

A Brief Overview of Cooperative Structures

by Hendrix Berry

A cooperative is defined by the International Cooperative Alliance as “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.” This definition applies to consumer cooperatives where consumers are the members, to producer cooperatives where individually producing firms are the members, housing cooperatives where the residents are the members, credit unions where the depositors are the members, and worker cooperatives where the workers are the members.

A cooperative is a business with distributed ownership and democratic management by personhood rather than by wealth, reconfiguring control of the economy from invisible hands to our own hands. There are many social and productivity advantages of cooperative business, different for each cooperative sector and each individual enterprise.

You can think of a consumer co-op (for instance, a food co-op) as a group of people who come together to buy goods in bulk, and to make it easy, they might throw in more money to buy a storefront for storage. A food co-op is able to provide food to its membership less expensively than

a conventional store because it exists for the members and is not for profit. Financial and housing cooperatives are often considered consumer cooperatives, even though they have very unique qualities and structures.

Similarly, producer cooperatives (such as agricultural co-ops) mostly consist of small businesses coming together to buy bulk marketing, packaging, distribution, etc., for their products. With a producer co-op, small sustainable farmers are able to take advantage of the efficiencies of scale that large farms are able to address individually. Iterations of the producer cooperative model are invaluable tools for building a healthy, environmentally sustainable, and comprehensively democratic food system.

A worker cooperative can be thought of as a group of individual freelance workers coming together to buy bulk infrastructure for production in a firm. Worker cooperatives are especially interesting because they upend one of the most basic principles of capitalism as we know it today, the relationship between the owner and the worker. In a worker cooperative, the workers are the owners.

Once established, worker cooperatives often produce even more efficiently (have higher total factor productivity) than investor- or privately-owned firms in the same industries, because of workplace morale, information sharing among worker-owners, ample room for creativity, horizontal monitoring, and profit-sharing motivations.