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Title: Worker Cooperatives in the US: What should be done differently this time?

Abstract: Presently there is renewed enthusiasm for worker cooperatives in the US because of their ability to reduce income and wealth inequality, address worker exploitation, extend democratic practices to the workplace, and promote place-based development. But despite their long history in the US worker cooperatives have never constituted more than a small fraction of the economy and few of the thousands that have existed are still in existence. As we enter what looks to be a fourth wave for US worker cooperatives this paper examines what might be done differently this time to increase the likelihood that they will: (a) impact the US economy broadly and provide a viable option for large numbers of working people; (b) endure as stable institutions. The paper builds from the observation that newly-formed cooperatives in a market economy face a ‘liability of adolescence’ much like the ‘liability of newness’ long associated with all new businesses. Worker cooperatives also are denied access to credit in financial markets, which prevents them from entering capital-intensive industries or achieving economies of scale. These factors help explain why existing US worker cooperatives are typically very small and overwhelmingly concentrated in a few industries. The creation of a broad-based and durable worker cooperative sector requires strategies to overcome these challenges. The central argument of this paper is that one such strategy is to pursue the transition of existing conventionally-owned firms to worker cooperatives. There is precedent for this in US history, and federal policies provide significant incentives for such transitions. Indeed much of the legislation that has been used to transition thousands of conventionally-owned firms to majority employee-owned ESOP companies in recent years can also be used to transition firms to worker cooperatives. This provides a viable—though greatly underused—means to overcome significant obstacles to making worker cooperatives a broad-based and durable part of the economy, and thus potentially a force for broader socioeconomic changes.