

# ACCELERATING CHANGE FOR SOCIAL INCLUSION



## Evergreen Cooperatives

### United States

Working group of Cleveland-based institutions, including the Cleveland Foundation, the Cleveland Clinic, University Hospitals, Case Western Reserve University, and the municipal government.

[www.evergreencooperatives.com](http://www.evergreencooperatives.com)

## REINVENTING INNOVATION



A programme for creating employment cooperatives owned by people with difficulties to access meaningful employment. It builds a network of for-profit, social community-based enterprises that combine sustainability, quality jobs and wealth generation.

## SOLUTION

The model grew out of Cleveland's Greater University Circle Initiative, a strategy aimed at breaking down the barriers between wealthy and less well-off communities in the area.

Based on the Mondragon model, Evergreen works with the aim of fostering grassroots economic development. By catalysing the creation of employee-owned cooperatives based in low-income neighbourhoods, the initiative contributes to creating green jobs that keep financial resources within the community. Three main businesses have been launched:

- The Evergreen Cooperative Laundry.
- Ohio Cooperative Solar: a business that installs solar panels on institutional, government, and commercial buildings.
- Green City Growers: a hydroponic greenhouse.

## STRONG EVIDENCE



### Outputs:

- 3 for-profit social enterprises created.

### Outcomes:

- 120 people employed.
- Evergreen wages average 20% higher than competitors, in addition to a robust benefit package.
- Due to the ownership structure, employee retention rates are much higher than industry standards.

**Sources:** Financial and Human Resources information from the Evergreen companies (2018).

## HOW IT WORKS

Evergreen's business model leverages procurement from local anchor institutions to catalyse the development of green, community-based businesses.

## TOOLKIT FOR IMPLEMENTATION EVERGREEN COOPERATIVES

Once the cooperatives have been created, Evergreen recruits and trains local residents to take the jobs. After a one-year eligibility period, employees may decide to join their respective cooperative, gaining the voting rights and eligibility as board members in addition to access to profit-sharing and a robust benefit package which includes ownership-specific training, a health insurance, and access to Evergreen's home buying programme among others.

In addition to creating new businesses, Evergreen has focused on job retention for small and medium sized businesses without a succession plan. In order to avoid the effects of closing, the organisation assists retiring business owners to use employee ownership models and create winning succession plans.

### REGIONAL ADAPTATION



Initially developed in Cleveland. Implemented in Atlanta, Springfield (Massachusetts), Washington (DC), Jacksonville (Florida) and New Orleans.

### THE OPPORTUNITY FRAMEWORK

Evergreen focuses on economic inclusion and on building a local economy from the ground up: rather than offering public subsidies to induce corporations to bring what are often low-wage jobs into the city, the strategy consists of catalysing new businesses that are owned by their employees. Rather than concentrate on workforce training for employment opportunities that are largely unavailable to low-skill and low-income workers, the model first creates the jobs, and then recruits and trains local residents to take them.

Thus, the model enables neighbours to own a stake in growing, thriving businesses that keep financial resources within the community, while playing a transformational role in building vibrant neighbourhoods. It offers quality employment with a strong element of belonging while reducing the local environmental footprint.

Corporate customers find business value in numerous differentiators that the worker-owned model brings to bear: e.g. a close proximity that increases response times and reduces transportation costs, higher average wages and higher employee retention rates.

By catalysing the creation of employer-owned cooperatives, the model fosters proactiveness and responsibility among long-term unemployed groups, a new approach that goes far beyond connecting them to the traditional labour market. The project activates another lever of change, collective empowerment, thus enabling positive change in communities in a sustainable way.

### SCALABLE INCOME MODEL



The Evergreen Cooperative Development Fund acts as fund manager and aggregator for all cooperative enterprises and thus offers lenders and investors a means to invest in a portfolio of companies rather than assume the undiversified risk of a single start-up or coop enterprise. In addition, Evergreen has received two five-year loans, \$150,000 each, extended at below market rates by high net worth individuals.

Once the cooperatives consolidate their operation in the traditional market, capital investments can be paid off and profit distributions can take place, thus making the model sustainable.

## CONSOLIDATED TRANSFERENCE MODEL



Through Evergreen Business Services (a stand-alone, for-profit company) Evergreen's experts provide concept-to-implementation services focused on driving and developing worker-owned cooperatives. They also provide comprehensive back-office support services, from finance and accounting support to sales and marketing and customer relationship management services.

Consultancy services are structured in three phases:

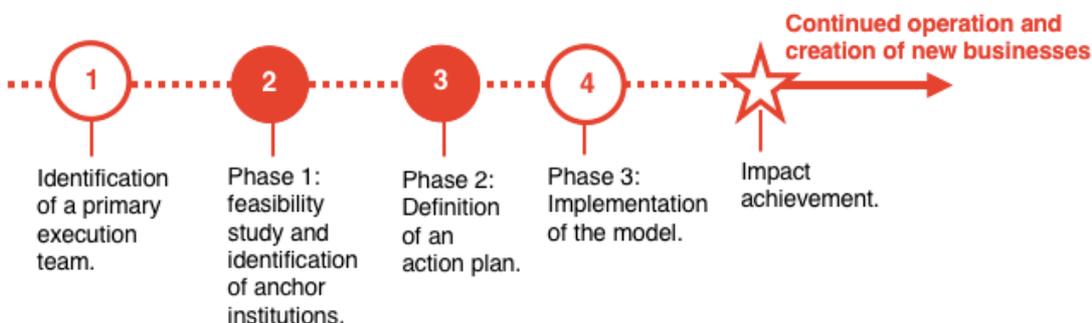
1. **Orientation and initial research.** Feasibility study to determine the potential for implementation of employee owned cooperative businesses, based on local anchor institutions' buy-in.
2. **Assessment and action plan development.** Technical memorandum (industry analysis, market trend study, competitive analysis...), report with detailed recommendations and action plan for implementation.
3. **Implementation.** Joint work with the local stakeholders to develop detailed implementation strategies, along with the creation of a business plan for the first worker owned cooperative.

## KEY AGENTS AND ROLES

Critical to the design and ongoing success of an Evergreen-like initiative is the anchor model, that provides early-on funding to catalyse the effort and mitigate some of the risks associated with small business start-ups, while also giving the opportunity for the cooperatives to gain credibility in the marketplace.

- **Anchor institutions**, by definition, are large organisations that are highly unlikely to relocate, as their value proposition is primarily place based and they have significant procurement budgets that can be directed towards local employee-owned companies. Hospitals and Universities generally fit this definition.
- **State and local administrations** that require public bid are not considered anchor institutions but are able to address economic inclusion provisions of their contracts to improve the chances of winning for companies that provide socio-economic benefit to target populations. For instance, the City of Cleveland provided loans to the cooperatives at a very favourable rate and term and assisted with real estate strategies and tax-credit programmes. Lastly, cities can be conveners of the anchor institutions, getting their attention and commitment to participate and procure.
- Partnerships are also developed with other **community-based organisations** that provide supportive services to the chronically unemployed people engaged in the cooperatives.

## FIRST STEPS FOR IMPLEMENTATION



1. Identification of a primary execution team made of strong, local partners committed to promoting the model and able to mobilise anchor institutions and community stakeholders that, in turn, can provide initial opportunities to employee-owned businesses once they have started operating.
2. Phase 1: Initial research of anchor institutions and feasibility study to determine the potential for implementation of employee-owned businesses.

*TOOLKIT FOR IMPLEMENTATION  
EVERGREEN COOPERATIVES*

3. Phase 2. Definition of an action plan.
4. Phase 3. Implementation of the model (start operating the employee-owned business/es).
5. Ongoing operation and creation of new employee-owned businesses.

**OTHER RELATED LINKS**

Video

[https://youtu.be/-rQY\\_jD2NzE](https://youtu.be/-rQY_jD2NzE)

Evergreen Business Services

<https://upsocial.org/en/sic/soluciones/evergreen-cooperatives>

“The Cleveland Evergreen Cooperatives. Building Community Wealth through Worker-Owned Businesses”

<https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/article-wang-filion.pdf>

*ACCELERATING CHANGE FOR SOCIAL INCLUSION - ACSI*

Catalysing the transfer of successful innovations among European cities.

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