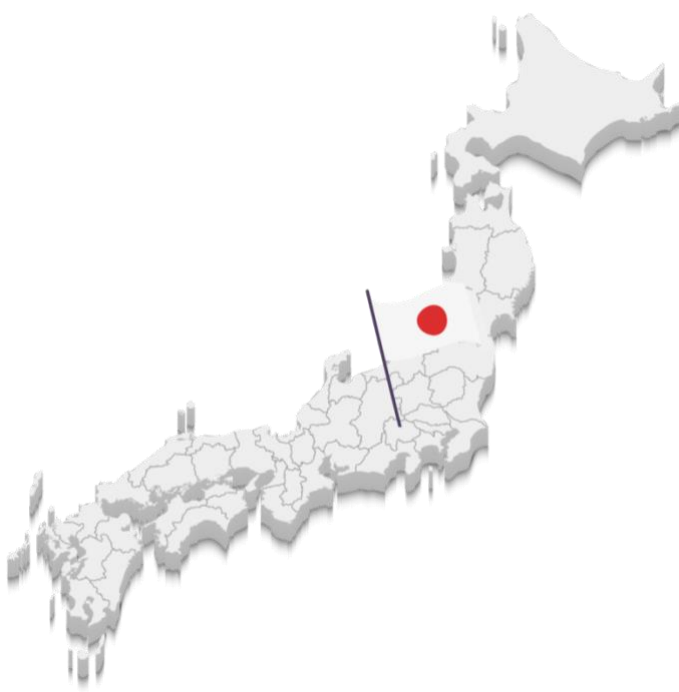
- ⇒ The ability of social economy organizations to raise capital through the issuance of social capital shares or using social currencies.

- ⇒ The development of social market exchanges that facilitate the valuation and exchange of non-commercial social goods and services.
- ⇒ The provision of social financing controlled by civil institutions independently of both the state and the private sector.
- ⇒ The operation of civil institutions for the ongoing support of research, education, training, organization, and ongoing development of social economy organizations.

Of all the challenges that impede the growth and potential of the social economy, the difficulty in accessing and controlling capital is surely the most crippling. Solving this problem is therefore essential for all types of social economy organizations, whether they operate in the field of human and social services or in the commercial economy.

There are many ways that public policy can expand the capacity of social economy organizations. Rethinking and reforming tax policy is among the most important and the most potent. One line of approach is to provide tax benefits and exemptions to investments in social economy organizations.

Case Study: Fureai Kippu (Japan)



One example of a social value market is Fureai Kippu – a reciprocity-based time banking system that was developed in 1973 in Japan to provide care for the elderly. The name Fureai Kippu literally means ‘Ticket for a Caring Relationship’ and refers to the ticket or digital credit that is earned when one volunteers one’s time helping older people.¹⁰

It is a time-banking system where members can earn time credits or points for the hours they volunteer providing physical care, home help,

personal services and emotional assistance to other care-dependent members. These credits are then registered by their co-operative and saved in their personal accounts. It works on the same principle as an air miles plan. Time credit holders can withdraw and use their credits to buy care for themselves or relatives as required.



Fureai Kippu time-banking system represented¹¹

The system is composed of a network of local cooperatives that track and then reimburse volunteer time based on these earned credits. Credits can also be sent to other locales where the services can be redeemed to serve friends or loved ones there.

According to 2012 unpublished estimates, there were 391 operating branches of Fureai Kippu across Japan at that time. Of these, 148 were run by small grassroots groups which are relatively independent. An additional eighty-four were run by local government or quasi-government bodies that are larger and date back to the 1980s and 1990s. The remaining 159 branches were run by two non-profit organizations with wider networks, including international branches, and which allow transfer of credits within their own branches. The largest Fureai Kippu organization is the non-profit Nippon Active Life Club (NALC) established in 1994

with over 30,000 members in 133 branches nationwide and two international partners.

Surveys in Japan found that most recipients preferred Fureai Kippu care providers over those paid in cash. Both the relationships and the level of care received was said to be different. According to the testimony of members, Fureai Kippu created for them a personal connection and a sense of reciprocity unmatched by traditional payment systems. When a network member provides a service, the person being cared for often becomes an extension of their family.

Fureai Kippu shows that reciprocity and mutualism can be valued in social as opposed to monetary terms. The model shows how a reciprocity-based system of community-controlled co-operatives can work with state systems to offer an alternative to the privatization of what should remain social relationships of caring. The localized control that communities can exercise over their healthcare through these co-operatives, and the presence of public policies to support them, are key for the cultivation of a caring society. One can imagine a time-bank system that could be adapted to support and expand this kind of social value and to make it universally applicable across the entire field of health and social care. It is a question of design and, of course, political will.

Fureai Kippu creates a social market for the production and exchange of social value. It shows how an alternative value system can be the basis for a new kind of market – a new kind of economy – if the institutions are in place to give it form and effect. The credit that is earned by helping others is a form of social currency based on reciprocity. It works because people accept and stand behind its value. This, in turn, is based on the mutual trust that has been established by a specific community of users. In Fureai Kippu the practice of reciprocity is amplified and rewarded, resulting in a virtuous cycle of prosocial behavior. *It is not only individuals in the system that benefit. It is also society that benefits through the increase in social capital that is generated.* Can such a system be scaled to establish a comprehensive body of goods and services not only for the provision of social welfare but as an element for the core economy itself?

The markets generated by reciprocity-based exchange systems, like Fureai Kippu, show how the production of social value can be the basis for the emergence of an

entirely new form of market, one based on the production and exchange of social goods and services. There is no reason why vouchers or other mechanisms for valuing and exchanging service to others or to the broader community could not be extended throughout the whole of a society's social fabric.

The creation of a social value market for these services, aided by civil institutions to organize and coordinate these reciprocal exchanges, is a powerful means of valorizing socially beneficial services, assuming the market in question is structured around civic, not commercial, principles.

To be clear: this is not to advocate for the commodification of social relations or social goods. Nor is it the promotion of atomized and utilitarian relations in place of social ones as is now the case with privatization schemes, or of economic dependence on the state as is the case with government-run programs.

The transition of state-operated and private for-profit care systems to collectively owned and operated systems of community-based care restore the social underpinnings of care as an expression of a community's shared responsibility for mutual welfare. The social meaning of these activities is restored. And, while the state retains responsibility for ensuring that the rules governing these systems are fair and in service to the collective aims of social welfare, civil society has a far greater role in the production, administration and provision of care.

We are speaking here of the democratization of state systems through the direct ownership and control of essential social welfare by citizens and a parallel social value market that helps sustain this essentially civil economy and makes it operative.

Our aim is the effective sovereignty of civil society itself through its generation and institutional support of all those social relations and exchanges that have as their object the common good through the practice of citizen co-operation and mutuality.

Social care is an obvious starting place for such a paradigm shift. The availability of social investment capital is thus key if social co-operatives and other social economy enterprises are to thrive. And this depends on the extent to which they can secure direct support from civil society through such localized contributions as

time banks and volunteer services, or with social investments that are linked to the social value of the services. Instead of capitalizing its operations by issuing profit-bearing shares to investors, a local health clinic could issue social value shares that raise capital based on the inherent value of the health services to the investing individual and the broader community.

Co-operative health clinics, and co-operatives of all stripes, already engage in this kind of social value capitalization and there are regulatory regimes in place to manage these co-operative investment shares. This entails an alignment with the broad public benefit as acknowledged by the state, and the institutional set-up to make such transfers universally accessible to citizens as an alternative valuation system operating in parallel with the public economy.

We need wider recognition that the social/solidarity economy is continuous with the public economy in so far as its broad social aims are concerned. This is the case with the social co-operative movement and the co-operative economy more generally, in Italy. The state's responsibility for acknowledging the social utility of co-operatives and its obligation to support them are written into the Italian constitution.

Public support for social co-operatives is an extension of this principle. We can imagine a set-up where social economy organizations that pursue the social aims and functions of the social/solidarity economy could be listed on a social value exchange where, instead of time, citizens contribute capital that is then translated into services.

One can thus imagine a social value exchange operating as an investment and clearing mechanism for social value. Thousands of such social value exchanges already exist, whereby local networks allow members to invest in, and access, a wide range of services that participate in the network. Many such services also use social currencies to facilitate these exchanges. Japan alone has nearly 300 social currencies in use.¹²

The risk here is that organizations that are meant to generate relationships of mutual caring can be corrupted if these services are then left hostage to the priorities of contributors, regardless of the actual needs within a community – or

even a nation. Why, for example, would a young family that needs childcare contribute to a service for people with disabilities or the homeless?

Also, it is not feasible to imagine that essential services such as social security or employment insurance, or workers' compensation, can be sustained by voluntary contributions. This would be to adopt the charity model of care, and public services propagated by neoliberals. What happens to the idea of universal access and equality when one community that is well off can invest in specialized services that a poor community cannot? This is the case with public education in the U.K. and the U.S., where the quality of schools often reflects the degree to which parents can subsidize their programs.

The role of the state and of public financing for universally accessible programs remains essential. There is, however, no reason why these programs cannot be democratized with respect to how they are delivered, with users having control rights in their design and in the priorities they pursue.

Can such systems be scaled to achieve the kind of critical mass that enables a social value economy to sustain itself alongside the public and private economies? A central problem is how to overcome the inevitable inequalities that will emerge from one place to another from purely localized systems. There is a reason why universal, centrally administered programs are so valued: they safeguard the principle of equality of access to public goods. We are seeking to combine the universal access and distribution of social welfare with the localized control that will safeguard the social relations of care and the accountability that comes from user control.

The move from entirely civil and informal systems of localized social care to the creation of universal welfare programs was the result of a continuous struggle on the part of society to establish the conditions for its own survival against the threats imposed upon it by the demands of industrial capitalism. This is the well-known dynamic of the Double Movement posed by social theorist Karl Polanyi as the driving force of historical development.¹³ But it is also more than this.

It is the struggle between two opposing tendencies in the human social condition. One pertains to the need for cooperation and collective security, which is the

foundation of any functional society. The other is the drive for personal and class advantage, which is expressed in competition and the urge to dominate. To put it very crudely, the rise and fall of social welfare as a primary purpose of the state is a function of this seesaw conflict. With the consolidation of corporate power and ideology at a global level, the downward slide of co-operative, collective modes of social welfare was inevitable given the anti-social nature of these forces.

This question brings us to a final point concerning the role of cooperation, mutual aid, and the social value markets that can sustain socially beneficial exchange systems. This has to do with the growing fragmentation and polarization of society itself. *If we are to repair the toxic polarization of our market societies, every effort must be made to expand the prosocial effects of co-operation and mutuality that comes from reciprocal social exchanges – precisely what social co-operatives are set up to do.*

Ultimately, what we must speak about when envisioning what market societies must achieve is not merely the transformation of economic and social institutions, but the reclamation of social values and social capacities that come with the democratization of social care systems. It is the actual practice of mutuality and co-operation that changes people's values and outlooks and establishes new norms of collective behavior – not ideas and not political rhetoric.

In our view, it is precisely the absence of such a vision that has led to the rise of regressive populist politics that feed off the justifiable rage and cynicism of the populace.

And, paradoxically, it is precisely when the need for such alternatives is most urgent that opportunities for their realization are most lacking. One might state this as a social rule: *The possibility of enacting social reforms is inversely proportional to the urgency of the need.*

That is where we are now. It is not the absence of models for humanizing care and the wider economy that are lacking, but the progressive political environment that would allow them to be put into practice. The black box of neoliberal ideology in which the interests of capital reign supreme simply prevents the emergence of alternatives.

But Karl Polanyi's dictum of the [Double Movement](#) still holds true. When capitalist markets become too extreme and start to undermine the social norms that are the foundation of a society, self-preservation drives society to react by imposing social controls over markets. The social welfare systems of the post war era were one outcome of this process. With the decline of these systems, and the rise of market absolutism in our time, we may be at the cusp of another such turning point.

The failure of capitalist markets to satisfy our social needs demands new thinking about markets and value systems. It recalls us to human essentials and the rehumanizing of economics. In this spirit, social value markets unify social virtue with social reward creating a new kind of market system altogether – the kind of pro social system that promotes co-operation over competition and reciprocity over selfishness. It is one process that may ultimately lead to the restoration of the trust and social cohesion that our societies are so desperately in need of.

So let us imagine for a moment what might be possible were the political conditions amenable for a transition of this kind. A transformative focus on social care, on the recovery of social connectivity through the practice of reciprocity, and the cultivation of a social value market that serves our collective needs as social beings – not merely consumers – could be the keys to a systemic transformation of political economy as we know it.

Consider: what if an economy was based on the premise that it is the social worth of an action that generates its value? What if human labor that serves a social good, such as caring for others, teaching, creating art, or tending the environment, is acknowledged and rewarded accordingly? And what if people could determine what those social benefits could be through the democratic control they exert in the enterprises where they work or the services that they use? Not as disposable, exploitable, and replaceable parts – as mere human capital – but as co-owners and collective beneficiaries of the value they produce in common? And finally, what if the choices we make as consumers, as investors, or as citizens are similarly rewarded in proportion to the social value we create and taxed according to the social costs we incur?

The hoarded capital that is now operating as a vast parasitic growth on the back of the productive economy could be reclaimed and translated into the initial capital

pool for a universal basic income. And, like other social security systems, it could be replenished with a continuing stream of collective contributions from those who benefit – now and in the future.

If prosocial activity can be measured and valued it can be translated into goods, services or currency. And if a portion of one's wage earned in a factory or an office can be contributed to a social security plan, so too can a portion of one's social value activity be contributed to a universal basic income. The models and mechanisms are already in place. As in the past, they have emerged as a necessary response to the systemic inequalities of the capitalist system and the capital-controlled markets that are its emblem.

What is needed is the political movement to put pro social institutions into effect as catalysts for the kind of root and stem change that seemingly people are demanding, but no-one is defining or delivering. Social co-ops, and the social value markets that sustain them, are central to this mission.

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³ Ibid.

⁴ Ibid.

⁵ Restakis, J., *Humanizing the Economy, Co-operatives in the Age of Capital*, Ch. 6, Social Co-ops & Social Care, 2010; Borzaga, C. and Santuari, A. *Social Enterprises in Italy: The Experience of Social Co-operatives*, Trento: ISSAN (Institute for Development Studies of Non-profit Enterprises), 2000, <http://eprints.biblio.unitn.it/175>.

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Conclusions and Recommendations

This report illustrates emerging thoughts among US practitioners and scholars regarding the importance of adopting a new category of cooperatives—"social cooperatives"—into U.S. law and practice. Social cooperatives are a type of cooperative enterprise that prioritizes the public interest and social impact as a core part of their mission, aiming to address societal needs and promote social integration, often through providing services or creating employment opportunities for marginalized groups. The concept and legal recognition of these public benefit social cooperatives already exists in some countries, such as Italy, South Korea, and Canada, and there is a growing recognition that such social cooperatives could achieve important public benefits in the US as well. Though US law doesn't currently recognize this specific type of "public benefit" cooperative, it is meaningful to explore how the social coop model can be advanced in the US through strategic support by cooperative practitioners, ultimately leading to recognition of this cooperative form in US law.

Important characteristics of social cooperatives

The most significant characteristic of social cooperatives is that they are a community-led social enterprise seeking to address challenges of marginalized and underserved communities, through a cooperatively owned business. Social cooperatives focus their business model on addressing such challenges as the lack of social care for the elderly or disabled, or the lack of living wages for low-income workers.

Characteristics of Social Coops



**Improved
quality of
social care**



**Rising
together to
create
opportunities**



**Sources of
dignified
work**



**Strengthen
the local
economy**

Social cooperatives demonstrate the following characteristics.

- Social cooperatives improve the quality of social care that is co-created by providers and users.
- Social cooperatives are rooted in their local community, where individuals rise together to create social businesses and markets to improve local solidarity.
- Social cooperatives are sources of dignified and meaningful work which can improve worker wages while fostering social innovation and collective entrepreneurship.
- Social cooperatives strengthen local economies by paying good wages and keeping ownership and business profits local.

With these powerful characteristics of social cooperatives, we recommend several policies and practices that could be adopted in the US, in the near future. Although the recognition of social cooperatives as a particular legal form may take a long time, there are many local actions that could be taken immediately to advance the social cooperative model.

Recommendations

⇒ **Public Support Resolutions and Preferential Procurement for Social Cooperatives**

We advocate for public resolutions and local preferential procurement policies that could immediately recognize the importance of social cooperatives in addressing the challenges of underserved communities. Local or state officials could issue resolutions of the support for targeted social cooperatives in their community, or for the concept of social cooperatives in general, which can help bring favorable public attention and philanthropic funder focus to these kinds of organizations.

Even more impactful, preferential procurement policies at the local, state and federal level for coops that meet certain “public benefit” criteria could help social cooperatives win government contracts and sell products to public agencies. Policies could also be developed to allow tax advantages to such coops (such as reduced business income taxes and lowered unemployment insurance requirements).

⇒ **Social Franchising of Cooperatives**

We can use the concept of social franchising to replicate a successful social cooperative model to other cities. For instance, driver’s cooperatives that are formed in different cities can form a national federation of driver cooperatives to create a mutual-support system to grow the power of rideshare drivers at the national level. Another example is shown in ICA’s Elevate, wherein Elevate has emerged as a national alliance of all homecare cooperatives in the US. By building trans-local networks of social cooperatives, and advancing the franchising of successful social cooperatives, coops could also create joint purchasing agreements between social cooperatives.

⇒ **Certification of Social Cooperatives**

Although there is no specific category of “social cooperatives” in US law, grass-root organizations could create a certificate recognizing social cooperatives. Following the B Corp certification model, which was led by a nonprofit organization (B Lab), prominent national cooperative organizations could take the lead to certify certain cooperatives as social cooperatives, allowing those cooperatives to better market their products and services in their communities. The US Federation of Worker Cooperatives (USFWC) or the National Cooperative Business Association (NCBA) would be natural organizations for providing this kind of certification.

A certification process could also be adopted at the industry sector level, such as homecare cooperatives being certified as social cooperatives by the Elevate Coop *being incubated by the ICA Group or other crucial shared services functions, similar to that provided by CCA Global to its member co-ops.*

⇒ **Creating a “Consortium” of Social Cooperatives**

Recognizing the growth of social cooperatives in different sectors in the US, coop practitioners could create a national social cooperative consortium such as the Consortia in Italy. As the first step, we recommend the creation of a national 501c4 nonprofit entity which can undertake advocacy and lobbying activities, along with sponsoring additional research on the social and economic impact of social cooperatives.

These recommendations point to immediate efforts that could catalyze significant growth in America’s emerging social cooperative movement. While there may be many obstacles in advancing a new cooperative category such as social cooperatives, the key to remember is that all of our efforts to create this new category of cooperatives can start from local, bottom-up efforts. Identifying

ourselves explicitly as “social cooperative” advocates and identifying some community benefit cooperatives—such as homecare cooperatives or driver cooperatives—as “social cooperatives” are good starting points for us to recognize that the social cooperative movement in the U.S. is real and is ready for our support in converting bold imagination into reality.

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