



Cooperatives as a Business and Safety Net

Co-ops are businesses designed to pool resources to serve a specific economic need of their current and future members. At the same time, co-ops hold a principle of Concern for Community, and often use those pooled resources contributed by individual members to serve as a social safety net for the membership collectively.

This space will offer a few discussion prompts and best practices for balancing the tension between these goals.

The business of cooperation

Why a cooperative?

Co-ops are Member-directed and exist to meet the needs of their members. Members are the source of capital and in control of its use and direction, and decision-making is done on a one-person-one-vote basis.

Non-cooperative charities are usually donor/funder-directed and exist to provide social good on behalf of their funders. Resources are restricted based on donor or funder priorities and opinions.

Many cooperatives have a charitable mission and tax status, usually to provide affordable housing, but create policies for democratic member control in how to achieve the mission.

What is the purpose or mission of your co-op?

Member economic participation

Co-ops empower their members, because the members are both the source of and the directors of capital in the business, and also generally contribute their labor. The co-op relies upon this capital and labor to accomplish its mission.

Member economic participation is any activity that the co-op would otherwise have to pay money to provide. (Serving on the board, cleaning, bookkeeping, cooking, conflict mediation etc.) This participation also includes directly paying dues to the co-op to cover the expenses of the organization.



Without member economic participation, members lose power over the source of their assets and will be beholden to the funders. This becomes the model of a non-cooperative charity.

Without direction of the capital and assets of the business, the real assets (housing and money) will degrade and disappear over time. This often leads to substandard housing conditions for future members, or to unplanned changes in member dues to cover unexpected costs

Member economic participation is a fundamental principle of cooperatives. Member dues and labor fall into this category. Cooperatives need to educate members from the beginning on the co-op's mission and that economic participation is an essential part of their membership.

How do members in your cooperative contribute?

Serving as a safety net

Safety net ideas reported by co-ops include

- No barrier payment plans (free, short term, equally available to members)
- Income based dues/rent (or other sliding scale payment models)
- Setting aside transitional housing rooms for people experiencing short term housing instability
- Offering a free food plan - either for non-members in need, or waiving food costs for members in need
- Training the community about sustainable subsistence agriculture
- Donating cash money as reparations
- Administering a community car
- Providing mediation/conflict resolution services to other people/organizations
- Civil disobedience to prevent eviction of neighbors of the co-op or paying their neighbor's rent
- Offering a health insurance plan

What safety nets does your cooperative provide? What about unofficial safety nets?

Mission Alignment and Preventing Mission Creep

There are nearly infinite possible ways to support people. Many different people will need help. Your co-op has a mission, hopefully a good one that helps people. Your board has a commitment to accomplishing that mission.

1. Does this align with your mission? If not, consider whether it is worth changing the mission to accept this task.
2. Defining/identifying those that need help is the first step to helping people in need.
3. Define/identify what your co-op can offer (space, food, money, time etc.)

Are your safety nets aligned with your mission?

A budget is a plan and a commitment

Your co-op tries to stay within its approved budget, both of time and money. That budget should be written to get the most mission impact with the resources you have available, and should be written in a way that allows the co-op to persist into the indefinite future, unless you have a specific mission-aligned plan to wind down the co-op.

It is important to set parameters for what kind of safety nets your co-op can offer without damaging the co-op's core mission. A budget that includes safety net programs allows support to be given freely *within the cooperative's self-defined financial capacity.*

Your co-op's capacity for providing additional safety nets will vary depending on your circumstances and membership. What is an acceptable diversion from your mission or an acceptable change to your mission is one that does not endanger the sustainability of the co-op.

What can you budget for?

Payment plans
Debt forgiveness
Vacancies

How does your co-op plan for member needs?

Supporting your safety net

Sustainable safety net measures should work more than once. Forgiving one person's debt is great but doesn't create affordable housing. Some sources of cooperative support are capital property owned, commercial loans, or an endowment. Some are community resources,



sustaining donors, alumni contributions, etc. A cooperative without any backstop of support cannot offer much support to their members.

Supporting your cooperative's safety net

Maintenance reserves

Vacancy reserves

Untapped equity

Donations

Grants

How does your co-op ensure continuous support of a safety net?