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## WORKER OWNED

The Changing Face of Employment in Vermont

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Collective

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On March 3 2006 the 98-year-old Capital City Press in Berlin, Vermont shut its doors for the last time and 200 skilled workers, members of the Teamster-affiliated Lithographers Local 1, found themselves without jobs. The decision to close down the facility was made as a cost cutting measure by the print shop's parent company—the Maryland-based Sheridan Group. Production formerly done in the Green Mountains has been transferred to a nonunion plant in Hanover, Pennsylvania. Immediately after the announced closing, many Capital City Press employees came together to see if they could establish a new print shop that would be better rooted in the community and ultimately owned by the employees.

Dan Brush, a former Capital City Press worker and current business manager of Local 1, explained that his union was “60 percent” down the road to getting the new company off the ground. He and other members of the committee have been meeting with third parties trying to raise capital and pursue block grants. They had also been reaching out to former Capital City Press customers and had already secured over \$1,500,000 in projected sales. If all goes according to plan, they expect to open, providing employment for 35 people, in June or July 2006.

If successful, these print workers will join other Vermont companies such as Carris Reels, Croma Technologies, the Trust Company of Vermont, and King Arthur Flour as the latest addition to the growing list of employee-owned Vermont businesses. In total there are 45 worker-owned companies in Vermont employing an estimated 2,200 people.

According to Don Jamison, director of the Burlington-based Vermont Employee Ownership Center, worker-owned businesses are on the rise. He explained that the reasons why people pursue worker ownership are diverse. Some do it to cash in on tax benefits

offered by the state. In other cases businesses choose to transition towards worker ownership as an exit strategy for a private owner. Still others do so because of a sense of moral obligation. Whatever the reason, supporters contend that employee-owned companies have achieved higher levels of productivity, are less apt to relocate out of state, and tend to offer better pay and benefits than comparable jobs in traditional corporations.

### **Worker Cooperatives**

The vast majority of employee owned businesses are organized according to one of two dominant models: worker cooperatives or Employee Stock Ownership Plans (ESOPs). Worker co-ops represent just over 20 percent of employee owned companies in Vermont. However, these tend to employ far fewer workers than ESOPs. While practiced on an industrial scale in a number of nations, including Spain, Italy, and Argentina, in Vermont it is rare that co-ops involve more than 20 people. For example, the Red House construction co-op in Burlington and the Langdon Street Café co-op in Montpelier both employ 15 people. The Brattleboro Tech Collective employs three.

Some worker co-ops, like Red House, were started for practical reasons, such as the desire to attract and retain highly qualified workers. Others, such as the Langdon Street Café, were started for more philosophical reasons, such as the desire to extend town meeting-type democracy into the workplace. All worker co-ops have democracy built into their structural model. This was done by either allowing every worker a voting seat on the board of directors or through workers electing representatives to the board from within their own ranks. In a co-op the worker-owners always constitute the majority of any decision making body.

While the ten or so worker cooperatives in Vermont differ depending on industry and the people involved, what co-op members

hold in common is the belief that this model helps alleviate workplace alienation, increases output, and more equitably extends financial rewards throughout its membership.

David Evans, a member of the Brattleboro Tech Collective, contends, “We spend the bulk of our days and lives...laboring in a workplace. So I think the bulk of peoples’ experience is not having any control or real feelings of independence.... On the other hand, you don’t get apathetic when you’re a worker-owner. Once you take the reins of your workplace, it empowers you in other areas of your life.”

Wes Hamilton, a worker-owner at the Langdon Street Café (established in 2003), emphatically agrees. “You’d have a hard time finding anyone who would argue against freedom, equality, and democracy, but the funny thing is we are completely willing to accept what amounts to a dictatorship when it comes to work and your job. We decided on collective ownership because we want to live in a world where there is no dictatorship...and where there really is democracy and where everybody affected by a decision has a voice in creating that decision.”

For Hamilton, who describes himself as an anarchist, worker cooperatives represent an alternative model of how Vermont’s economy could be restructured along more equitable and democratic lines. In a certain sense he understands his co-op as a kind of propaganda of the deed.

“We are a small band of idealistic, politically-minded 20 somethings, but to the extent that we can make this work and get our philosophy and ideas out...I think it opens up the notion that worker owned cooperatives can be successful. It opens up the concept to people who may otherwise never consider it,” Hamilton explained.

### Stock Ownership Plans

I think we would be evolving into one of those shops and I think we may be growing into a vision as to what the future might be for parts of the labor movement as our manufacturing base leaves the country,” concludes Brush.

Whatever the future may hold, it is likely that worker-owned companies will continue to play a dynamic and increasing role in Vermont’s economy. What remains to be seen is whether or not this trend is capable of delivering actual workplace democracy or if it will be limited to providing financial rewards and a perception of employee participation. Regardless, in this era of outsourcing and stagnant wages, employee ownership will likely be embraced as a marked improvement to the status quo by many a Vermonter. The print workers are just the start.

One former temp told me his experience at the company was not qualitatively different than at other non-ESOP factories. He says, “I didn’t see any signs of anything [at Green Mountain Coffee Roasters] being any utopian pleasure palace. I saw people just trying to get through the day with equipment that was malfunctioning and deadlines that were to be met and demands by management to make more portions for sale.”

As for the coffee company’s claims of establishing a culture of ownership, he charged, “They said there was an open door policy, but saying that there was and actually accepting any feedback are two different things.... The only feedback that they [management] wanted to hear was, ‘Yes, I will work harder.’”

While this worker’s experience may or may not be common within ESOPs, many Vermont workers are still drawn to the model. Dan Brush and the former Capital City Press employees have chosen to organize their new business venture as an ESOP. Even so, they intend on borrowing certain elements of the cooperative model in order to provide meaningful worker oversight of management.

Brush asserts, “When we get up and running, we will be making all the decisions. We’ll all be shareholders. We’ll own a majority of the business. We will sit down and make the decisions. We’re not going to make the day-to-day decisions [for that they expect to hire a plant manager], but the big decisions.” Brush continues, “Since people are all union members and are used to having those types of meetings and making those type of decisions, this is something we are very comfortable with doing.”

The print workers also intend on keeping their status as a union shop. “There are a lot of good shops that are union shops where there aren’t a lot of problems between the union and management.

The majority of worker-owners belong to Employee Stock Ownership Plans (ESOPs) and claim workforces well into the hundreds. While some are committed to workplace democracy, the only guaranteed commonality is that employees own some portion of the business. That portion can vary from 1 percent (Green Mountain Coffee Roasters) to a slight majority (Carris Reels) to 100 percent (King Arthur Flour). The way this ownership works is that after a set amount of time, qualified workers accrue stock that pays dividends as the value of the company increases. Collective ownership requires that departing employees sell back the stock. In this way ESOPs have built in financial rewards for the workers whose labor helps generate profits.

In general Vermont ESOPs put a heavy emphasis on “the culture of employee ownership” where employees are made to feel that their voice matters. They are typically encouraged to maintain an open dialogue with management, to take a more active role in the overall running of the company, and are often allotted representation on the board of directors. The extent of this

representation varies. Gardener’s Supply Company in Burlington, for example, allows non-management one seat on a seven-member board. The former Capital City Press workers, on the other hand, plan to give the rank and file ultimate control over the board, presumably by giving non-management employees a majority of the seats.

Many within the ESOP movement report that their work environment translates into increased productivity, a decrease in absenteeism, and an avoidance of many of the management-labor frictions common in traditional corporations. However, not all are convinced of the workplace altruism that many ESOP boosters speak of.

While Vermont’s labor leaders speak highly of the worker cooperative model, when it comes to ESOPs they express varying de-

degrees of apprehension. Vermont Workers' Center Director James Haslam points out that the formation of an ESOP, despite the near universal talk of a culture of ownership, does not necessarily mean employees will be any more legally empowered than in traditional companies. Haslam contends, "Unless [companies] are worker run, and in a

democratic way, then it makes sense for workers to have a voice in their own working conditions. The only way to have that truly is if you have a union."

Traven Leyshon, president of the Washington County Central Labor Council, AFL-CIO, shares Haslam's misgivings. "Who has the majority [and therefore control] on the board of directors and who is the management? Of course management is a technical skill. It usually does require hiring-in someone who has business expertise that the workers are not likely to have themselves, but who controls that person?"

Leyshon explains that his misgivings date back to his experiences in the 1980s while organizing in the labor movement outside Vermont. He says that during this period ESOPs were used as a tool to win concessions from union truckers across the U.S. He states that following the deregulation of the industry under Ronald Reagan many faltering freight companies went to their employees and convinced them to agree to ESOPs in exchange for large cuts in benefits and wages. He points out that all of these firms went belly up within the first few years of their existence.

ESOP enthusiast Cindy Turcat, chief operating officer of Gardener's Supply Company and president of the Vermont Employee Ownership Center, admits that it is not accurate to paint all ESOPs with the same enlightened brush. "Not all people do ESOPs for the right reasons," she warns.

Jamison recognizes the past exploitive nature of some ESOPs. "As with any complex financial arrangement...there is room for abuse.... In the 80s, when there were a lot of businesses going belly up, unions were sometimes suckered into bad deals for their members where ESOPs were used as a kind of a last way of ringing out concessions from employees as the business was going down," Jamison explained. However, for him these abuses are primarily a thing of the past and asserts that the recent track record for ESOPs in Vermont demonstrates that the potential gains far outweigh perceived risks. Many people currently employed in ESOPs tend to agree.

Pat Bates, an employee-owner of the Gardener's Supply Company, is a firm ESOP supporter. She sees employee ownership as a means for workers to feel more connected with the business, as well as a way for them to share in the rewards. "It's [in part] about sharing the profits. We're not working our eight hours a day, putting in our 100 percent so that the few elites can reap the benefits and profits and put them in their pockets. We all get to share in it. In the good times we can celebrate and in the difficult times we come together to find those creative resolutions," says Bates.

At Green Mountain Coffee Roasters I talked with a ten-year veteran of the company. He affirmed that the benefit package and pay provided by the company is very good (i.e., full healthcare, time off, and occasional yoga classes) and he is particularly happy with the additional pay accrued by his stake in the ESOP. However, he also confides that in his opinion the company employs too many temps.

As at many ESOPs, temps and part-time workers are not eligible for ownership or benefits and commonly receive no more than \$9 an hour. The human resources department reports that there are currently 60 part-time workers and 7 temps employed by the company.