# A Perspective on Cooperative Wages and Values

BY MELANIE REID

Co-ops are not typically thought of as "the place to work if you want to earn a lot of money." However, as values-driven organizations, co-ops have striven to face the challenge of pay head-on and with transparency. Co-ops aim to offer wage and benefits structures that allow employees to earn a respectable living at the co-op–that includes paying a livable wage and offering benefits that provide coverage for medical care, paid time-off, purchase discount, and some amount of savings for the future. Additionally, employees who feel good about their compensation and the work they do tend to be more loyal, more productive, and provide better service to customers.

## What is a livable wage?

A livable wage is commonly defined as the minimum income necessary for a worker to meet his or her basic needs. Important distinctions: while a livable wage is not the same as subsistence, which refers to a biological minimum, it also does not afford one some of the commonly desired luxuries such as home ownership or a large amount of expendable income.

Basic needs are typically thought to be shelter (housing) and other incidentals such as clothing and nutrition. The cooperative livable wage model seems to align most closely with a definition found on Wikipedia: "In some nations such as the United Kingdom and Switzerland, the living wage standard generally means that a person working 40 hours a week, with no additional income, should be able to afford the basics for quality of life–food, utilities, transport, health care, minimal recreation, one course a year to upgrade their education, and childcare. Although in many cases education and saving for retirement…are not included. It also does not allow for debt repayment of any kind." The cooperative livable wage model uses a calculation equation that, along with the basics, includes insurance, a small amount of retirement and liquid savings, and a moderate-cost spending factor for food.

## The Cooperative Livable Wage Model

The Cooperative Livable Wage Model was developed and introduced in 2003 to provide a means for calculating a livable wage rate for food co-ops. The model was designed to be sensitive to the challenges that face co-ops in attempting to be financially viable and to recognize the value of the benefits that co-ops offer their employees. While there were emerging models available from other sources at that time, cooperators felt the need for a practical working model for determining a livable wage that would align with cooperative values and be economically sound.

This pioneering work was led by Carolee Colter and Karen Zimbelman. In 2006, after three years of practical application, the model was further refined, and in 2011 another update was made. Colter and Zimbelman enlisted the thinking and expertise of numerous general managers and human resource managers in the initial development and subsequent updates.

Thanks to this body of work, the Cooperative Livable Wage Model has provided co-ops with an innovative approach to offering employees a livable wage. While some of the thinking about livable wage has changed, and certainly there now are additional models available to choose from, the Cooperative Livable Wage model (available through www.CGN.coop) is a resource that provides descriptive and historical information, links to data sources, and calculation worksheets.

These resources are valuable when planning for implementation on a livable wage and providing information to your employees but perhaps should not be used as the only source. Consider using other sources and/or calculations alongside the Cooperative Livable Wage Model and comparing the results. The MIT (Massachusetts Institute of Technology) calculator is a good one (http://livingwage.mit.edu/). At this time there are no plans for another overhaul of the Cooperative Livable Wage Model.

## Wages in the news

From fast-food restaurants to state legislatures, we have heard an unprecedented number of conversations about wages this year. Hotel workers, fast food workers, even retail workers at Gap stores nationwide have joined a growing movement demanding wages on which workers can reasonably support themselves. Demonstrations and protests have led to arrests of workers for defending their right to a fair wage. Presently, a group in Wisconsin is pushing for the minimum wage to be raised to a livable wage in that state. Many municipalities have enacted livable wage laws. For example, Seattle just passed a measure raising the minimum wage to $15 over the course of a few years.

It goes without saying that the constant barrage of news stories and ongoing media coverage about wages may have a big impact on our cooperative workforce. One can't help but think that the idea of fast-food workers earning $15/hour (that is what they are asking for), while many cashiers and grocery stockers at the co-op are only earning $9 or $10, must raise some questions about the equity of pay in co-ops.

As conversations about wages continue to heat up around the country, we must keep our own dialogue active. As mission-driven organizations striving to achieve stated Ends, co-ops are not simply selling groceries in a competitive market. Co-ops are an alternative business


model working to provide positive and empowering workplaces, support equitable economic relationships, and contribute to resilient social and economic environments. It stands to reason that offering compensation and benefits that allow workers to provide for their basic needs (and beyond) must be part of that mission.

In the original Cooperative Livable Wage Model background document, Colter stated, “Probably all co-op managers and boards want to pay their employees enough to support themselves, as a matter of simple economic justice. Moreover, a livable wage could result in lower turnover, with reduced costs for recruitment and training, and could be a competitive advantage in a tight labor market.”

Many co-ops around the country were early adopters and have been paying their employees a livable wage for years. Others have introduced the livable wage more recently, some are in the beginning stages of implementation, and a few are trying to decide if they can make it work within their labor budget.

## Implementation at Eastside Food Co-op

After 10 years of operation, Amy Fields, general manager at Eastside Food Co-op in Minneapolis, is thrilled to have finally succeeded in implementing a livable wage program. At Eastside, they made the decision to include all positions in livable wage, both full- and part-time staff. Amy says, “We made that decision because we really value our part-time staff, many of whom would work here more hours if they could pick them up. Our livable wage rate is for anyone who has worked at the co-op for at least two years.” (It should be noted that by definition, livable wage assumes a person works 40 hours/week to cover basic expenses.)

To determine their livable wage rate, Eastside compared the cooperative livable wage model and the city of Minneapolis model for employers who provide health insurance. Using the city’s model, the rate calculated at $12.50/hour. Using the co-op model (and they assumed that most employees arrived to work by personal car instead of transit, which made the livable wage higher), the rate calculated at $12.55/hour. Management opted for the $12.55/hour calculation for 2014.

As of July 2014, 70 percent of Eastside staff members were earning the livable wage rate. Fields says, “Our goal in this first year of implementation was 60 percent, so we’re pretty happy that we exceeded that.”

## Road hazard: wage compression

One consideration in implementing a livable wage is the impact on current employees who may be earning more than the livable wage, but not enough more to feel that their longevity ▶

at the co-op will be adequately recognized if the pay rate of newer workers suddenly increases. This impact, called "wage compression" by compensation experts, can negatively affect employee morale, calling for some form of adjustment to the pay levels above the livable wage and for clear communication from management.

At Eastside, part of the livable wage implementation process was to make adjustments to the pay scale. Their level-one positions max out at $0.50/hour above livable wage, and level-two positions max out at $1.00/hour above livable wage. Fields noted that this is the one area where staff felt a little sting during implementation. She says, "The response of staff to livable wage has been positive, but there has been disappointment from those who have been employed with us for more than two years and make a wage very similar to the livable wage. They were disappointed that, at their two-year-anniversary, they did not make a livable wage, and now that they have been here longer, they are not making much more than that." Furthermore, Fields explains, "Even though we raised the entire pay scale when we implemented livable wage, the increases for those at their two-year anniversaries who were not making livable wage were much greater than the increases for those who had been here longer and were earning more than the livable wage, but not much more."

Don't give your employees a reason to look elsewhere.

## Plan ahead, clearly communicate

You may find, once you go through the calculations for a livable wage rate for your co-op, that the hourly rate comes to more than you are currently paying workers to start, or upon completion of the trial period, and more than you can afford to pay within your current labor budget. That being said, the livable wage calculation should be viewed as a means to set a goal toward which to work. It may take one or more years to reach your goals for paying livable wage. Setting goals and timelines and providing clear communication to staff members, both initially and along the way, can be important keys to successful implementation.

For example, you might plan to roll out a livable wage at your co-op in 2015. Begin well beforehand by introducing the concept to the entire staff. Explain what a livable wage is and how it will pertain to your co-op. Explain the model chosen, and show staff members how the livable wage hourly rate is determined. Share a timeline, explaining goals for how you will get current staff members who are paid below the livable wage to the livable wage hourly rate and what that pathway will look like for incoming staff members. Most importantly, answer employee questions about the livable wage, and take note of any concerns that may need to be addressed during the implementation.

## The impact of raising minimum wage

In addition to ongoing conversation about livable wage, there is also much debate about whether to raise the federal minimum wage. During the 2014 legislative sessions, 34 states considered increases to their state minimum wage, and 11 states raised their minimum wage. Currently, 23 states have a minimum wage above the federal minimum wage rate.

The bottom-line impact of raising minimum wages might be felt most sharply in some of our smaller co-ops. At City Center Market in Cambridge, Minn., General Manager Gayle Cupit has had to take a close look at how raising their wage scale to accommodate the rise in Minnesota's minimum wage will impact the co-op's bottom line. The increase necessarily ripples through the entire wage structure and has a dramatic impact on the labor budget. Cupit says that raising the wage scale at City Center Market added 4 percent to their labor budget when compared to last year. As a result, they have cut hours and are running the store with a "leaner staff." While she had planned to add two administrative positions this year, Cupit has scaled back her plans and will add just one. She worries that when the minimum wage goes up again next year (Minnesota's increase is spread over two years), she may not be able to afford adding a hoped-for marketing position. She says, "I will need to weigh the value of potentially increasing our sales by adding the position against the stretched labor budget." Cupit is weighing the value of training as well, while knowing the co-op must keep the emphasis on great customer service to remain competitive in the market.

City Center Market hires a lot of young people, who often leave to pursue other opportunities after a year or less at the co-op, resulting in a high turnover rate. Cupit is considering whether she should try to hire fewer high school students in an effort to lower turnover, and she wonders about the long-term impact of such decisions by employers. She asks, "How will high school kids gain the job experience that first jobs provide them? Will the raising of the minimum wage mean fewer opportunities for true 'entry-level' workers to gain experience?"

**As conversations about wages continue to heat up around the country, we must keep our own dialogue active.**

### Balancing values

Cupit believes, "We have to do the right thing." She's hopeful she will find a way to balance the values embedded in the cooperative principles with the reality of operating in a competitive environment amid forces beyond her control. She hopes City Center Market can continue to offer good jobs, good wages, high quality customer service, and remain a thriving, profitable business.

A recent statistic indicated that 70 percent of currently employed people are looking for a new job. Don't give your employees a reason to look elsewhere. If possible, offer wages that are at or above the median rate in your community, and consider implementing a livable wage. Provide access to benefits such as medical, dental, vision, and life insurance. Include paid time off, purchase discounts, and retirement savings options. Create an environment wherein employees feel challenged and in which their voices are heard, and you will be doing everything you can to attract and retain the best employees possible. ■