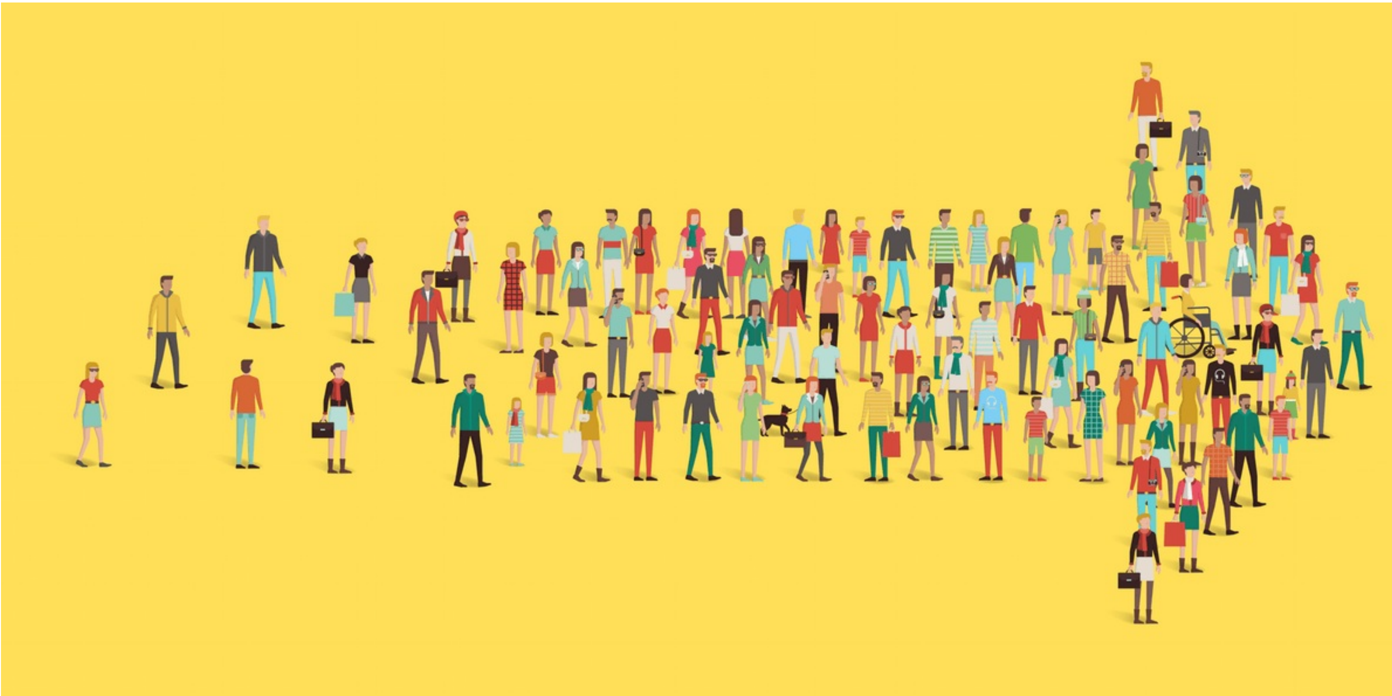
THE CENTURY FOUNDATION



REPORT ECONOMY & JOBS

Reducing Economic Inequality through Democratic Worker-Ownership

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AUGUST 10, 2016 — SHANNON RIEGER

Income inequality in the United States has not been this bad in almost a century—not since the end of the 1920s, just before the country crashed into the Great Depression.[1] Today, despite maintaining one of the highest per-capita national Gross Domestic Products worldwide, the United States also has one of the most unequal income distributions in the developed world.[2]

Income gains for top earners in the United States have skyrocketed over the last several decades, far outpacing the modest gains seen by middle-wage and low-wage workers. While the top 1 percent wage has increased by 138 percent since 1979, the wages of the entire bottom 90 percent of earners have grown by the comparatively meager margin of just 15 percent (Figure 1).[3] Even as very high-wage workers have enjoyed steadily rising hourly wages, wages for middle-wage workers are stagnant, growing just 6 percent overall since 1979.[4] Low-wage workers have fared worse yet, seeing a 5 percent drop in hourly wages over the past four decades (Figure 2).[5]

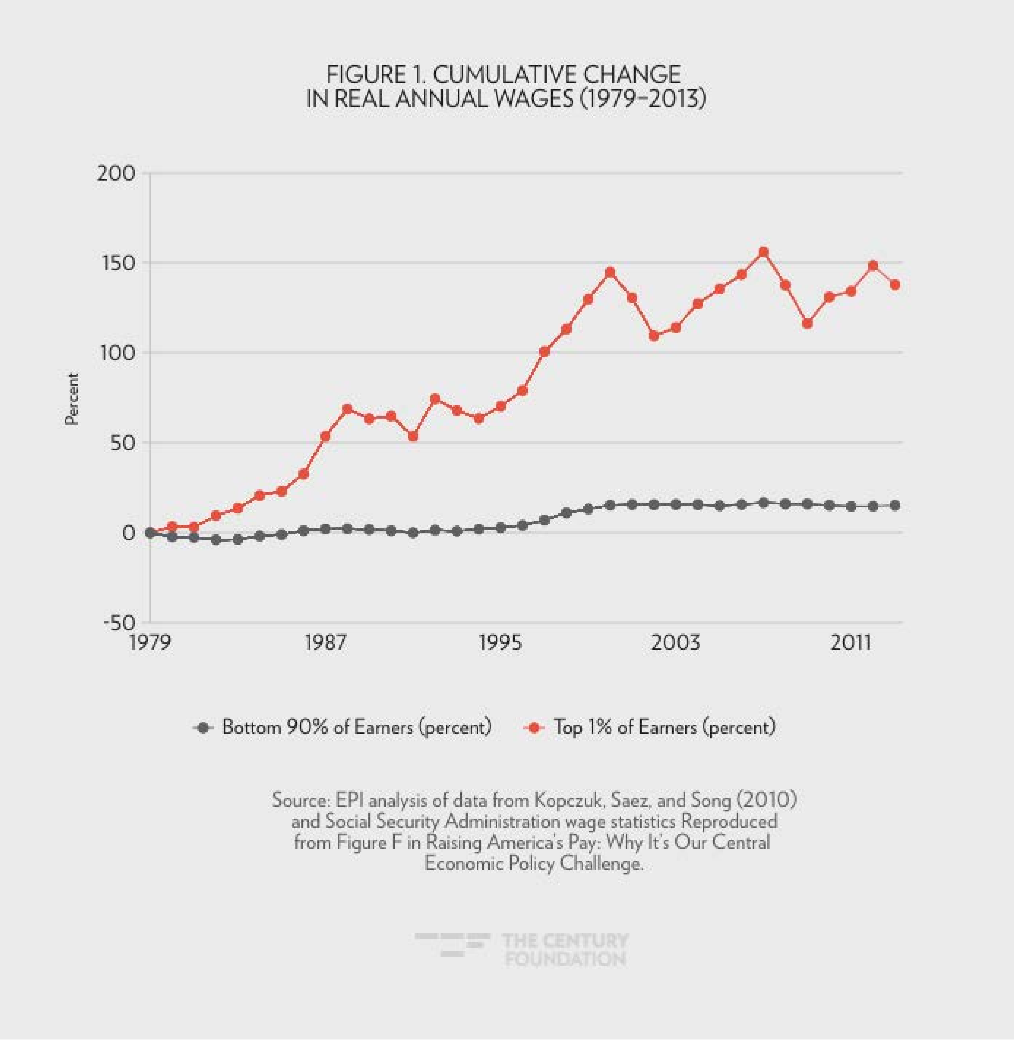
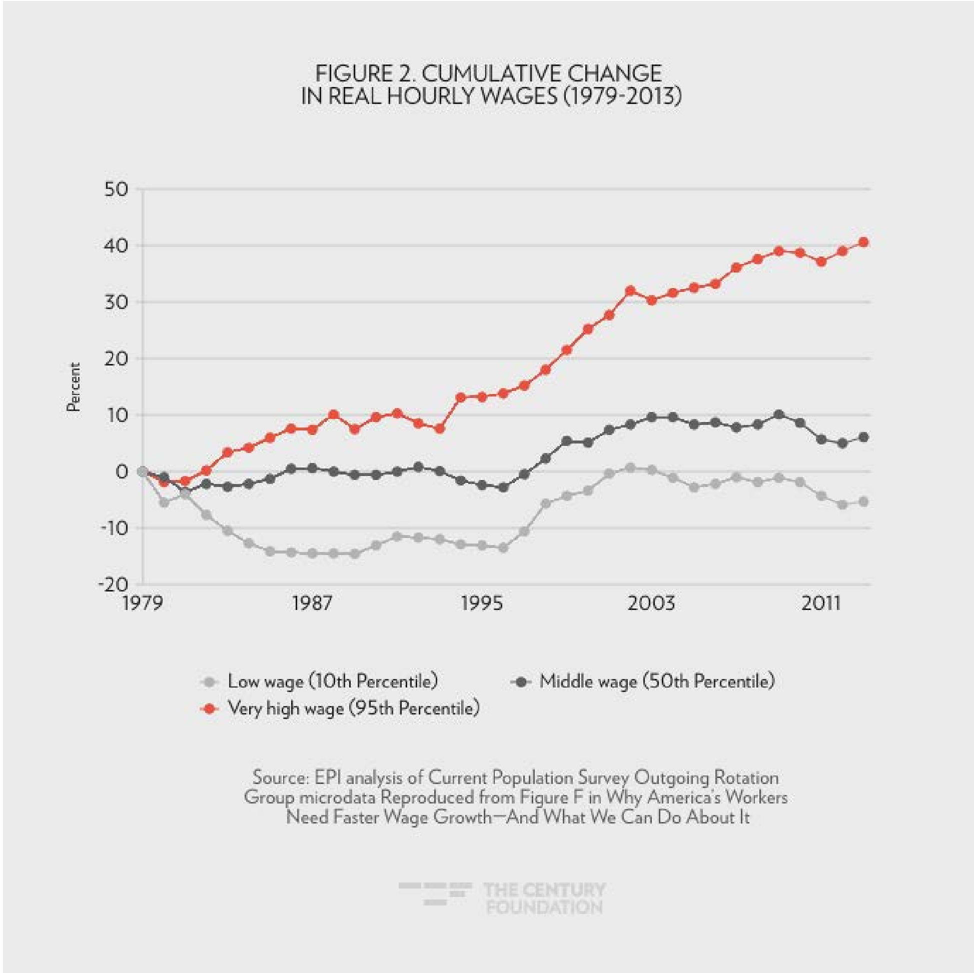


FIGURE 1. CUMULATIVE CHANGE IN REAL ANNUAL WAGES (1979–2013)

Source: EPI analysis of data from Kopczuk, Saez, and Song (2010) and Social Security Administration wage statistics Reproduced from Figure F in Raising America's Pay: Why It's Our Central Economic Policy Challenge.



The pay disparities between CEOs and rank-and-file employees offer a particularly illustrative example of just how drastically income inequality has increased in recent decades in the United States. In 1965, the CEOs of the top 350 largest publicly traded companies in the United States earned twenty times more than did their typical employee. Today, these CEOs make nearly 300 times more than they pay their typical workers.[6]

Patterns of wealth inequality in the United States have followed an even more extreme version of this trend. The proportion of wealth held by the wealthiest Americans has been continuously increasing since 1978.[7] The share of wealth held by the richest 1 percent of American families reached 41.8 percent in 2012, with top 0.1 percent wealthiest—numbering just 160,000 families—holding a grossly disproportionate 22 percent of total wealth.[8] The bottom 90 percent, on the other hand—a group comprising more than 144 million American families—held just 22.8 percent of wealth the same year.[9]

The Great Recession brought the long-standing income and wealth inequality crisis into sharp focus. Just before the Recession, income inequality peaked, exactly as it did before the Great Depression—and immediately after, businesses and jobs evaporated as the economy crumbled, devastating local economies across the country and leaving millions of families at the mercy of plummeting incomes and skyrocketing unemployment rates. The number of Americans living in poverty spiked, with minority communities seeing particularly large declines in income and increases in poverty.[10] The country has since seen only tepid recovery in poverty rates, and long-term unemployment rates remain well above their pre-Recession levels.[11] Despite modest increases in national median household income, incomes are still not back to where they were before the Recession, and many local economies across the country have not recovered.[12]

By punctuating long-present patterns of severe income and wealth inequality, the Great Recession revealed just how starkly unequal the United States has become. But we have not arrived here by mere chance. Rather, the national economic inequality crisis is rooted in the policy choices our county has made—choices including the continual depression of the national minimum wage, erosion of collective bargaining, and deregulation of industry and of the financial sector.[13] Policies like these 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.[14] Yet if we have chosen this inequitable path, then we are also free to choose another—one that will lead toward greater income equality, fairer wealth distribution, and a more democratic economic system.

It is imperative that we, as a nation, develop policies that not only mitigate existing economic inequality and poverty, but that actually *reverse* these trends for the long term. Beyond perpetuating poverty, fomenting social unrest, incurring greater burdens on social services, and producing countless other toxic consequences, numerous studies, as well as our recent first-hand experience with the Great Recession, affirm that income inequality is bad not only for low-income individuals, but also bad for the economy at large.[15] Whereas income and wealth inequality lead to economic stagnation and social instability, greater economic *equality*, on the other hand, produces economic growth and social stability.[16] A fairer, inclusive employment system will undoubtedly be a critical component of building a more equitable, sustainable economy—so how do we begin making real, measurable steps toward this nebulous goal?

Employee-owned businesses offer one concrete, proven way forward. By creating a policy environment to support and promote democratic employee-owned businesses, the United States could promote a more equitable employment system and a more just distribution of wealth. Doing so would not only help the country recover from the recent economic devastation of the Great Recession, but also begin to reverse the deep wealth and income disparities that have plagued American workers and families for decades.

Why Employee-Ownership?

Employee-owned companies are a specific type of for-profit business owned by their workers; democratic employee-owned businesses are owned *and also run* by their workers. As a concept, employee-ownership is primarily about profit-sharing and worker participation. Employee-owned companies allow workers to take home a bigger, fairer share of the fruits of their labor by sharing company profits with employees. In doing so, employee-ownership more equitably distributes wealth throughout the workforce, helping to even out the lopsided capital accumulation trends that have produced the United States' massive income and wealth disparities. Models of democratic employee-ownership not only share wealth with employees, but also incorporate employee-owners into decision-making and management processes.[17] By establishing employee participation as the cornerstone of day-to-day business operations, democratic employee-owned businesses promote economic democracy also at the micro-scale, in the workplace itself. These two fundamental characteristics of democratic employee-owned businesses—equitable wealth distribution and employee participation—make them valuable vehicles for correcting deleterious income and wealth imbalances, and for building greater economic inclusivity, stability, and sustainability.

Democratic worker-ownership offers a simple, feasible, yet still largely untapped way to navigate this treacherous terrain.

Democratic worker-ownership offers a particularly timely and promising solution to a set of formidable challenges currently facing the United States. A confluence of past, present, and future economic and demographic trends—including decades' worth of deep-seated income and wealth inequality, the recent and continuing economic devastation of the Great Recession, and now an entire generation of businesses with uncertain futures as the looming "Silver Tsunami" of baby boomer business owners near retirement—present significant threats to workers, communities, and local economies throughout the nation. Democratic worker-ownership offers a simple, feasible, yet still largely untapped way to navigate this treacherous terrain.

One specific form of democratic employee-owned business, the worker-owned cooperative business, holds particularly rich potential as a tool for repairing the broken U.S. economy. A necessary first step in harnessing the potential of this uniquely beneficial but little-known type of business is to help grow the sector to scale. To do so, it is crucial that the United States establish a national-level regulatory framework for worker-cooperatives. Foundational components of such a framework could include a clear, universal definition for worker-cooperatives and a national worker-cooperative incorporation code; financial support mechanisms, such as a dedicated worker-ownership fund; and cross-sector partnerships with the existing decentralized network of employee ownership service providers.

The following pages outline what a worker-cooperative regulatory framework could look like in the United States. Italy's experience of successfully expanding its worker-cooperative sector by creating a sophisticated regulatory framework and strong cross-sector partnerships provides valuable guidance.[18] The Italian example not only evinces the critical role public policy plays in enabling democratic worker-owned business models to thrive, but also illustrates the proven capacity of the worker-cooperative model to combat unemployment, affect regional economic revitalization, and promote inclusive economic development. By taking actions similar to Italy's to support and grow its own democratic worker-owned business sector, the United States could unlock the potential of this unique business model as a critical tool for reducing income inequality and unemployment, and for building a more equitable, inclusive, and just economy.

Employee Ownership, Profit-Sharing, and Democratic Management

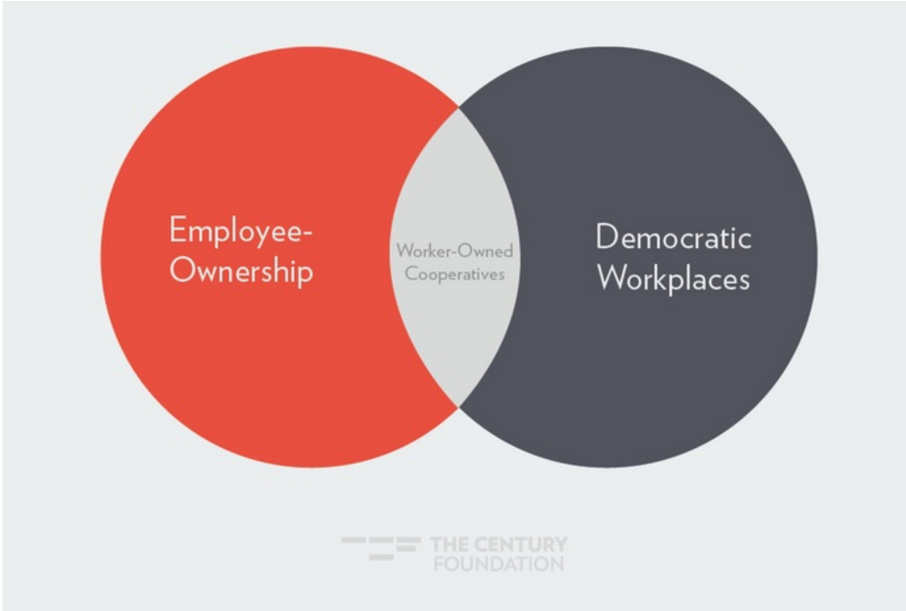
The worker-owned cooperative is a particular form of democratic employee-owned business that exists within a broader spectrum of employee-owned businesses and democratic workplaces. At one end of the spectrum are employee-owned businesses that emphasize sharing company profits with workers, but that do not include employee-owners in decision-making and daily management operations; and at the other end are democratic workplaces that prioritize employee participation, but are not employee-owned. Worker-cooperatives sit somewhere in the middle, and emphasize both profit sharing *and* worker participation as foundational, interconnected tenets of employee-ownership.

Besides worker-cooperatives, other models of broad-based employee-ownership include stock options and similar individual equity plans; Employee Stock Purchase Plans; pension plans, including 401(k)s; and Employee Stock Ownership Plans (ESOPs).[19] The primary purpose of each of these options is to provide more wealth to employees. For the most part, these models do so by functioning as a sort of pension plan for employees. In some cases, democratic management is also a central component of these employee ownership models; democratic ESOPs, for instance, overlay worker-cooperatives' employee participation principles on the ESOP business structure. But unlike worker-cooperatives, which always include both employee ownership and employee control, the employee-owners of companies structured around these other models of employee-ownership do not *necessarily* participate in decision-making any more than do employees in conventionally owned companies. In the absence of the full protections of a democratically run worker cooperative, the ESOP model has been vulnerable to abuses and less worker power than traditional workplace. As we detail later in the paper, this created a number of high profile ESOP failures like United Airlines and the Tribune Company which illustrate how important employee participation in employee ownership structures is to their ultimate success.

Democratic workplaces, on the other hand, emphasize including employees in management and decision-making processes, but are not necessarily employee-owned. One example of how any type of company—employee-owned or investor-owned alike—may choose to promote employee participation is through an open-book approach to management. Companies that implement open-book management strategies share income statements, balance sheets, and other company data with employees, train employees to understand financial numbers, and may engage employees in a gainsharing program.[20]

Within the universe of democratically controlled companies, the most common type of organization is the cooperative business. Cooperatives are member-owned, member-run, and member-serving businesses based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity.[21] Several distinct categories of cooperative business exist, including worker-cooperatives, which are owned and controlled by their workers; marketing cooperatives, which are owned by and benefit members who use the cooperative to help sell their products; consumer, purchasing, and farm supply cooperatives, which are organized to provide better availability, selection, pricing, or delivery of products or services to individual consumers, businesses, or farmers; and multi-stakeholder cooperatives, which comprise and serve multiple types of cooperative members.[22]

Worker-owned cooperatives bring together the wealth-sharing principles of employee ownership with cooperatives' prioritization of economic democracy (Figure 3). This combination positions worker-cooperatives as an exceptionally promising tool for building a fairer, more stable U.S. economy.



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What Is a Worker-Cooperative?

Worker-cooperatives are owned *and* run by their members—the individuals who are also their workers.[23] There are two foundational characteristics of worker-cooperatives: (1) worker-members invest in and together own the business, which distributes surplus to them; and (2) decision-making is democratic, adhering to the general principle of one member-one vote.[24] Although worker-cooperatives make decisions democratically, not every worker-member necessarily participates in every decision; different worker-cooperatives may create very different democratic decision-making structures depending on the size and type of the business.[25] Some cooperatives adhere to a flattened model of management, in which every worker-member votes in company decision-making processes, while others may choose a more hierarchical model in which worker-owners elect selected representatives to a decision-making body, such as a board of directors, rather than every worker-owner voting directly.[26]

Worker-cooperative businesses exist in many countries throughout the world, and span a diverse range of industries. Individual worker-cooperative businesses may include anywhere from several worker-owners to tens of thousands. The world's largest worker-cooperative, the Mondragón Corporation in Spain, has more than 74,000 employees, and accounted for 3.7 percent of the Basque Country's total employment across all sectors and 3.6 percent of the region's total GDP in 2012.[27]

In the United States, the worker-cooperative sector is very small relative to many other countries. The U.S. Federation of Worker-Cooperatives estimates that approximately 350 worker-cooperatives employing some 7,000 people exist in the United States today, distributed throughout a number of different industries.[28] As the following pages describe, the still-small scale of the American worker-cooperative sector is closely tied to the fact that the United States lacks a national-level regulatory framework around worker-cooperatives. In contrast, the strong cooperative economies maintained by many other countries have grown out of public policies these nations have established to support and grow their respective cooperative business sectors.[29] Establishing a universal regulatory framework would remove many of the significant barriers that currently inhibit the worker-cooperative sector's growth potential in the United States, and would be an essential first step toward growing the democratic employee-owned business sector to scale.

Benefits of Worker-Cooperatives

When it comes to promoting economic fairness and sustainability, worker-cooperatives not only "talk the talk," but also "walk the walk." They produce demonstrably better outcomes for workers, for businesses, for local communities, and for society and the economy at large than do conventionally owned businesses.[30]

How Society and the Economy Benefit

One of the most powerful benefits of democratic worker-ownership is the role it can play in promoting economic equality by reducing income and wealth disparities. Worker-owned cooperatives combat income inequality and decrease wealth gaps in two critical ways. First, employee income ratios—meaning the ratio between the highest-paid and the lowest-paid employee—are dramatically lower in worker-cooperatives than in many conventional investor-owned businesses. Second, by expanding ownership opportunities to workers, worker-cooperatives allow a much larger portion of the population to build wealth through business ownership.

Exorbitant pay ratios are a critical factor contributing to the national economic inequality crisis. An estimate by the Economic Policy Institute places the CEO-to-worker pay ratio in the United States at 296:1; the AFL-CIO reports the ratio to be even larger, at 373:1, meaning that CEOs are earning, on average, 373 times more than their typical rank-and-file worker.[31] These extreme pay disparities in investor-owned corporations stand in sharp contrast to the typical wage difference between the highest-paid and lowest-paid employees in worker-cooperatives. For example, the CEO of the Spanish Mondragón Corporation—the largest worker-cooperative in the world—earned just nine times more than the cooperative's lowest-paid employee in 2011.[32] In Cooperative Home Care Associates, the largest worker-cooperative in the United States, the CEO-to-minimum-wage-worker pay ratio hit its peak in 2006—at just 11:1.[33]

The far smaller pay ratios found in worker-owned cooperatives mean that instead of the vast majority of a company's profits going into the pockets of CEOs, workers get to take home a larger, fairer portion of what they produce. Sharing a larger portion of company profits with employees holds significant benefits for individual workers and for the economy at large. For low-income workers, profit-sharing combats poverty by increasing workers' take-home pay. And in a broader sense, more equitably distributing income amongst workers promotes economic inclusion and increases workers' capacity to participate in the economy.

In addition to reducing income inequality by more equitably distributing earnings among workers, worker-ownership is a valuable way for workers to build long-term wealth. For business owners, whose company functions not only as a source of income during their tenure as owner, but also as a major investment that an owner can cash out by selling the company. Worker-cooperatives provide a major new portion of the population the opportunity to move from rank-and-file wage worker to business owner, and to gain access to the wealth-building potential of business ownership. In this way, worker-cooperatives open a channel for wealth-building that rarely exists for low-wage or lower-skilled workers in conventionally-owned businesses.

It is important to note that by extending business ownership to historically marginalized communities, worker-ownership could play a part in shrinking the racial wealth gap in the United States.[34] Individuals of color are far less likely to own their own businesses in the United States, and are thus less likely to benefit from the wealth-building opportunities offered by business ownership.[35] Exclusion from this important asset-building opportunity contributes to the severity of the racial wealth gap, where the typical black and Latino households hold a tiny fraction of the wealth possessed by typical white households: on average, black households have just 6 percent the amount of wealth that white households do, and Latino households have 8 percent the amount of wealth that white households possess.[36] These long-range wealth disparities compound the more immediate realities of racialized poverty, in which individuals of color are far more likely to live under the poverty line[37] and in concentrated-poverty neighborhoods than white Americans.[38] By extending high-quality, stable employment and business ownership opportunities to low-income and marginalized communities—communities that are, more often than not, also communities of color—worker-ownership could play a meaningful part in addressing the racialized income and wealth inequality crisis. Worker-ownership may already have begun proving its potential to help dismantle racial economic disparities: in 2012 and 2013, almost 60 percent of people in new worker cooperatives were people of color.[39]

The above examples illustrate how worker-cooperative businesses play a critical role in supporting economic stability and sustainability by reducing income and wealth disparities. But in addition to promoting economic equality at the macro-scale, democratic worker-ownership also produces demonstrably better (and more immediately visible) outcomes for workers, for businesses, and for local communities.

How Workers Benefit

Because worker-owned cooperative businesses operate for the benefit of their members—the worker-owners who work in, run, and also own the business—employees of worker-cooperatives fare better in many respects than their counterparts in conventionally owned firms. Each worker-owner of a worker-cooperative holds one voting share in the company, and so each individual worker-owner retains direct control over his or her own working conditions, wages, and job security.

In some cases, this democratic model of direct employee control has produced higher wages for workers employed by worker-cooperatives than for those employed by comparable conventional firms.[40] For example, one study of a worker-owned grocery in the San Francisco Bay Area found that average compensation for the grocery's worker-owners was 40 percent higher than the average for unionized grocery workers in California.[41] Similarly, members of the California-based Women's Action to Gain Economic Security (WAGES) worker-cooperatives reported seeing a 70-80 percent increase in family income after joining the cooperative.[42] At Cooperative Home Care Associates (CHCA), the nation's largest worker-cooperatives, above-average pay coupled with fuller than normal work schedules has led to increased earnings; workers at CHCA work an average of thirty-six hours per week, compared with the industry average of 25–30.[43]

Beyond incentivizing better base wages, worker-cooperatives also increase workers' take-home pay by directly distributing any year-end surplus to their worker-owners. The worker-members of a worker-cooperative collectively decide how to divide surpluses between re-investing some revenue as retained earnings in the business' collective account, and distributing some as dividends the cooperative pays to each worker-member based on the relative amount of work he or she did.[44] In general, each worker-member will receive a portion of these patronage dividends in a cash payment at the end of the fiscal year. The cooperative will allocate the remainder to a member account held for each worker-owner, which he or she can cash out at some point in the future as specified by the cooperative's bylaws.[45] In both situations, workers directly earn a significant portion of the profits they created, instead of those profits ending up primarily in the pockets of outside investors.

Perhaps equally important as these increases in take-home pay for employees is the overall better treatment and security that worker-owners enjoy compared with the employees of conventionally owned businesses. During times of economic downturn, worker-owned businesses prioritize job preservation, and have demonstrated that they are more likely than are conventional firms to choose to temporarily reduce hours or adjust wages rather than cut jobs.[46] In addition to better job security for workers, this translates to lower unemployment rates and helps to insulate local economies during crisis periods.

Worker-ownership also mitigates economic inequality by increasing long-term wealth-building opportunities for workers.

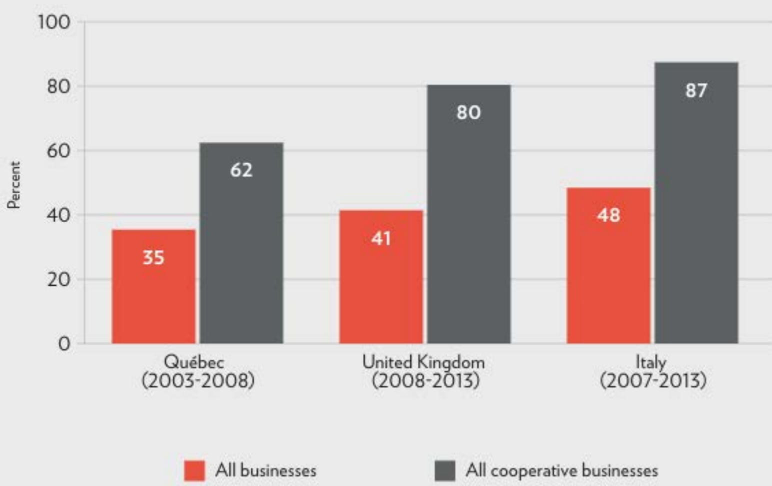
Worker-ownership also mitigates economic inequality by increasing long-term wealth-building opportunities for workers. Since every worker-member of a worker-cooperative holds an ownership share in the company, each worker-owner is entitled to the long-run benefits of business ownership. If the members decide to sell or dissolve the worker-cooperative, every worker-owner receives a portion of the company's value.[47] Because worker-ownership allows a larger and more diverse group of people to participate in business ownership, it can thereby become an invaluable opportunity for low-wage workers to build wealth through ownership and lift themselves out of the cycle of persistent poverty.

How Businesses Benefit

Like their workers, businesses themselves also benefit from adopting a democratic employee-owned business structure. As co-owners of the business, worker-owners have inherently more meaningful roles in determining the businesses' success and a greater stake in how the company fares. A 2012 study by McKinsey & Company found cooperatives to be "particularly effective" in creating employee mobilization "because members participate in the cooperative's direction-setting process," which provides co-op employees with "a strong sense of ownership of, and belonging to, their organization."[48] Unsurprisingly, studies have also found a correlation between broad-based employee ownership and higher productivity rates, along with improved overall firm performance.[49]

In a similar vein, empirical evidence demonstrates that employee-owned businesses and cooperatives are more resilient than are conventional investor-owned firms: they have higher survival rates and fare better during economic downturns than do conventionally owned companies. Some researchers have found that higher resilience among cooperatives is related primarily to greater employment stability,[50] while others take a broader view, and argue that the "resilience of worker cooperatives is linked to the intrinsic motivations of self-management for worker-members, and the positive externalities they bring to local communities."[51] In the UK, for example, data from the Office for National Statistics reveals that twice as many cooperatives survive the difficult first five years as other businesses.[52] A study by the Québec Ministry of Economic Development, Innovation, and Export found similar results for cooperatives in Québec: the survival rate for new cooperatives after five years was 62 percent, as compared with 35 percent for all businesses (Figure 3).[53] Even after ten years, cooperative businesses in Québec maintained a survival rate more than double that achieved by all businesses (44 percent and 20 percent, respectively).[54] This same trend has been documented by studies of Italian industrial worker-cooperatives. Between 2007 and 2013, the survival rate of new Italian industrial cooperatives far outpaced that of all Italian enterprises: less than half of all businesses, 48 percent, had survived through their first three years, compared with fully 87 percent of the cooperatives studied.[55]

FIGURE 4. BUSINESS SURVIVAL RATES



Source: Data for Québec from Michel Clément and Caroline Bouchard, "Taux de Surviendes Coopératives Au Québec," Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec, 2008; data for Italy from "Workers Buy-out: 30 Years of Creating Wealth in Italy," CECOP–CICOPA Europe, July 9, 2015, http://www.cecop.coop/Workers-buy-out-30-years-creating-wealth-in-Italy; data for the United Kingdom from "The Cooperative Economy 2015: An Ownership Agenda for Britain" (Cooperatives UK, 2015).

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Importantly, worker-cooperatives are more resilient than conventional investor-owned firms particularly during times of economic crisis.[56] During economic downturns, worker-cooperatives fail at lower rates,[57] experience much less job loss,[58] and are able to more efficiently manage short-term issues that emerge during crisis situations.[59]

How Local Communities Benefit

Worker-owned enterprises create stronger local economies by rooting businesses in their communities.[60] Because ownership and labor are one and the same in worker-cooperatives, and because workers themselves make the company's critical strategic decisions, there is little danger of a worker-cooperative business unexpectedly picking up and leaving or being sold to outside investors and dissolved. As Paul Soglin, mayor of Madison, Wisconsin, noted, "With a cooperative, you don't have to worry about a buy-out. You don't have to worry about a CEO one day picking up and moving the company to Fargo. With a cooperative, you can have confidence that the company and the wealth it generates is going to stay local."[61] By essentially anchoring businesses in place, worker-cooperatives also reduce the risk of retail "desertification" that so frequently plagues communities suffering from disinvestment or decline.[62]

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At their core, cooperative businesses exist for the benefit of their members and their communities. The seven foundational cooperative principles (established by the International Cooperative Alliance in 1995) include "concern for community," meaning that by definition, a cooperative entity should "work for the sustainable development of their communities through policies approved by their members."[63] As a result, cooperative businesses tend to purchase locally more frequently and re-invest more in the local economy and community than do conventionally owned businesses. The results of a 2012 study by the National Cooperative Grocers Association provides an example. The study, which measured the impact of food co-ops versus conventional grocers on the local economy, found that $0.38 of every dollar spent at a food co-op is reinvested in the local economy, compared to just $0.24 at conventional grocers.[64]

The resilience and greater relative benefits of cooperative and employee-owned enterprises for workers, businesses, and local communities are closely linked to self-management.[65] Instead of owners being distant investors who are interested solely in increasing profits, worker-owners are at once employees, owners, and community members. As a result, they have much reason to promote the wellbeing of employees, of the local economy, and of the community as they do to ensure the long-term viability and profitability of the company.

Importantly, worker-ownership offers exceptional benefits to their surrounding communities and local economies particularly during times of crisis. Worker-cooperatives function as a micro-economic counterweight to lost jobs and business closure during economic downturns, and they have also demonstrated their effectiveness at helping rebuild and revitalize local economies after periods of crisis.[66] Employee-owned businesses are counter-cyclical by nature: while conventional businesses experience heightened closure rates in times of economic crisis, worker-cooperatives tend to emerge in greater concentrations during downturns and act as "shock-absorbers" to meet the socioeconomic needs of local communities.[67] Throughout Europe and much of the Global South, for example, where unemployment continues to rise and conventionally owned businesses are closing at elevated rates (as of the end of 2015), the worker-cooperative sector is in a period of growth.[68] In addition to new cooperatives emerging during times of economic crisis, existing cooperatives also tend to weather downturns better than other businesses: worker cooperatives experience far lower rates of job loss and also fail at lower rates during economic downturns than do conventional investor-owned firms.[69]

Case Study: Emilia Romagna

The revitalization of the Emilia Romagna region of Italy offers one illustrative example of the cooperative business sector's effectiveness at transforming regional economic distress into sustainable prosperity. Situated in Northern Italy, Emilia Romagna is today one of the wealthiest regions, per capita, in the European Union,[70] and also has one of the highest concentrations of cooperative businesses in the world.[71] But Emilia Romagna has not always been so fortunate. Less than a century ago, World War II devastated Emilia Romagna's economy, leaving it one of the most impoverished regions of Italy, beset by high unemployment rates and lacking any viable industry base upon which to rebuild.

Worker-cooperatives played a leading role in transforming Emilia Romagna's economy from near-collapse into one of the strongest regional economies in Italy and the EU.[72] The Emilia Romagna government launched an economic development strategy centered on small business development that emphasized promoting employee-owned businesses and cooperatives of all kinds. From this initial strategy grew thousands of small- and medium-sized worker-cooperatives, which over the years have become an incredibly dense, well-connected network spanning nearly all sectors. Today, nearly two out of every three citizens of Emilia Romagna's population of 4.3 million are members of one or more of the region's 8,000 cooperatives,[73] and cooperatives generate 40 percent of the region's GDP.[74] Thanks in large part to its strong cooperative sector, Emilia Romagna has one of the highest regional GDPs in Italy and throughout Europe; the region has a low unemployment rate relative to the Italian national average;[75] and the European Commission describes Emilia Romagna as a "leading region in Europe in terms of entrepreneurship and economic dynamism."[76] Emilia Romagna's journey from one of the most economically distressed regions in Italy and Europe to one of the most thriving demonstrates the power of the cooperative sector to drive local economic revitalization and sustainable economic development.

The Global Cooperative Sector

Cooperative ownership not only promotes overall economic and social stability, sustainability, and equity at the macro-scale, it also produces demonstrably better outcomes for individuals, businesses, local economies, and communities on a more immediate, tangible level. International organizations and countries throughout the world have recognized these exceptional social and economic benefits, and have taken concrete steps to support worker-cooperatives within their broader efforts to promote cooperative businesses at large.[77]

The past several decades are replete with instances of global governance organizations declaring their support for cooperative businesses and encouraging their members to adopt policies that promote them. In 2001, the United Nations published a set of guidelines "aimed at creating a supportive environment for the development of cooperatives," citing as the impetus for the guidelines "the significance of cooperatives as associations and enterprises through which citizens can effectively improve their lives while contributing to the economic, social, cultural, and political advancement of their community and nation."[78] A year later, the International Labor Organization (ILO) adopted the "Promotion of Cooperatives Recommendation" (ILO Recommendation No. 193 of 2002), which states that "Measures should be adopted to promote the potential of cooperatives in all countries," given the "importance of cooperatives in job creation, mobilizing resources, generating investment and their contribution to the economy."[79] More recently, the United Nations General Assembly declared 2012 the International Year of Cooperatives, highlighting "the contribution of cooperatives to socioeconomic development, particularly their impact on poverty reduction, employment generation and social integration".[80]

And in 2013, the European Parliament adopted a resolution on "the contribution of cooperatives to overcoming the [economic] crisis," which recognizes that cooperatives "play an essential role in the European economy, especially in time of crisis, by combining profitability with solidarity, creating high-quality jobs, strengthening social, economic, and regional cohesion, and generating social capital."[81]

Countries across the world, from Brazil, to India, to South Africa, to Spain, have also recognized the social and economic value of cooperative businesses, and have acted to promote their respective cooperative sectors by established legal frameworks that support and govern the operations of cooperative businesses.[82] As a result of this definitive, widespread international support, cooperative businesses are today a major—and growing—part of the global economy.[83] Throughout the world, cooperatives employ more than 250 million people, and in 2013, generated $2.95 trillion in turnover.[84] In addition to contributing significantly to the global economy, cooperatives are also a major source of employment worldwide. Within the G20 countries, for instance, co-operative employment makes up almost 12 percent of the total employed population.[85]

Although estimating the global number of worker-cooperatives within the broader cooperative sector is no straightforward task, given that definitions and legal treatment of worker-cooperatives vary across international boundaries, the International Organisation of Industrial and Service Cooperatives (CICOPA) estimates that the global cooperative sector includes some 10.8 million worker-members.[86] Within Europe, 1.5 million workers are co-owners of worker-cooperatives, specifically.[87] It is clear that at least in some regions, worker-cooperatives represent a majority share of the overall cooperative sector.[88] In the Basque Country, for example, worker-members account for approximately 57 percent of total cooperative employment.[89] The Mondragón federation of cooperatives—the world's largest worker-cooperative, with over 74,000 employees[90]—provides on its own for over half of the Basque Country's total cooperative employment. In the Emilia Romagna region of Italy, which boasts one of the highest concentrations of cooperatives businesses anywhere in the world, worker-members comprise an estimated 35 percent of cooperative employment.[91]

The U.S. Cooperative Sector

The United States is relatively well represented in the global cooperative sector in terms of some types of cooperatives, such as agricultural cooperatives, utility cooperatives, and financial cooperatives. For these types of cooperative businesses, the United States has established clear, national-level regulations and tax incentives, allowing them to become normalized, widespread forms of business across the country. But the U.S. worker-cooperative sector is a different story: it is a tiny fraction of that of many other countries.[92] This disparity is due in large part to the fact that the United States, unlike many other countries, has established no cohesive national regulatory framework, no consolidated system of support, nor even a codified definition for worker-owned cooperative businesses. Worker-cooperatives in the United States are thus primarily regulated under an inconsistent patchwork of idiosyncratic state-level laws. At the national level, no explicit regulations around worker-cooperatives exist, leaving worker-cooperatives loosely governed under regulations designed for other types of cooperatives.

Current U.S. Cooperative Law

Federal regulations around cooperatives exist primarily in the tax code. Since the late nineteenth century, the United States has implicitly recognized the social and economic value of cooperatives in offering certain tax exemptions for businesses that operate as cooperatives.[93] The modern tax code includes regulations around cooperative businesses in sections I.R.C. 501(c)(12); I.R.C. 521; and I.R.C. Subchapter T (sections 1381-1388 inclusive). I.R.C. 501(c)(12) applies to specific types of cooperatives, and provides federal income tax exemption for "benevolent life insurance associations of a purely local character; mutual ditch or irrigation companies; mutual or cooperative telephone companies, mutual or cooperative electric companies; and 'like organizations.'"[94] Similarly, I.R.C. 521 establishes tax-exempt status for farmers' cooperatives.[95] Subchapter T, added to the tax code in 1962, is the default legislation for cooperatives in general. The sections of Subchapter T allow "any corporation operating on a cooperative basis" to deduct from their gross taxable income the amount they pay in patronage refunds.[96]

Although none of the three I.R.C. sections related to cooperatives explicitly mention worker-cooperatives, worker-cooperatives are generally considered to fall under the jurisdiction of Subchapter T. As such, worker-cooperatives are usually able to access Subchapter T's tax benefits. Still, because worker-cooperatives do not exist as a distinct legal entity at the federal level, some debate has existed through the years as to whether patronage in the form of dividends in a worker co-op would qualify for tax exemption Subchapter T, and to what extent.[97]

State-level Cooperative Law

Cooperative law relating explicitly to worker-cooperatives may currently be found largely in a patchwork of state-level regulations.[98] Michigan became the first state to adopt a cooperative regulatory framework in 1865, when it enacted a cooperative statute.[99] Today, over eighty-five state-level cooperative statutes exist throughout the fifty states,[100] of which a small handful apply explicitly to worker-cooperatives.[101] One of the most recent examples of state-level legislation designed specifically around worker-cooperatives is the California Worker Cooperative Act (AB 816), passed into law in 2015. The California Worker Cooperative Act facilitates the formation of worker-owned cooperatives by establishing a cooperative corporate entity, solidifying a statutory definition of a "worker cooperative," and easing barriers to raising investment capital from within the local community.[102] California State Assembly Member Rob Bonta, who introduced the bill, explained the reasons for introducing as follows:

> *"Worker-owned businesses are central to a full economic recovery and to closing the income inequality gap. As low-income communities continue to struggle with the dual problems of high rates of unemployment and low-wages, worker-owned, worker-managed small businesses have emerged as an effective way to rebuild the local economy and address economic inequality."*[103]

In states that do have cooperative incorporation codes, such as Massachusetts and California, businesses can incorporate as worker cooperatives. But since no national worker-cooperative incorporation code yet exists, in states where there are no such laws, companies that meet the minimum requirements of operating as a worker-cooperative generally choose between incorporating as a C corporation, S corporation, LLC, flexible purpose corporation, or any other corporate form.[104]

Although the array of state-level regulations does provide some crucial existing legislative infrastructure, the absence of a universal regulatory framework or any centrally coordinated support infrastructure around worker-cooperatives has greatly constrained the sector's growth potential in the United States. Without a national incorporation code to align the mishmash of state regulations around worker-cooperative incorporation, starting or converting a business structured as a worker-cooperative can vary substantially from state to state. Further, because worker-cooperatives are not yet recognized as a distinct entity in national-level legislation, public awareness and understanding of the worker-cooperative model is very limited; few workers and owners know that the worker-cooperative model is even an option. This lack of public awareness has critical financial implications for the worker-cooperative sector, as well. Traditional financial institutions are generally unfamiliar with worker-cooperatives and uncertain about the risks and rewards associated with lending to them; further, the absence of a clear universal definition means worker-cooperatives do not fit neatly within typical borrower categories. As a result, it is often challenging for worker-cooperatives to access sufficient start-up and development capital through conventional financial channels.[105]

The Decentralized Employee-Ownership Network

In spite of these significant challenges, a diverse, decentralized group of employee-ownership service providers has emerged that provides invaluable support to worker-owned cooperative business across the United States. A number of regional worker-cooperative associations exist, including the New York City Network of Worker Cooperatives, the Network of Bay Area Worker Cooperatives (in the San Francisco Bay Area), and the Valley Alliance of Worker Cooperatives (Massachusetts), among many others. The U.S. Federation of Worker-Cooperatives acts as the national membership organization for worker-cooperatives across the United States, and connects the U.S. worker-cooperative sector with CICOPA (an international worker-cooperative federation), as well as the International Cooperative Alliance (an international cross-sector co-op association). Other employee-ownership and cooperative organizations such as the National Center for Employee Ownership, which primarily serves ESOP companies, and the National Cooperative Business Association, a cross-sector cooperative association, also comprise critical organizational components of the broad-based worker-ownership and cooperative support network.

The U.S. Federation of Worker Cooperatives lists around 200 developers, lawyers, educators, financial institutions, and training organizations throughout the United States that offer assistance specifically to worker-cooperatives.[106] This worker-cooperative-specific network nests within a broader infrastructure of service providers that support cooperatives and employee-ownership more broadly.[107]

This decentralized worker-ownership network plays an invaluable role in helping to partially offset the substantial barriers presented by the absence of universal regulation around worker-cooperatives. Still, until the federal government recognizes worker-cooperatives in legislation, as have many other national governments throughout the world, it is unlikely that the worker-ownership sector will be able to reach the scale of other recognized types of cooperative and employee-owned businesses on its own.

The Promise of the Worker-Cooperative Model

As the country continues to grapple with deep-seated economic inequality recently compounded by the Great Recession, worker-cooperatives are beginning to attract attention for their capacity to create high-quality, stable jobs and business ownership opportunities, to reduce unemployment, and to promote sustainable, inclusive economic development. Workers and business owners alike are turning toward worker ownership as a good business strategy; local governments and civil society organizations are building new infrastructure to support worker-ownership; and political leaders and scholars are increasingly extolling the benefits of worker-ownership. Consequently, in spite of their ambiguous legal standing, worker-owned cooperative businesses have been growing significantly in number and visibility in the United States in recent years. More than 150 known new worker-cooperatives have already formed since the turn of the twenty-first century.[108] As of 2013, 31 percent of the 256 then-known U.S. worker-cooperatives had launched operations in 2010 or after.[109]

Several American cities—such as New York City and Madison, Wisconsin—have recently established initiatives intended to grow their local worker-owned cooperative sectors.[110] New York City launched the Worker Cooperative Business Development Initiative in 2014, and distributed $1.2 million to ten partner organizations to support the development of new worker cooperatives. In a 2015 report describing the results of the first year of the Worker Cooperative Business Development Initiative, the City commented on the motivation behind the Initiative, stating that "worker-cooperatives… provide an innovative business model that supports the administration's efforts to address income inequality."[111] By the end of its first year, the NYC program had created twenty-one new worker-cooperatives and 141 worker-owners.[112] The city of Madison, Wisconsin is also currently starting its own program to foster the local worker-cooperative sector. Beginning in 2016, the City of Madison will begin investing $1 million a year for five years in establishing new worker-owned businesses.[113] Several other cities across the country, including Richmond, CA, and Cleveland, OH, have provided direct assistance to support the growth of worker-cooperatives, and the City Council of Oakland, CA recently passed a "Resolution Supporting the Development of Worker Cooperatives in Oakland."[114]

In addition to local governments establishing new infrastructure to support worker-cooperatives, civil society organizations are also increasing their efforts to promote the worker-cooperative sector. In 2012, for example, the United Steelworkers (USW) and Spain's Mondragón Corporation (the world's largest worker-cooperative) launched a collaboration to promote worker-cooperative businesses by "adapting collective bargaining principles to…worker-ownership principles."[115] The goals of the collaboration are to "develop and grow manufacturing jobs in the United States and Canada, to improve the quality of life of workers, and to create sustainable jobs in a sustainable economy that supports stronger communities and sustainable environmental practices."[116]

These stated motivations of the USW-Mondragón collaboration align with the driving ideas of a fresh wave of scholarship emerging around the potential role of worker-cooperatives to promote a more equitable, sustainable economy. Leading scholars and theorists such as economist Richard Wolff and historian and political economist Gar Alperovitz argue that worker-owned cooperatives could become a critical building block of a "new economy" based on the principles of sustainability and equitable wealth distribution.[117] Their arguments expand upon a long-standing academic literature exploring the benefits of employee-ownership. Among many others, this literature includes scholarship by academics including Joseph Blasi (Rutgers University School of Management and Labor Relations), Richard Freeman (Harvard University Department of Economics), Douglas Kruse (Rutgers University School of Management and Labor Relations), John Pencavel (Stanford University Department of Economics) Henry Hansmann (Yale Law School), Louis Putterman (Brown University Department of Economics), and many more.

Employee ownership has also gained attention as a topic in the U.S. presidential election. Both leading 2016 Democratic primary candidates expressed support for employee ownership and profit sharing as tools for combating the U.S. income and wage inequality crisis. Former Secretary of State Hillary Clinton announced a "key proposal to give workers the chance to share in the profits they help produce," citing research from Joseph Blasi, Richard Freeman, and Douglas Kruse around the benefits of worker-ownership and profit sharing as the evidence for her plan.[118] Senator Bernie Sanders demonstrated support specifically for expanding the worker-cooperative business sector. In 2014, Senator Sanders introduced a two-bill legislative package to provide funding and technical assistance to worker-owned cooperatives and businesses with employee stock ownership plans (ESOPs). The first bill in Senator Sanders' package, the Worker Ownership, Readiness and Knowledge (WORK) Act, would direct the U.S. Department of Labor to provide funding for employee ownership centers to offer employee-ownership training and technical support to worker-owned businesses across the nation. A second bill would create a U.S. Employee Ownership Bank to provide loans to help workers purchase businesses through an employee stock ownership plan or a worker-owned cooperative.[119] In explaining the motivation behind the legislative package, Senator Sanders said:

> *"By expanding employee ownership and participation, we can create stronger companies…throughout this country, prevent job loss, and improve working conditions for struggling employees. Simply put, when employees have an ownership stake in their company, they will not ship their own jobs to China to increase their profits. They will be more productive. And, they will earn a better living."*[120]

It is important to note that this burgeoning recognition of the role that worker-ownership can play in reducing income inequality and in promoting economic democracy is neither limited to the American political left nor a nascent phenomenon. Instead, throughout American history, U.S. presidents and politicians of all stripes have spoken and acted in support of profit-sharing and employee-ownership. For example, in a 1987 speech to the Presidential Task Force on

Project Economic Justice, President Ronald Reagan remarked, "I can't help but believe that in the future we will see in the United States and throughout the western world an increasing trend toward the next logical step, employee ownership. It is a path that befits a free people."[121] And as far back as 1913, in a speech entitled "The Democratic Movement in a Republic," President Theodore Roosevelt had said, "We *must insist* upon the principle of cooperation, of profit sharing and partnership as regards employer and employee, so that the prosperity coming to the big business organization shall in measurable degree and with some approximation to justice be divided with the ordinary wage workers in the business."[122]

The statements of these historical political leaders illustrate how profit sharing and employee-ownership have long been considered promising and important strategies for promoting American economic prosperity. Yet despite this legacy of support from American leaders and the fresh wave of broad-based interest in worker-ownership, the law still fails to adequately support the model of employee-ownership that most definitively supports these principles of economic democracy: the worker-owned cooperative business. Creating a clear regulatory framework that establishes worker-cooperatives as a distinct entity within the broader employee-owned and cooperative business sectors is a critical next step to growing the American worker-cooperative business sector to scale, and to thereby unlocking democratic worker-ownership's potential to turn the economy toward greater inclusivity and a more equitable distribution of wealth.

Learning from ESOP Regulation

The critical importance of a universal regulatory framework and supportive policy environment in contributing to a business model's success is evident in the thriving Employee Stock Ownership Plan (ESOP) sector, the most common form of employee-ownership in the United States today. The instrumental role of legislation in promoting the growth of ESOP companies provides some idea of the scale of impact a similar regulatory environment for worker-cooperatives could have in facilitating the growth of the worker-cooperative sector.

An ESOP is an employee retirement plan in which a company holds and contributes shares of its own stock to individual employee accounts. When an employee is terminated, retires, becomes disabled, or dies, the plan distributes the shares of stock to the employee. [123] The ESOP model of employee-ownership was first given recognition and special tax treatment as a distinct form of pension plan in the Employee Retirement Income Security Act (ERISA) of 1974.[124] Since the adoption of ERISA, several additional favorable tax policies, such as the 1042 Rollover (which allows owners who sell to their employees to defer the capital gains tax on the sale), have since been established as complementary legislation to the original 1974 regulatory framework.[125] The number of ESOPs grew rapidly after gaining legal recognition and favorable tax treatment: in 1974, just before receiving legal recognition, the entire ESOP sector comprised approximately 200 ESOPs throughout the United States—roughly the same size as today's worker-cooperative sector.[126] Today, just under 7,000 ESOP companies exist, covering some 13.5 million employee-owners.[127]

The ESOP sector's growth over the past several decades into an increasingly well-known, common type of company evidences how essential a supportive policy environment is in enabling a sector to succeed.[128] The ESOP sector's expansion after receiving legal recognition and favorable tax treatment illustrates the potential for similar employee-ownership legislation around worker-cooperatives to generate a comparable scale of growth in the worker-cooperative sector. A national-level regulatory framework and favorable tax treatment would remove the considerable impediments that currently constrain the worker-cooperative sector's growth, allowing the worker-cooperative business model to begin to transition from a little-known, legally ambiguous entity to a normalized, widespread form of business.

To illustrate how the United States could design a policy environment supportive of democratic worker-owned business, we turn now toward an examination of how Italy's regulatory framework and cross-sector support network for cooperative businesses has fostered its thriving worker-cooperative sector. One component of this Italian framework—an innovative worker-cooperative policy called the Marcora Law—offers an opportune how-to example for the United States. The Marcora Law successfully activates the worker-cooperative model as a tool not only for reducing economic inequality, but also for reversing unemployment and achieving local economic revitalization—two important challenges that continue to beleaguer many American communities in the fresh aftermath of the Great Recession.

The Italian Model: Comprehensive Regulation and Cross-Sector Support

Like many countries throughout the world, Italy has developed a policy environment designed to promote its worker-owned cooperative business sector. The Italian cross-sector cooperative support network includes a sophisticated, universal regulatory framework and a comprehensive system of financial, technical assistance, and business development support for all types of cooperative businesses, including worker-cooperatives.

The robust Italian regulatory framework for cooperatives has evolved over the course of more than a century, beginning with the establishment of the first regulations around cooperatives in the Commercial Code of 1882.[129] Today, a set of general rules that apply to all cooperatives are contained largely within articles 2511–2545 octiesdecies of the Italian Civil Code, established in 1942.[130] The Civil Code broadly defines cooperatives as "societies with variable capital and mutual purpose, registered in the Register of Cooperative Societies," and in which "each cooperative member has a vote, whatever the value of the share or the number of the stocks held."[131]

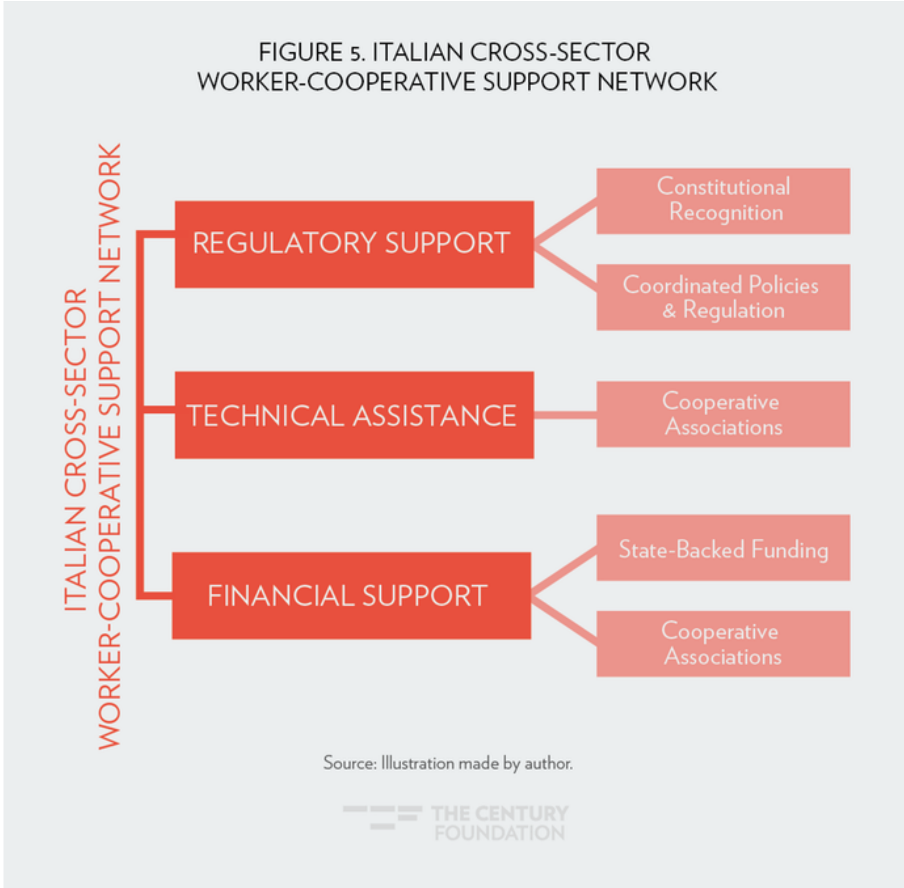
The Italian Constitution, which came into force in 1948, gave special protection to the cooperative legal form (as established by the 1942 Civil Code) by recognizing cooperative businesses as a distinct type of entity with inherent societal value in Article 45:

> *"The Republic recognizes the social function of the cooperative with a mutuality purpose and that is not driven by private profit. The law both promotes and encourages the increase in the number of cooperatives through the most suitable means and guarantees its character and purposes through the application of appropriate controls."*[132]

A set of laws governing particular types of cooperatives and specific aspects of cooperative operations exists alongside the Italian Constitution's and the Civil Code's general rules around cooperatives at large. These special rules include, for example, regulations around worker cooperatives, cooperative banks, and social cooperatives.[133] In the interest of aligning this many-faceted regulatory framework around cooperatives in a streamlined, seamless system, Italy has established legal guidelines to clarify the relationship between general laws and special laws for cooperatives. The Italian Civil Code specifies that cooperatives regulated by special laws are also subject to the general cooperatives rules, to the extent that the general rules are compatible with any relevant special rules.[134]

Acting as a crucial complement to the sophisticated Italian regulatory framework around cooperatives is a cross-sector network of public and non-public actors and institutions that provide comprehensive support to cooperatives. On the public side, two financial companies—Compagnia Finanziaria Industriale (CFI) and Foncooper—provide state-backed funding to support cooperative business development. These financial companies work to promote cooperatives in partnership with three major Italian cooperative associations, Legacoop, Confcooperative, and AGCI, to which virtually every cooperative in Italy belongs.[135] In addition to advocating for the cooperative sector at large, these associations offer hands-on business development, technical assistance, and financial support to new and existing cooperatives.

To further expand the financial resources available for cooperative development, Law 59 of 1992 established the standing requirement that each member cooperative of Legacoop, Confcooperative, and AGCI pay 3 percent of their annual surplus into a fund controlled by the board of directors of their respective association.[136] The dedicated fund comprising these payments supports the development of new cooperatives of all types.[137]



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This universal regulatory framework and cross-sector support network has produced a vibrant Italian cooperative economy. The sheer volume of people employed in Italian cooperatives evidences the effectiveness of the aligned Italian infrastructure around cooperatives: in 2008, the Italian cooperative sector already accounted for 10 percent of GDP and 11 percent of employment.[138] The Italian cooperative sector has seen further growth in recent years, expanding by 8 percent between 2007 and 2011, and growing an additional 2.8 percent in 2012.[139] This recent growth brings the total number of jobs created in cooperatives to more than 1,341,000 across Italy.[140]

As a component of promoting its thriving cooperative economy, Italy has also succeeded in growing its worker-cooperative sector into a powerful tool for reducing unemployment, revitalizing flagging regional economies, and promoting equitable, sustainable economic development. An innovative policy called the Marcora Law is at the heart of Italy's supportive policy environment around worker-cooperative businesses. The motivations and effects of the Marcora Law may hold valuable practical lessons for the United States as our nation searches for policies capable of putting the brakes on runaway American economic inequality.

The Marcora Law

In 1985, Italy introduced Legge 49/85, the "Marcora Law," which takes advantage of the full array of Italian regulatory and practical supports for the cooperative sector in order to promote the worker-cooperative sector.[141] The Marcora Law has proven to be an effective way to bolster local economies, to combat business closure, and to reduce unemployment through worker-ownership.

Named after Giovanni Marcora, the Italian Minister of Industry who sponsored the legislation, the Marcora Law emerged out of the global economic recessions of the late 1970s and early 1980s, and sought to stimulate economic revival, stem the tide of business closures, and foster entrepreneurialism by promoting the development of worker-cooperative businesses. The Marcora Law's original purpose was to preserve and promote jobs in the midst of a recession period by offering companies on the brink of closure an alternative to permanently shutting their doors. To accomplish this goal, the policy offers workers an array of financial support options and a "right of first refusal" opportunity to purchase and re-launch the troubled business as a worker-cooperative.[142] In place of a shuttered business and a newly unemployed crop of workers, the Marcora Law facilitates the rise of a new "phoenix" cooperative to save the business, preserve workers' jobs, and extend workers the opportunity to build long-term wealth through business ownership.

The Marcora Law weaves together existing funding streams and support systems with additional new financial and technical assistance mechanisms to create an integrated, cross-sector worker-cooperative network. Specifically, the Marcora Law re-imagines pre-existing channels of unemployment payments as funding streams for worker-buyouts; it consolidates strong partnerships among the three national Italian cooperative associations and the Italian state; and it also created two new state-funded financial companies to promote worker-buyouts and support existing worker-cooperative businesses.

The Marcora Law permits workers who decide to pursue a worker-buyout to transform their unemployment benefits into start-up capital for the new worker-cooperative. Italy maintains a state-funded wage supplementation program called *Cassa Integrazione Guadagni* (CIG) for workers whose employers reduce their hours or wages due to financial troubles, in addition to traditional benefits programs for workers whose employers have fully terminated their employment. Workers pursuing a worker-cooperative buy-out under the Marcora Law can obtain a one-time lump sum advance payment of up to three years' worth of unemployment benefits from these unemployment programs, provided that they put the advance toward capitalizing a worker-cooperative buy-out.[143] Because workers trade small, periodic payments of their unemployment benefits for a lump sum advance of the same ultimate amount, the program incurs no additional costs to the state, and is able to produce significant sources of capital to fund worker-buyouts. This innovative mechanism not only helps reduce unemployment in the short term, but also generates sustainable, stable economic development for the long term. According to Camillo De Berardinis, the managing director of CFI, "The idea behind [the

Marcora Law] was to consider the huge, ever increasing forms of unemployment benefits as a diversion of resources that could instead be used to expand the production base and involve unemployed workers in a productive function through forms of co-operative self-entrepreneurship and management."[144]

Workers can also obtain loans from the Italian state to help fund the worker-buyout. The Marcora Law established Italy's two aforementioned cooperative-focused financial companies, *Foncooper* and the *Compagnia Finanziaria Industriale* (CFI), to support the development of worker cooperatives throughout Italy.[145] Foncooper and CFI coordinate two special state funds that provide financial assistance to support worker-cooperative development, including specific assistance for businesses in the process of converting into a worker-cooperative. Workers entering into worker-buyouts may obtain state financing from these two funds in an amount equivalent to the total capital contributed by the workers leading the buy-out.[146] Matching the amount of worker-contributed capital with state-backed financing encourages employees to invest more of their own resources in the buy-out, not only increasing the capital available to fund the conversion, but also creating a powerful incentive for the new worker-owners to make sure the business succeeds.[147]

On top of unemployment payment advances and loans from the state, the three major Italian cooperative federations (Legacoop, Confcooperative, and AGCI) also offer financing options to new worker-cooperatives.[148] The 3 percent of their annual surplus that each federation member is legally required to contribute goes into a *fondo mutualistico* controlled by the board of directors of each respective federation.[149] These *fondi mutualistici* are dedicated to financially supporting the development of new cooperatives.

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Beyond financial support, the three Italian cooperative federations also provide worker-cooperatives technical assistance and business development support. The comprehensive practical support these cooperative federations offer is as essential to the Marcora Law's effectiveness as its innovative financial support system for worker-buyouts. The cooperative federations not only help new worker-cooperatives navigate the conversion and start-up process, but also play an invaluable role in promoting their long-term survival and success.

By drawing together existing unemployment payment streams with expert technical assistance and member dues from the three cooperative associations, and by offering an additional state-backed funding to match workers' own contributions, the Marcora Law fosters strong cross-sector partnerships to promote the worker-cooperative sector. The policy thus brings together the diverse components of Italy's overarching support system for cooperative businesses into an effective, practically revenue-neutral way to support and grow the worker-cooperative sector.

Impact of the Marcora Law

The Marcora Law has proven remarkably effective at leveraging worker-ownership to preserve jobs and businesses. The policy has thus far saved over 13,000 jobs and revived over 300 companies by facilitating their conversion into worker-owned cooperatives.[150] The rate of worker-buyouts has recently been rapidly rising in response the global economic recession, suggesting that the scale of the Marcora Law's impact may soon become significantly greater.[151]

The worker-buyout cooperatives created under the Marcora Law have proven to be resilient businesses with unusually high survival rates.[152] According to CECOP-CICOPA Europe, the International Organisation of Industrial and Service Cooperatives, between 2007 and 2013, the survival rate of *all* Italian enterprises older than three years was 48 percent.[153] On the other hand, Italian industrial cooperatives established after 2007—the majority of which grew from worker buy-outs under the Marcora Law—had a survival rate of more than 87 percent after three years.[154] The high survivorship rates of Marcora Law cooperatives are particularly remarkable when one considers the unfavorable conditions from which many emerged: most grew out of firms that were on the brink of bankruptcy.[155] These unusually high survival rates are a compelling testament to how well worker-ownership functions as an incentive for workers to ensure business success. But in addition to demonstrating the inherent resiliency of worker-owned businesses, the remarkable success of the worker-cooperative businesses launched under the Marcora Law also illustrates the effectiveness of the cross-sector Italian system of regulatory, financial, technical, and business development support for worker-cooperatives.[156]

The Marcora Law has also successfully tapped into the demonstrated capacity of worker-cooperatives to tide local and regional economies through periods of economic crisis and to contribute to post-crisis revitalization. The role played by worker-cooperatives in regenerating the devastated post-war economy of Italy's Emilia Romagna region (which this paper has previously described) provides one particularly striking example. In recent years, regional economies across Italy have again been turning to the worker-cooperative sector for help pulling through the global Great Recession.[157] There has been an uptick in the number of worker-cooperatives established under the Marcora Law over the last several years, with seventy-eight worker-cooperative buyouts successfully completed under the policy between 2009 and 2015.[158] Remarkably, while employment in Italian enterprises of all types fell by 2.3 percent between 2007 and 2011, employment in cooperatives increased by 8 percent overall.[159] This counterintuitive increase in Italian worker-cooperative emergence rates and employment during the recent economic crisis demonstrates the counter-cyclical natural tendency of cooperatives to act as a stabilizing force during downturns. Moreover, it evidences the overall effectiveness of the Italian policy environment in promoting worker-cooperatives.

Claudio De Vincenti, Head of the Cabinet of the Prime Minister in Italy,has noted that the businesses created under the Marcora Law have been remarkably resilient and "able to withstand even the hardest years" of the recent economic crisis.[160] Further, De Vincenti describes worker-cooperatives as an "effective tool" for economic stability given their “promotion of entrepreneurship based on participation, helping the country get back on their feet with their own resources.”[161]

Beyond producing resilient businesses and stabilizing regional economies, the Marcora Law has also produced significant financial returns for the state. Between 2007 and 2013, the Marcora Law cooperatives generated a financial return for the state of up to six times the original investment.[162] To date, the state has allocated €170 million ($187 million) of public funds to CFI, the financial instrument created under the Marcora Law to support cooperative worker buy-outs.[163] The average investment per employee—in other words, the cost of saving each worker’s job and their share of converting the company into a worker-cooperative—is just €13,200 (USD $14,418).[164]

The Marcora Law’s impressive results have not gone unnoticed. The European Union has formally recognized Italy’s achievements in promoting cooperatives and taken steps to encourage other Member States to learn from Italy’s example. In a resolution introduced July 2, 2013, the European Parliament called on the member states to support the cooperative sector by establishing clear regulatory frameworks, as well as funding and development support services, for cooperative businesses.[165] The resolution specifically cites the Marcora Law as a best practice policy, and encourages all member states to adopt similar legislation of their own to promote successful, sustainable cooperative businesses.

Worker-Buyouts in the United States

The Marcora Law has conclusively demonstrated its effectiveness leveraging the Italian worker-cooperative sector to reduce unemployment and to help the Italian economy recover from economic downturns. A U.S. worker-buyout policy modeled after the Marcora Law could become a comparably effective tool for growing the American worker-cooperative sector and promoting equitable, stable economic development.

In spite of the current absence of any policy like the Marcora Law in the United States, the practice of converting a conventionally owned business into a democratic worker-owned business has already made a number of successful appearances throughout the country during the past several decades. This small but instructive set of past democratic worker-buyout success stories provides important precedent for a U.S. version of the Marcora Law. Several well-known examples include design-build firm South Mountain Company, which re-structured as a worker-owned cooperative in 1987; Namasté Solar, a Colorado-based solar energy equipment supplier that converted into an employee-owned cooperative in 2011; and the Island Employee Cooperative (comprising a hardware store, a market, and a pharmacy), which was purchased by its employees in 2014 as an ownership succession strategy for the companies’ retiring owner.

Publications by the University of Wisconsin-Madison’s Center for Cooperatives, the Democracy at Work Institute, and worker-cooperative incubator Project Equity offer detailed case studies that provide valuable insights into the components of these and other successful democratic worker-buyouts.[166] Key ingredients of past successful buyouts in the United States include, for example, commitment to the buy-out from both employees and owners; commitment to developing an ownership culture during the transition process; and starting with a stable, healthy business with a positive future financial forecast. Although some democratic worker-buyouts in the United States have indeed been used effectively as a way to save or re-launch a failing business (the 2012 buy-out of a Chicago window manufacturing company, New Era Windows, is one recent example[167]), most have instead functioned as a way either to better align a company's mission with its business structure, or to provide a satisfactory ownership succession strategy for a retiring owner.

Historically, American worker-buyouts have been motivated by four core reasons: first, as a way to recognize the employees as an important stakeholder group as a component of the business' mission; second, to provide an exit strategy for an owner leaving for retirement or other reasons; third, to create wealth-building opportunities for employees, especially in low-wage sectors or depressed local economies; and fourth, as a good business plan, given employee-owned businesses' demonstrated capacity to weather economic storms more effectively and to be more financially successful than their conventionally-owned peers.[168]

Worker-ownership, and worker-buyouts (or "conversions") in particular, have in recent years been gaining increasing attention across the country. In part, this emerging interest in worker-ownership stems from rank-and-file workers seeking job stability and financial security in the post-recession economy, and looking toward cooperative ownership as a lower-risk opportunity to build assets through business ownership. The looming "Silver Tsunami" of baby-boomer business owners looking to retire is a second source of this nascent wave of interest in worker-buyouts. The impending period of baby-boomer retirement means a huge number of businesses will soon be in need of new ownership, and selling to employees is attracting attention as an excellent way to protect existing jobs, preserve long-time employees' institutional knowledge, maintain continuity in the company's mission as well as in business relationships, and minimize friction during the transition process.[169] A third key reason for the recent increase in attention to cooperative conversions stems from individuals, organizations, and governing bodies across the country turning to worker-ownership as a promising remedy for the worsening income and wealth inequality crisis.[170]

Learning from the Past: Cautionary Tales

Worker-buyouts have already created a number of successful employee-owned companies in the United States, and will likely produce far more in the near future as Baby Boomer business owners begin to retire en masse. Still, it is important to note that the worker-buyout is not a panacea strategy for rescuing any company in crisis, nor is employee-ownership itself a silver bullet for healing management or business model issues. Simply converting a conventionally owned business to an employee-owned organizational structure is unlikely to solve fundamental business problems or turn around poor management. Further, even in healthy businesses, a faultily planned worker-buyout can undercut a new employee-owned business' chances for success. In particular, neglecting to adequately invest in building an "ownership culture" may cause an otherwise promising worker buyout to ultimately fall apart. Perhaps most importantly, employee ownership is not necessarily a good fit for every company. Forcing a buy-out onto unwilling or uncommitted employees will almost certainly lead to failure.

Even though worker-ownership experts agree that careful planning, clear communication, and a commitment to building a democratic, participatory culture are essential components of a successful worker-buyout, not every past worker-buyout attempt in the United States has adhered to these principles. Some have, as a consequence, failed—in some cases, very publicly and spectacularly. A handful of these high-profile cases of misguided employee-buyouts have had the unfortunate effect of overshadowing other examples of successful employee-buyouts and generating widespread, though undeserved, mistrust of employee ownership as whole. Telling the stories of these failures is important not only to dispel misinformation about employee-ownership, but also because they provide invaluable lessons about how not to execute an employee-buyout.

United Airlines is one of the most infamous cases of a worker-buyout gone wrong. What appeared at first to be a promising employee buyout (in the form of an employee stock ownership plan) quickly fell apart as internal tensions that pre-dated United's buyout boiled to the surface. The idea of employee ownership first emerged out of a 1985 pilots' union strike at United, and became reality in 1995, when the pilots' union led a majority buy-out of the company. After the unions voted to purchase a majority stake of the company from United shareholders,union and non-union employees traded in a combined $4.88 billion dollars of their compensation and benefits for a 55 percent equity stake.[171] But just several years after the buy-out, United collapsed into bankruptcy, setting off one of the largest pension defaults in U.S. history.

The National Center for Employee Ownership (NCEO), the nation's leading authority on the ESOP model of employee ownership, has pointed out that several critical pre-existing issues within United, along with flaws in the motivations and execution of the employee buyout, doomed United's foray into employee ownership to failure.[172] According to the NCEO, long-standing tensions between labor and management underlined the buyout, and resulted in lack of commitment to creating an "ownership culture" in which employees could participate actively in day-to-day work-level decisions.[173] As a result, while United's ESOP did provide employees with majority stock ownership, it was a case of employee ownership on paper only—the new "employee-owners" did not gain democratic control of the company. Also, despite the fact that it is extremely rare for concessions to be required in ESOPs, United's employees took significant pay cuts in exchange for the ESOP.[174] The NCEO notes that these required concessions created widespread dissatisfaction with the terms of the ESOP right from the start. Further, United's ESOP was not universally supported by nor inclusive of all United employees.[175] The company's flight attendants did not want to make the proposed concessions, so the other unions and United were unwilling to include them in the ESOP. Finally, future employees would not be eligible to become employee-owners in the United ESOP, creating a myopic and exclusive ownership structure. Even if United had escaped bankruptcy and preserved its new ESOP, it is unlikely that the company's undemocratic version of employee ownership could have done much to promote employee wellbeing or economic democracy more broadly.

The Tribune Company's experiment with an ESOP is another notorious story that re-affirms why employee stock ownership alone is not enough; successful, impactful employee-ownership must also foreground meaningful employee participation. In the case of the Tribune Company, the ESOP was not a genuine case of employee-ownership, but was instead launched as a strategy to reduce the company's tax burden. Real estate mogul Sam Zell purchased the debt-ridden Tribune Company in 2007 and attempted to re-invent it as an S corporation with a 100 percent ESOP, which would have exempted the company from paying federal taxes. The scheme failed to turn around the floundering Tribune Company, costing thousands of employees their jobs, and rendering the ESOP valueless. The Tribune's example is a cautionary tale about the limits of employee ownership—it is not a magic solution for deeply flawed businesses. An employee-owned organizational structure alone cannot be expected to turn around a failing company if it is not accompanied by serious commitment to building a participatory ownership culture and thoughtful consideration of what works and doesn't within the overall business model. Further, Zell's sham of an "employee-ownership" plan looked nothing like the participatory form of employee-ownership exercised by worker-owned cooperatives. Similar to the United case, even if the Tribune's attempt to use the ESOP structure as a tax-reduction strategy had saved the company from bankruptcy, its non-democratic "ownership" model would have done little to promote economic equity.

Although the infamous misdirected ESOPs of United and the Tribune Company unfortunately spread damaging misinformation about employee-ownership as a whole, their stories also conclusively attest to the importance of building employee-ownership around principles of democracy and participation. These cases underscore why establishing a U.S. policy like the Marcora Law to codify and foster democratic worker-ownership would open the door for employees, retiring business owners, and local governments to access the powerful benefits of genuine employee-ownership.

Fortunately, a federal level worker-buyout policy is not completely without precedent in the United States. A section of the tax code commonly known as the "1042 Rollover" currently acts as a tax incentive for business owners to sell their company to their employees by allowing selling owners to defer the capital gains tax applied to the sale of a business. The 1042 Rollover explicitly applies to two forms of employee-owned businesses—Employee Stock Ownership Plan (ESOP) companies and worker-owned cooperatives. Historically, though, the 1042 Rollover has been applied almost exclusively to ESOP conversions, likely because ESOPs are more clearly regulated and better understood than the worker-cooperative model of employee-ownership.

This existing precedent of the 1042 Rollover, and the stories of the companies that have converted to ESOPs under its provisions, may offer practical lessons around how to craft a more robust American worker buy-out policy modeled after the Marcora Law. A handful of other existing American policies and programs, as well as the currently decentralized network of worker-ownership service providers, offer additional infrastructure that could become pre-build components of an American Marcora Law.

Components of a U.S. Marcora Law

The Marcora Law's successful promotion of the Italian worker-cooperative sector is rooted in its innovative strategy of linking existing cooperative support structures and state-backed funding streams with new cross-sector partnerships and financial tools—which are, in turn, built upon the essential foundation of Italy's universal regulatory framework for cooperatives at large. Though the United States has not consolidated a supportive general cooperative framework that explicitly includes worker-cooperatives, most of the various discrete components of the Marcora Law fortunately do already have existing American analogues. Designing a worker-buyout policy similar to the Marcora Law is therefore primarily a matter of drawing together existing resources and modifying existing policies rather than building an entirely new system from the ground up.

The United States already has a strong, though decentralized, employee-ownership support network that includes regional and national associations, developers, financial institutions, and technical assistance providers. Moreover, a handful of states have already established specific legislation around worker-cooperative incorporation; these could provide guidance and language for a national code around worker-cooperative incorporation. As this paper has previously described, an increasing number of local governments are also in the midst of establishing dedicated funds and programs to promote worker-cooperative businesses, which is expanding existing sources of support and creating critical new infrastructure for the worker-cooperative sector. And finally, a set of existing national policies and programs offer ready-made infrastructure that could be expanded to support the worker-cooperative sector and democratic employee-ownership at large.

One such existing program is the Self-Employment Assistance Program. The Self-Employment Assistance Program (SEAP) permits unemployed workers to use unemployment benefits as funding to start their own businesses in lieu of looking for a salary or wage job.[176] SEAP waives state work search requirements to allow workers to focus full-time on launching their new businesses, and provides workers entrepreneurial training and business development resources.[177] The program is voluntary for States, and as of 2015, Delaware, Mississippi, New Hampshire, New York, Oregon, Rhode Island, and Vermont have active SEAP initiatives.[178] In 2012, the U.S. Department of Labor announced the availability of $35 million in funds to further develop, enhance and promote Self-Employment Assistance programs in all fifty states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands as a component of the Middle Class Tax Relief and Job Creation Act of 2012.[179]

Like the Marcora Law, SEAP provides a path out of unemployment by helping unemployed workers to start their own new businesses. But unlike the Marcora Law, SEAP does not, at present, explicitly apply to worker-cooperatives. Nor does SEAP allow workers to request a lump-sum advance of their unemployment payments to put toward business start-up costs, like the Marcora Law does. Instead, SEAP currently offers only a weekly allowance that helps workers to support themselves as they start their new businesses. Modifying SEAP to include democratic worker-owned businesses, and also to allow workers to access a lump-sum advance payments of the unemployment benefits to which they are legally entitled, could replicate the Marcora Law's successful creation of an effective, revenue-neutral new way to promote and capitalize worker-buyouts.

As is discussed above, the 1042 Rollover is another existing policy that could become an important part of a worker-buyout policy modeled after the Marcora Law. To encourage businesses interested in taking advantage of the 1042 Rollover to convert to *democratic* employee-ownership, the policy could be expanded to include additional beneficial tax treatment for worker-cooperatives and democratic ESOPs. The Democracy at Work Institute suggests that one way to do this might be to create a capital gains tax exemption for business owners who sell more than 50 percent of voting control of their company to employees, provided that employees vote for a majority of the board of directors on a one-person-one-vote basis.[180] In addition to expanding the 1042 Rollover, the Democracy at Work Institute has also suggested that two other ESOP taxation benefits could be modified to incentivize democratic worker-ownership. First, deductible loan and principal payments could be extended to all forms of democratic employee-ownership; at present, this benefit is available only to C Corporations with an ESOP. Second, S Corporation ESOP companies are currently exempt from federal income taxes on retained earnings corresponding to the percentage of the company held in the ESOP (meaning the portion that is employee-owned); this tax benefit could be expanded by providing a tax deduction for the percentage of a company's voting shares owned and controlled by employees on a one worker, one vote basis.

Together, these three expanded tax benefits could become valuable complementary components of a policy environment that supports and incentivizes the formation of worker-cooperatives.

As Italy's experience with the Marcora Law demonstrates, efforts to incentivize worker-buyouts and grow the worker-cooperative sector would also necessarily involve building cross-sector partnerships between the state and the strong existing network of worker-ownership service providers. One critical, but currently missing, component of such a cross-sector system in the United States is a stable source of state-backed financial support for worker-cooperative development, like that provided in Italy by Foncooper's and CFI's worker-ownership funds. Taking up Senator Bernie Sanders' two-part proposal around worker-ownership development—first, to direct Department of Labor funding toward expanding employee-ownership centers, and second, to create a U.S. Employee Ownership Bank—could fill this crucial gap in the United States.

This first proposal would support worker-ownership by amplifying the activities of existing employee-ownership centers that have already been providing technical assistance to worker-owned businesses for decades; funding could also go toward establishing new employee-ownership centers in currently under-served regions. The second piece of the proposal would create a U.S. Employee Ownership Bank that would provide start-up and conversion funding for new worker-owned businesses. Following the lead of Italy's CFI and Foncooper funds, a U.S. Employee Ownership Bank could, for example, create a program to provide matching funding for workers interested in pursuing a worker-buyout. An Employee Ownership Bank could also support the nascent efforts of municipal governments (like those of New York City and Madison) to promote their local worker-cooperative sectors; federal support would also provide a substantial incentive for other local and regional governments across the country to launch their own initiatives around worker-cooperative development.

By building a U.S. version of the Marcora Law around the expanded infrastructural components described above, the United States could begin to lay the groundwork for a policy environment capable of growing the U.S. worker-cooperative sector to scale. But it is critical to note that the key to the original Marcora Law's success is that it is positioned within a larger, cross-sector Italian infrastructure of aligned regulatory, financial, and technical support for worker-cooperatives. Similarly, in order to function effectively as a means to mitigate unemployment and inequality and build economic democracy, an American worker buy-out policy should therefore also be nested within the larger context of a universal regulatory framework and cross-sector support network for worker-owned cooperative businesses. Like Article 2520 of the Italian Civil Code, which sets forth legal guidelines to resolve inconsistencies between general laws and special laws for cooperatives, the United States should create clear guidelines to clarify the relationships between worker-cooperatives, employee-owned businesses, and cooperatives, and to better align state-level regulations under a universal regulatory framework. Such a regulatory framework should recognize worker-cooperatives as a distinct form of business, create a national worker-cooperative incorporation code, and extend to worker-cooperatives tax incentives currently available to other types of cooperatives and to employee-owned ESOP businesses. Establishing a universal national-level regulatory framework along these lines would provide a crucial foundation for a U.S. worker-buyout policy modeled after the Marcora Law, and would create a public policy environment capable of helping the worker-cooperative sector grow to scale.

Figure 7. Actual & Potential Components of a Worker-Buyout Policy & Consolidated Worker-Cooperative Network: Italy vs. United States

Italy	United States
Funding	
Unemployment Advances	
CIG & traditional unemployment payments	Self-Employment Assistance Program
State Funds	
CFI & Foncooper	U.S. Employee Ownership Bank
Technical Assistance Providers	
Cooperative Federations (Legacoop, Confcooperative, AGCI)	Existing network of employee-ownership service providers
Regulation	
Constitutional Recognition National-level regulatory framework Marcora Law	National-level regulatory framework Tax incentives U.S. Buyout Policy

Conclusion

Mired in an income and wealth inequality crisis with no apparent end in sight, and grappling with an economy still recovering from the aftermath of the global financial crisis, the United States is sorely in need of solutions to build a stable, sustainable economy that works for all its citizens.

Democratic worker-ownership offers a way forward. Throughout the world, worker-cooperatives have a proven track record of successfully combating unemployment, mitigating income disparities, expanding wealth-building business ownership opportunities, and promoting strong, sustainable local economies. Italy's Marcora Law offers one particularly compelling example of how policy can effectively and efficiently promote the worker-cooperative sector. Replicating the Marcora Law in the United States could provide a critical tool for growing the American worker-cooperative sector; fortunately, many of the requisite components of such a policy are already in place. The United States' existing network of employee-ownership service providers, regulations and tax incentives around other types of cooperatives and employee-owned companies, and policies like the Self-Employment Assistance Program provide ready-made infrastructure to support an American version of the Marcora Law.

As the Italian example demonstrates, the key to the Marcora Law's success is that it exists as one complementary piece of a national cross-sector support network for worker-cooperatives. Similarly, a U.S. worker-buyout policy modeled after the Marcora Law should become a component of federal-level policy framework for worker-cooperatives. By creating federal legislation that recognizes the worker-owned cooperative business as a distinct form of democratic employee-ownership, and that aligns existing state-level incorporation codes and the worker-ownership service provider network under universal regulatory guidelines, the United States could make a meaningful, effective commitment to expanding the democratic worker-ownership sector. Though democratic worker-ownership alone will not be a panacea for reversing the inequality crisis, it could become one promising potential piece of a larger solution. Worker-ownership represents a pivotal opportunity to begin building a more just, inclusive, and equitable American economy—it is an opportunity we cannot afford to miss.

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The Janice Nittoli Award

Shannon Rieger is the inaugural recipient of the Janice Nittoli "Forward Thinking" Award. The "Forward Thinking"

Award provides a stipend of $7,500 to a young analyst to develop an innovative policy solution to inequality. The award was created in honor of Janice Nittoli, who served as TCF's president from August 2011 to March 2014, when she retired due to illness. Applications for the Award will reopen in Fall, 2016.

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Please note that other analyses have calculated the CEO-to-worker pay ratio to be even higher; for example, the AFL-CIO reports the overall CEO-to-worker pay ratio in the United States to be 373:1 as of 2014. This paper reports the Economic Policy Institute's calculated ratios to illustrate how the ratio has grown over the course of several decades; other sources do not include ratios for previous decades.

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