

### ***Cooperative Jobs and Opportunities, by Sarah Pike***

#### ***Learning objectives***

1. Learn where to find jobs in cooperatives.
2. Learn what opportunities exist for starting entrepreneurial cooperatives.

This chapter is split into two sections: The first section describes the different business sectors where one can find employment in a co-op and where to find these businesses and opportunities. The second section of the chapter identifies resources for and components of starting a new co-op.

#### ***Where to find co-op jobs***

Looking for employment in a co-op involves a similar process to finding a job in any type of business. Understand the structures and sectors will assist in narrowing down the personal search criteria. The suggestions below may not lead to a job, but they will lead to a better understanding of companies that can offer co-op employment opportunities. Once the companies are identified, you can find employment opportunities by looking on job pages of that organization or doing informational interviews.

To begin, let's review the four basic structures of co-ops: purchasing, producer, consumer and worker. Not all employees of an organization are member/owners of a co-op. Determining your desired capacity—member or employee—will be important.

The next question you will need to ask yourself is what sector is most interesting to you. Co-ops, like any type of business, have representation in a number of different sectors. If you are interested in learning about the different business sectors, see the

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National Co-operative Business Association's website ([www.ncba.coop](http://www.ncba.coop)) under About

Co-ops, Co-op sectors. Here you will learn about the following co-ops sectors:

- Agriculture Co-ops
- Child Care and Preschool
- Financial Services
- Food-Co-ops
- Funeral & Memorial Societies
- Healthcare
- Housing
- Insurance
- Marketing
- Manufacturing
- Technology
- Utility

In additional to gaining a brief summary of what these sectors entail, you will also gain access to links to organization, associations, and prominent co-ops within each sector. Membership in NCBA also gives you access to their database of co-op businesses. While this is not a comprehensive list of co-op businesses in the United States and abroad, it is very extensive. This data can help in assisting you to identify potential employers.

If your job opportunities are narrowed by geographic location, there are other web resources that list co-op businesses by state and region. One such site address is [www.find.coop](http://www.find.coop) and is known as "Regina." While not comprehensive, this site gives you

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the opportunity to search by geography for co-ops. Regina is part of a larger data project known as The Data Commons Project. While still in an early, developmental stage, “The Data Commons Project is a collaborative effort among a diverse array of organizations in the U.S. and Canada who share a mission of building and supporting the development of a cooperative economy. The goal is to develop an accurate, comprehensive, public database of cooperative economic initiatives in North America.” (Source: Data Commons Website, <http://dcp.usworker.coop/about>). While it is not as common, certain sectors, particularly those with a nationwide presence such as utilities, do have job sites. One such site is [www.cooperative.com](http://www.cooperative.com), a job site for electric co-ops.

Finding jobs in co-operatives is a process of learning about co-operatives around you.

***Forming a Co-operative (source: <http://business.sba.gov/register/incorporation/cooperative>)***

Forming a cooperative is quite different from forming any other business entity. Starting up requires finding and forming a group of potential members who agree on a common need and a strategy on how to meet that need. An organizing committee will then conduct exploratory meetings, surveys, and cost and feasibility analyses before every member agrees with the business plan. The feasibility analysis is the first step to determining if the co-op can function under your set up assumption, which will also answer if this is a co-op you want to pursue. The feasibility will help to determine the co-ops potential for success. The USDA’s cooperative Feasibility study guide offers the process for creating the feasibility study (<http://www.rurdev.usda.gov/rbs/pub/sr58.pdf>).

While USDA materials are geared toward agricultural businesses, the guide can be adapted to any type of co-op.

If the co-op appears feasible, you may chose to incorporate the co-op, though not all cooperatives are incorporated. If you decide to [incorporate your cooperative](#), you must complete the following steps:

**1. File Articles of Incorporation.** The Articles of Incorporation legitimizes your cooperative and includes information like the name of the cooperative, business location, purpose, duration of existence, and names of the incorporators, and capital structure.

Once the charter members (also known as the incorporators) file with your [state business entity registration office](#) and the articles are approved you should create Bylaws for your cooperative.

**2. Create Bylaws.** While Bylaws are not required by law, they do need to comply with state law and are essential to the success of your cooperative. Bylaws list membership requirements, duties and responsibilities, and other operational procedures that allow your cooperative to run smoothly. Articles of incorporation and bylaws must be adopted by the majority of your members according to most state laws. Consult an attorney to verify that your bylaws comply with state laws.

**3. Create a Membership Application.** In order to recruit members and legally verify that they are part of the cooperative, you must create and issue a membership application. Membership applications include name, signatures from the board of directors, as well as rights and benefits.

**4. Conduct a Charter Member Meeting and Elect Directors.** During this meeting, charter members discuss and amend the proposed bylaws. By the end of the

meeting, all of the charter members should vote to adopt the bylaws. If the board of directors were not named in the articles of incorporation, you must designate them during the charter meeting.

**5. Obtain Licenses and Permits.** You must obtain relevant business licenses and permits. Regulations vary by industry, state and locality. Use the [Licensing & Permits tool](#) on Business.gov to find a listing of federal, state and local permits, licenses, and registrations you'll need to run a business.

**6. Hiring Employees.** If you are hiring employees, read more about [federal and state regulations for employers](#).

Each state will have slightly different laws that govern a cooperative. Please consult an attorney, or contact your Secretary of State or State Corporation Commissioner for more information regarding the specific laws of your state.

### ***Taxes***

Most businesses will need to register with the IRS, with state and local revenue agencies, and [obtain a tax ID number or permit](#). A cooperative operates as a corporation and receives a “pass-through” designation from the IRS. In other words, [cooperatives do not pay federal income taxes as a business entity](#). Instead, the members that constitute the cooperative pay federal taxes when they file their personal income tax. Members pay federal and state income tax on the margins earned by the cooperative, though the amount of taxation varies slightly by state. Cooperatives must follow the rules and regulations of the [IRS’s Subchapter T Cooperatives tax code](#) in order to receive this type of tax treatment.

To file taxes on income received from cooperatives, please refer to [IRS instructions](#) on how to file [Form 1099-PATR](#). More information about taxable distributions received from cooperatives is available at [IRS.gov](#). If you create a consumer cooperative for retail sales of goods or services that are generally for personal, living, or family you will need to file [Form 3491 Consumer Cooperative Exemption Application](#) for exemption from Form 1099-PATR.

Some cooperatives like credit unions and rural utility cooperatives are exempt from federal and state taxes due to the nature of their operations. Check with your [state's income tax agency](#) for information about state taxes.

### *Advantages of a Cooperative*

**Less Taxation.** Similar to an LLC, cooperatives that are incorporated normally are not taxed on surplus earnings, also known as patronage dividends, that are refunded to members. Therefore, members of a cooperative are only taxed once on their income from the cooperative and not on both the individual and the cooperative level.

**Funding Opportunities.** Depending on the type of cooperative you own or participate in, there are a variety of government-sponsored grant programs to help you start. For example, the [USDA Rural Development](#) program offers grants to those establishing and operating new and existing rural development cooperatives.

**Reduce Costs and Improve Products and Services.** By leveraging their size, cooperatives can more easily obtain discounts on supplies and other materials and services. Suppliers are more likely to give better products and services because they are working with a customer of more substantial size. Consequently, the members of the cooperative can focus on improving products and services.

**Perpetual Existence.** A cooperative structure brings less disruption and more continuity to the organization of a business. Unlike other business structures, members in a cooperative can routinely join or leave the business without causing dissolution.

**Democratic Organization.** Democracy is a defining feature of cooperatives. The democratic structure of a cooperative makes sure that it serves its members' needs. Since the amount of a member's monetary investment in the cooperative does not affect the weight of their vote, no member-owner can dominate the decision-making process. The "one member-one vote" philosophy particularly appeals to smaller investors because they have as much say in the organization as a larger investor has.

#### *Disadvantages of a Cooperative*

**Obtaining Capital through Investors.** Cooperatives may suffer from slower cash flow since a member's incentive to contribute depends on how much they use the cooperative's services and products. Therefore, while the "one member-one vote" philosophy is appealing to small investors, larger investors may choose to invest their money elsewhere because a larger share investment in the cooperative does not translate to greater decision-making power.

**Lack of Membership and Participation.** If members do not fully participate and perform their duties, whether it be voting or carrying out daily operations, then the business cannot operate at full capacity. If a lack of participation becomes an ongoing issue for a cooperative, it could risk losing members.

#### *Background reading*

<http://www.ica.coop>

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***Required reading***

None.

***Optional reading***

Henry Hansmann, *The Ownership of Enterprise* (Harvard University Press, 1996).

***Exercises***

Visit a cooperative and interview several members.