



Testimony in Support of Senate Bill 676
Senate Labor Committee
Submitted by Douglas Hall, Ph.D.
April 26, 2017

The Economic Progress Institute supports Senate Bill 676, *An Act Relating to Corporations, Associations, and Partnerships – Workers’ Cooperatives*.

In establishing a mechanism for the formation of enterprises that are not only owned, but also democratically controlled and operated by their own workers (Figure 1), this bill provides an important set of tools to address several key economic challenges facing Rhode Island today.

Most working Rhode Islanders have faced decades of stagnant wages, while those at the top of the income ladder have seen their income (and their share of total earned income) soar. The Center on Budget and Policy Priorities and the Economic Policy Institute noted in a recent report that Rhode Island is among the top twenty states for income inequality, measured as a ratio of the incomes of the richest 5 percent to the poorest 20 percent.¹ These economic trends are the result of decades of policy choices (at both the state and federal levels), including depression of the minimum wage, deregulation of industry and the financial sector, and the erosion of protections for workers to bargain collectively.² The Century Foundation – a national economic think tank – notes that “these [policies] have allowed wealth to disproportionately concentrate at the top, in the hands of a select few, leaving less and less left for the vast majority of the nation’s workers.”³

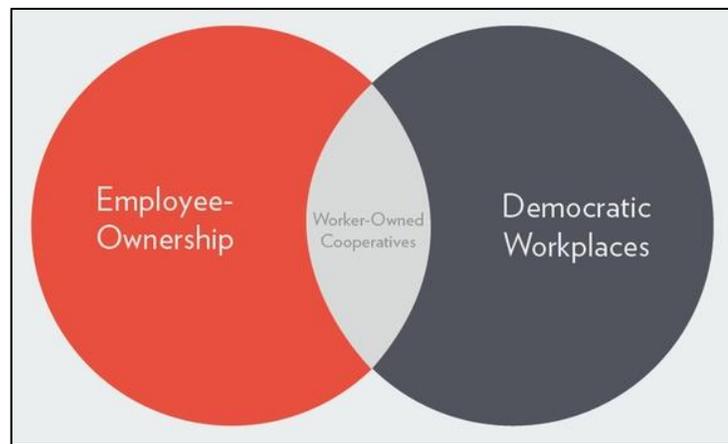


Figure 1: The Worker Cooperative Model

Worker-owned cooperatives provide a mechanism for a more democratic economic system, and as a result, a more fair distribution of wealth, one that reflects the significant gains in economic productivity that have occurred over recent decades. One of the key reasons we find ourselves needing new economic models to ensure a more equitable distribution of wealth is that the ability of workers to collectively bargain for fair wages has been eroded over several decades. Figure 2 shows that the share of workers who are represented by unions has been in decline in Rhode Island, our neighboring states Connecticut and Massachusetts, as well as nationally, for more than a quarter of a century.

¹ CBPP, *Income Inequality in the States: A Snapshot*. <http://www.cbpp.org/research/income-inequality-in-the-states-a-snapshot>.

² Shannon Reiger, 2016 “Reducing Economic Inequality through Democratic Worker-Ownership”, The Century Foundation. <https://tcf.org/content/report/reducing-economic-inequality-democratic-worker-ownership/>.

³ Reiger, *ibid*.

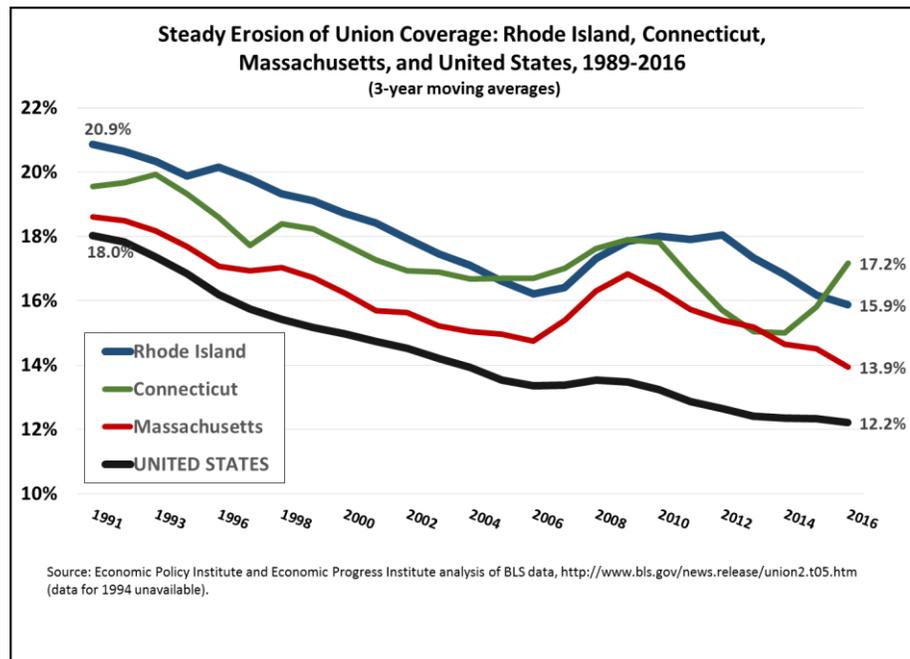
We've seen the success of business-ownership at helping build wealth for American business owners. Extending ownership to the workers similarly expands the number of workers who are able to amass wealth (or "build assets") as a result of their ownership share.

While this is a positive development in general, it is even more important for communities of color who face disparities in wealth that are even more stark⁴ than the well-known wage and income disparities they face in Rhode Island.⁵ For low wage workers and workers of color, employee ownership through worker cooperatives can be a game-changer that enables the creation of economic power and wealth.⁶

Communities of color in Rhode Island tend to be concentrated in our large urban areas. Because

worker cooperatives are inherently local undertakings, their adoption can simultaneously improve the well-being of Rhode Island's minority populations and create community wealth that can transform geographic areas that have faced economic hardship. The Democracy Collaborative notes that worker cooperatives build community wealth by providing quality goods and services to areas underserved by traditional businesses, by retaining and circulating business profits within the community, by fostering strong and healthy communities, and by creating quality, empowering jobs for community members.⁷

Worker-cooperatives are a winning economic model for Rhode Island, helping to empower workers and provide them with a more equitable share of the profits of their labor, transforming communities and helping Rhode Island families – particularly minority families – build family assets that pay intergenerational dividends. For these reasons we urge you to pass this bill out of committee.



⁴ See Amy Traub, Laura Sullivan, Tatjana Meschede, and Tom Shapiro, 2016. *The Asset Value of Whiteness: Understanding the Racial Wealth Gap*, (Demos and the Institute on Assets and Social Policy) <http://www.demos.org/publication/asset-value-whiteness-understanding-racial-wealth-gap>.

⁵ See Economic Progress Institute, 2015. *The State of Working Rhode Island: Workers of Color*. <http://economicprogressri.org/index.php/2015/12/17/the-state-of-working-rhode-island-2015-workers-of-color/>.

⁶ Democracy at Work Institute and The Democracy Collaborative, 2016. *Taking Employee Ownership to Scale*. <http://institute.coop/sites/default/files/resources/DAWI%20-%20Taking%20Employee%20Ownership%20to%20Scale.pdf>.

⁷ Marjorie Kelly, Steve Dubb and Violeta Duncan, 2016. *Broad-Based Ownership Models as Tools for Job Creation & Community Development*, (The Democracy Collaborative), <http://democracycollaborative.org/content/broad-based-ownership-models-tools-job-creation-and-community-development>.