



**Interview of Rob Witherell
Representative, United Steelworkers (USW)**

Interviewed by Steve Dubb, Research Director, The Democracy Collaborative, March 2013

Rob Witherell works for the United Steelworkers union at its headquarters in Pittsburgh, Pennsylvania. In addition to working on contract negotiations, benefits analysis, research and organizing, Rob has also led the United Steelworkers' efforts on developing union co-ops and is the union's lead liaison with the Mondragón Cooperative Corporation.

Could you tell us a bit about your history in labor organizing and what has led you to dedicate your career to the labor movement?

When I was an undergrad at the University of Massachusetts, our tuition and fees doubled in the years I was there, and so I got involved in student organizing and student government. That experience led me into politics and working on political campaigns, which eventually led to the opportunity to earn my Master's degree in Labor Studies. As a graduate research assistant, I was a UAW member and our union contract allowed me to attend grad school full time with full health insurance for a whopping \$300 per semester, and earning the best pay rate I had ever had. Since my undergrad degree is a Bachelor's in Business Administration. I am probably one of very few people around who has both a business and a labor degree.

Could you discuss what put co-op organizing on the Steelworker agenda, given that employee-owned cooperatives are not exactly the typical way unions today go about organizing new members?

In the late eighties and early nineties we put a lot of efforts into ESOPs [employee stock ownership plan-owned companies] as a way to rescue troubled companies. In some cases, that meant complete worker ownership. For most of them, it meant minority worker ownership.

And what we found is that where things didn't change at all, the ESOP wasn't successful. Where we had some success — and where the ESOPs still exist — the companies are typically 100% employee-owned. A key to these successes was that there was a change in the culture of the workplace, so that the ownership of the company means more to the workers than the value of their shares.

Could you elaborate on the differences between the successful and unsuccessful ESOPs?

In a lot of the cases, we were dealing with cash-strapped companies. Doing these buyouts were a way of exchanging shares for concessions. So the business stayed open, but nothing really

changed in terms of the product, market, business structure or business plan. Eventually those shares got bought out. So while it save those companies in a lot of cases, our members didn't feel any sense of ownership.

So the ones that have been able to survive as employee-owned companies are the ones that started functioning more like a cooperative — that is, they were companies which had an active union and a company management that listened to its workers. In these companies, there was more of an emphasis on having a partnership with the union and in talking and listening to employees and respecting employees as owners.

How did the Steelworkers become aware of Mondragón?

In 2008, I was in Bilbao at an economic development meeting there to convince or help convince suppliers of one of our employers here in Pennsylvania to expand their supply operations into the United States. And while I was there, thanks to Michael Peck, who is Mondragon's North American delegate, I had the opportunity to talk with Jesus Herrasti who was the President of Mondragón International division at the time. And so it was a good conversation. We found that we had a lot in common. And that led to a lot more conversations with [United Steelworkers President] Leo [Gerard]. And that led to the point when we announced our collaboration in 2009.

In a recent paper, you write, “people wondered: what, exactly, could labor unions and cooperatives have in common?” But you concluded that they had a lot in common. Could you elaborate on what you see as the commonalities between the two movements?

What we have in common is that we are trying to accomplish the same things. Why do unions exist? Who do people try to create cooperatives? At the most basic level, in both cases, it is about workers helping each other out to create a better life for themselves.

When you start from that baseline, we can start thinking about worker ownership and cooperatives and unions as part of a broader labor movement. The means for achieving their goals are different, but their goals are very much aligned.

Over the past three-and-a-half years, the Steelworkers has developed and maintained a partnership with both the Mondragon Cooperative Corporation and the Ohio Employee Ownership Center. Can you discuss how the partnership was first formed and how it has developed over time?

Initially this collaboration was between the Steelworkers and Mondragon. It developed as a series of conversations between [Steelworker President] Leo [Gerard] and [current President of Mondragon International] Josu Ugarte. So that created this opportunity to collaborate. Based on those conversations, Michael Peck and I have been working a lot together exploring different paths that we can collaborate.

One of those instances is this laundry project in Pittsburgh, which is similar to the Evergreen Cooperative Laundry in Cleveland. So Jim Anderson of the Ohio Employee Ownership Center (OEOC) who helped establish that co-op laundry, has been helpful in getting the Pittsburgh project together. And it is really through this particular project that we have worked pretty closely with OEOC.

Then in the course of the project, you start thinking through the basic questions of how does this work. Why does a unionized worker cooperative business make sense? It is not only the questions we got from everybody else, but as we tried to think through the questions of what are the mechanisms and why does it make sense and we had to think through the details and that is why we released a paper that described that model in March 2012 [for a copy of that paper, see: <http://www.usw.coop>].

Could you discuss how the union-co-op model will function?

The primary idea, the seed of the idea, came out of those very first conversations. And it was that, in addition to the Mondragón model being based on one member-one worker shared ownership as a cooperative, one of the institutions that they have is the Social Council. The Social Council, unlike the Board of Directors, has a broader representation because people elect members from their work areas and there are a lot more people who serve on the Social Council than who get elected to the Board. So the Social Council's function includes: 1) maintaining the communications between the shop floor workers and management and the board, 2) they advise management and the board and 3) they are responsible for allocating 10% of the profits back into the community, that is part of their charge.

But in terms of the relationship – not only how this Council is created, but in being the go-between for communications and advising management on a day-to-day basis—that sounds an awful lot like what our local union people do. We have bargaining committees that bargain a contract every few years, but these are the people who are also working things out with management on a day-to-day basis. Where there has been an effort on the part of management and the union to develop a good working relationship in existing traditional workplaces, that relationship has been pretty positive. So if we can take our bargaining committee and swap it in for the Social Council, we think we can successfully adapt the Mondragón model for the United States.

Another point: If we think about what a worker co-op looks like today, most co-ops are fairly small. And so if you think about a co-op of 10-20 worker-owners, is this added level of process really needed? Mondragón itself actually recommends for its own cooperatives the use of the social council structure for any cooperative of 50 people or more.

But if we are talking about scaling up and applying this to a larger workplace, say, of 100 people, how does a cooperative maintain the accountability that is intended? Because voting for directors and having an annual meeting is a good step, but that only happens once a year. How do you maintain that accountability on a day-to-day basis? This is where we see the union structure and collective bargaining making a lot of sense.

You've written about challenges of "size and perception" in developing worker co-ops. Can you elaborate regarding what these challenges are?

I think there is a tendency for people to think of worker co-ops as some kind of hippie commune where they've dropped out of society and trying to create some utopia. And that's obviously not the case. The truth right now is that, despite their successes, worker co-ops in the business world aren't really considered legitimate businesses at this point. And so that inhibits their ability to get financing, to get investment, and to attract workers, quite frankly.

Size is important for another reason. If you only have ten people in a cooperative, how do you afford benefits? You don't have that purchasing power to get reasonable rates on health insurance or any other type of insurance. Nor do you have the purchasing power to lower administrative fees for administering a 401(k) plan. And, of course, with 10 people, you have zero chance of having a defined benefit pension plan. So access to benefits has been a real challenge.

How can these challenges best be addressed?

Some of the first steps are already being made. A lot of these co-ops are collaborating more and pooling their purchasing power.

We think being affiliated with a union takes it a step further, because a primary function of what we are able to do as a union is to pool the purchasing power of our members. So we have at the Steelworkers a Health & Welfare Fund that can get lower-cost insurance in a lot of cases. We have a defined benefit pension plan, the Steelworkers Pension Trust, where the employer puts in a defined contribution and the worker gets a guaranteed defined benefit pension payment on retirement. So that opens the door to having a defined benefit pension for these small co-ops.

Could you discuss the challenges of financing union-co-ops and how the Steelworkers are seeking to address those challenges?

In looking at potential projects, there obviously are limited resources for funding worker ownership. For us in manufacturing, one of the reasons why manufacturing jobs pay well is that the labor costs are a small percentage of the overall cost of making the product. On the flip side, that means there are huge capital costs. So, for example, if a small group of workers can afford to buy out a steel mill without financing, they probably wouldn't have needed to work in the steel mill in the first place because it would require a lot of money. That's why we see a lot of service oriented co-ops — it is the difference of investing, say, \$10,000 over time versus \$200,000.

I think the other thing that we've learned from our own history is that it's not just about raising money for the buy-out. It is raising money for ongoing investment for liquidity, for withstanding the normal ups and downs of a lot of our sectors. So getting the liquidity to be able to do those

things, there is a huge difference between a worker co-op applying for that loan and some venture capital fund manager. They are going to get different rates.

So that's a challenge – accessing that capital.

The other challenge – if we're trying to buy a business out of bankruptcy, how do we do that? You are limited by the amount of money that workers have to invest and, even if you have workers make concessions, the concessions they are able to make aren't likely going to be enough. So in many cases you are going to need investors. You will need investors who are friendly to the idea of a cooperative model. Even when you can put together the financing for a reasonably sized worker owned business, doing that in bankruptcy and raising the capital quickly enough, it's timing. There is not an existing investing pool out there that is large enough and interested in doing that kind of stuff.

That is why efforts like the Solidarity Fund in Quebec are so intriguing. That was created by the Quebec labor unions in the early 1980s where individuals put money into it and get some tax credits up to a certain amount on their annual contributions plus they get a return for their investment, which, by the way, has historically gone very well. It has grown to be a \$7 billion fund that invests in Quebec businesses that are socially responsible and pass their social audit.

Could you discuss the state of existing union-coop business development efforts in Cincinnati, Pittsburgh, Connecticut, and elsewhere?

In Pittsburgh, there is a growing effort to create a green laundry that would be of pretty significant size. There are definitely people interested in being customers. There are also experienced people that came from a laundry that was closed down a couple of years ago who would very much like to be part of starting this up. Our main challenge right now is the site location, because the likely site itself is on a brownfield. It would be one of the first projects of a larger redevelopment plan for that site. So that has kind of slowed things down at the moment.

In Cincinnati, there is a group that started off as a study group after we announced our collaboration with Mondragón. They decided this union co-op idea sounded interesting. That has since become the Cincinnati Union Co-op Initiative [see: <http://www.cincinnatiunioncoop.org>]. They started with three project ideas. I think that they are up to five now. One of those projects they launched last year. It is going to be a food hub – it is called Our Harvest. They've been started out at the beginning with the farming and developing the farming capacity, but the idea would be that they would locally grow the food, do their own wholesale distribution, maybe some light processing, like canning, and possibly have some food retail outlets, in partnership with the United Food and Commercial Workers (UFCW) union.

In Connecticut, there is a group of people that are working on trying to create jobs for veterans using this model as a way to deconstruct buildings and create modular buildings, including housing, out of the materials that are saved.

And then there are a whole lot of other projects. There is stuff going on all over the country. One of the nice problems we have is trying to keep track of it all. There are projects in Seattle, Denver, and New York, to name a few.

What more can the cooperative and community wealth building communities do to support union co-op development?

What Gar Alperovitz and the Democracy Collaborative have been talking about and working on is part of a growing body of interesting ideas and work that is starting to emerge—namely, how do cities deal with the problems that they have? Not only with keeping jobs in the city, but remaining financially stable as an entity, dealing with development and redevelopment in a responsible way. This emerging idea of keeping money in the community seems to be gaining a lot of steam, especially with groups like BALLE [Business Alliance for a Local Living Economy; see <http://www.bealocalist.org>]. Worker ownership can be a key part of that.

Where I think existing co-ops could use help is in the ability to grow. We need to increase the ability for other people who have an idea or are facing some difficult situation to think of worker ownership as a viable option. It is still, for a lot of people, just not on their radar.

So spreading the idea of worker ownership is itself important. In fact, this is one of the interesting things that unions can bring to the table. Unions have an enormous network of people all over the country, working with all sorts of different employers, who can raise the idea. What if we all did this?

Then we need to grow and strengthen the support network that can help turn that idea into reality.

You've written about the challenges of the labor movement. Could you highlight what some of the key challenges are and how union-co-ops fit into a broader strategy for addressing those challenges?

This week at the AFL-CIO executive board meeting, they were very public about needing to think about how to be more effective, how to make the labor movement matter to more people. [AFL-CIO President Richard] Trumka was very clear about wanting suggestions and ideas about things that unions could do differently. Because we engage daily in these struggles to maintain benefits, maintain pensions, for job security, for nondiscrimination. And our ability to do that has been diminished some over time, as our density has gotten smaller. They are forming committees to examine these issues and will report back to the AFL-CIO's national convention, which will occur this coming September.

As is well known, we've had these very public battles in Wisconsin, Michigan, Indiana, and Ohio. Some have gone our way, but most have not. There is a pretty well organized and well-funded opposition to what it is we do.

And if we go back to that primary concept of what it is we should be doing – workers helping each other to improve our standard of living – that opens the doors to trying this stuff. And opens the doors to thinking about – in addition to trying to convince workers of an existing employer that they would be better off joining the union, it probably makes sense for us to also think about how can we create our own jobs and how we create jobs that are sustainable; where the rug does not get pulled out from under us because the company can make something five cents cheaper in China.

If you had to highlight the few key accomplishments of the union-co-op effort to date, what would they be?

We announced our collaboration in 2009 without a specific plan or specific pilot project as a demonstration. We announced it because we thought we had a pretty good idea. And for us to not talk about that idea and just try to work to create a pilot project behind closed doors didn't make a lot of us sense to us. That idea has really caught on.

The initial interest was pretty overwhelming. And as we have stuck with it and thought more carefully about all of the details, I think we're creating more validity to the idea. And so we've gone from, "Hey that sounds really strange. How does that work?" To "I think that might work. How do I apply that idea?" That's a pretty big step.

I think about it in similar terms as our work with the Blue-Green Alliance. When the USW co-founded it with the Sierra Club in 2006, people had a hard time thinking about what it was that people in the labor movement and the environmental movement might have in common. And now we take it for granted that we do have a lot in common and should be working together and doing this kind of work. I think that is where we are getting to on worker ownership and labor unions because we are natural allies.

And the projects – as I said earlier — we get asked to help on projects that pop up every day. People are out there doing stuff that we don't know about. We are running across new people all the time. Can you give us some help or some ideas?

We have tried not to overemphasize any particular pilot project, because we want this to be something that is replicated. We want it to be tried over and over. Sometimes it will be successful and sometimes not. Launching the idea as a real alternative is the goal. Now we have lots and lots of people working to put those ideas into practice.

Has there been any interest in co-ops that you are seeing in other unions?

The United Farm and Commercial Workers (UFCW) union has been very active. They just did a big employee ownership buy-out with Homeland Grocery. They have also been active in supporting the Cincinnati project. They have other projects around the country – more consumer food co-ops than worker coops, but they do seem to be pretty active in that general area.

The SEIU [Service Employees International Union] has had some interest. They represent workers at the largest union worker co-op that currently exists in the United States, with CHCA [Cooperative Home Care Associates, see: <http://chcany.org>]. I believe the Machinists [IAM] may be working on a project as well.

Another interesting development is a newly formed purchasing co-op. It just launched in December. The Machinists [IAM] and Painters [IAPAT] have launched a purchasing co-op. It's called the Cooperative for Union Services and Products [see: <http://www.cusp.coop>].

So it's not just worker ownership. There's a lot of exploration of using the cooperative model in the labor movement in different ways as well.

For more information on the United Steelworkers' union co-op initiative, see their website at <http://www.usw.coop>.