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Democratic Economic Participation and Humane Urban Redevelopment

By
Jessica Gordon-Nembhard

Introduction

Humane economics, democratic economic participation, and democratic economic control are words not often combined and terms rarely used by traditional economic developers and urban planners, especially when addressing inner-city redevelopment. Most often, discussions about economic development and the elimination of poverty focus on job creation, workforce development, and access to job opportunities – promoting the corporate model of growth and fortifying big business’s penetration into and control of community economics.¹ Income receives a bit of attention, in the peripheral discussions about “living wages” or family-supporting wages and “good” jobs. However, concepts such as a guaranteed income or payment for the social reproduction responsibilities mostly shouldered by women (paid household or “women’s work”) are accorded little if any credibility. Moreover, control over income, especially for women, is not a part of the mainstream vocabulary.

Access to and control over economic decision making, to wealth creation and wealth accumulation, general prosperity and well being are even more rarely addressed. Market values and the tyranny of the market take precedence over “non-market values” and humane interactions. Non-traditional assets and resources controlled and contributed by community residents go mostly unrecognized and under-valued, particularly in an economic context.

It is precisely these often overlooked elements that are the principles held by many community-based and grassroots organizations, and women’s economic development organizations which advocate for community-controlled economic development. Contrary to conventional wisdom, these are also the elements being

found to make a difference in the creation and maintenance of competitive and sustainable economic activities and policies around the world. Ownership, control, democratic participation and profit sharing enhance the viability of economic activities, increase individual and community wealth, and promote comprehensive community development. Research on workplace democracy and cooperative economics support these assertions. We are finding that democratic control over decisions about economic activity and policy – such as, what kinds of industry and businesses to pursue; where to locate them; the conditions of ownership, production and employment; employee benefits and mobility; and the distribution of profits – enhances productivity and profitability.² In addition, those remaining in abandoned inner cities need local control, democratic participation and ownership, both 1) to adequately address the needs (make the appropriate choices about what kind of development and economic activities are needed, for whom, and how the development is planned); and 2) to create wealth for all, not just a few, and adequately distribute the wealth.

This essay examines dimensions of democratic participation and ownership. Components and issues involved in democratic economic development will be addressed. In addition, I will explore some of the economic and social benefits, particularly for low-income women. I conclude the essay with examples of programs and projects that have used many of the principles highlighted here, many of which focus on women’s economic development.

Participation Versus Ownership: Governance and Wealth Creation

There is much documentation about wealth and income inequalities, how economic prosperity for the richest does not always trickle down to the rest; about racial, ethnic, and gender economic inequality in our society; and the plight of our inner cities.³ Democratic economic participation and ownership, community-controlled economic development, and cooperative economic development are some of the strategies that help address these inequalities, the disempowerment and underdevelopment.

What are democratic economic participation and democratic ownership? Democratic economic participation refers to the involvement of all stakeholders, particularly at the grassroots, in a range of economic activities

at the workplace and in the production process (workplace democracy), in management (management-labor cooperation), and participation on boards of directors and voting for directors (under the principle of one person one vote). Democratic economic participation requires democratic control over economic decision making at all levels from the shop floor to public policy and legislation, and democratic governance in an industrial organization context. Democratic governance also takes place through public ownership and democratic policy making – through “small d” political democracy and community-controlled economic development.

Democratic ownership entails physical ownership by all stakeholders and economic participants – actual investment in and ownership of shares of stock, bonds, and other equity; forms of profit sharing, equitable distribution of the surplus, shared risks and benefits. Returns to profits and share of risks are democratically determined and distributed through democratic ownership. Thus participants are given the opportunity to create and accumulate wealth, not just earn an income.

There are many different ways to own and invest in an economic enterprise – employee stock option programs (ESOPs), employee ownership, cooperative ownership, using sweat equity, and the contribution of social energy⁴, social capital, and cultural capital to the profitability of the endeavor. Economic enterprises that are dedicated to democratic ownership find ways to use people’s non-traditional skills and assets toward ownership, productivity and wealth creation. This perspective helps to change the underlying economic values about what is considered work, what is ownership, what is management, what are the factors of production, and who can participate. It also changes how these inputs are valued, what makes them effective, and what makes the enterprise successful. This way, space is created for non-traditional players, the disenfranchised, the disempowered – i.e. community residents themselves, young people, people of color, and women.

In this way, low-income residents, women, and others usually left with no legal way to gain assets are enabled to create wealth, control it, accumulate it, and prosper from it. They can also use it to leverage other private and public funds for more development and increased wealth. Thus wealth is created and augmented from within. Non-traditional resources and assets are built on, feeding both the production process and wealth accumulation. This changes the model of development

from one dependent on outside expertise and external capital (which turns around and flows back out) to one which first recognizes and develops internal (to the individual and to the community) capacities and creates mechanisms which recycle and multiply local expertise and capital. Personal gains are also community gains. The personal rights and responsibilities vested in democratic ownership contrast with the individual property rights vested in sole proprietor and concentrated ownership. A major difference is in how wealth remains in or returns to the community.

Democratic governance allows communities 1) to direct and control economic development for their immediate and long term needs, 2) to change the nature of the production process (to be more flexible, more respectful, more challenging, more rewarding, more democratic, more innovative and more competitive and thus more productive), and 3) to control distribution and redistribution of the fruits of their labor and the wealth that is created.

Ownership gives some opportunity for governance, but does not guarantee it, or guarantee democratic governance. Ownership does not automatically or necessarily guarantee democratic control. Corey Rosen contends that “the combination of ownership and participation seems crucial.”⁵ From 43 economic studies of self-management, for example, Levine and Tyson find that worker participation in management increases productivity. They find even stronger effects when participation is combined with profit sharing, guaranteed long-term job security, a relatively small wage spread, and guaranteed worker rights.⁶ Rosen explains: “Ownership provides employees with a powerful financial reward; participation provides a chance to translate that incentive into the ideas and processes that can make an organization more effective.”⁷ Participation also makes organizations more responsive to family and community needs and opportunities – to humane values and community development goals. This is an area, however, which needs more research and documentation, in part because there are few examples of the combination of ownership and governance/participation.

Public policies can be supportive of combining democratic ownership and participation – giving more rights to, and incentives and opportunities for, employee ownership, cooperative ownership and other forms of democratic ownership. Appropriate public policies also contribute to universalizing the principles of democratic gov-

ernance and participation. Policies can support community-controlled economic development – put municipal profits under the control of community-based organizations, or allow community-based organizations to control or at least participate in economic development planning and land use decisions. Policies are needed which support training programs and provide support services and tax incentives for democratic ownership and participation. Economic democratic participation and ownership also foster greater political democracy and democratic political participation, which can contribute to democratizing city politics.⁸

Benefits From Democratic Participation

Many economic and socio-economic benefits are attributable to democratic participation. Haynes and Nembhard, for example, find that current innovations in many competitive businesses provide an opportunity to insert the democratic process into economic production processes.⁹ Across the globe certain competitive methods combining competition and cooperation are being used to gain market share. Many successful industries use strategies that transform entrepreneurial activity from a traditional individualist focus to a more collective focus. Within the firm, worker-management relations change such that labor may be consulted directly, or labor may be in control of the production process. Democratic firms and enterprises which practice flexibility, teamwork, decentralized control and participatory governance gain “an organizational advantage when competing in a market system.”

Benello notes that “workplace democracy has been shown to give workers a stake in expanding company productivity, to compensate them for accepting reduced wages, to promote feelings of ownership and pride in high quality workmanship, and to contribute to labor cost savings arising from the elimination of superfluous middle management or supervisory personnel.”¹⁰ Turner argues that “workers feel empowered, their creativity and intelligence are tapped, and they become more productive, more professional, more concerned with the quality of their own work and that of the company’s products.”¹¹

Krimerman and Lindenfeld delineate many advantages of worker coops and democratic ESOPs including: control from below; improved self respect, happiness and personal growth; improved productivity; wage security; preserving and creating jobs; family and community ori-

entation because of interdependencies with both; and increased concern for environmental and health issues because they live and work in those places.¹² They also point out that democratically controlled enterprises often have an advantage during recessions because their governance structure and interrelationships afford them a wider variety of options during a down turn. “Perhaps more important, worker ownership and control offer communities and progressive movements the hope of a greater voice and control in their economic destinies.”¹³

Democratic enterprises often give women control of economic resources. Weiss and Clamp maintain that co-ops “afford women a number of important benefits, including empowerment, leadership training, learning opportunities not available in traditional work settings, and increased self-esteem.” Creating worker coops “allow women to learn new managerial and business skills, to assume leadership roles, and to gain control over their work lives.” They conclude that their study “reinforced our conviction that worker cooperatives can be a vital and successful part of community economic development strategies designed to improve the conditions of low-income women. Beyond providing paid work, they can help increase their members’ sense of empowerment, self-esteem, skills, leadership abilities, and autonomy.”¹⁴

Research in this area finds not only traditional economic benefits from economic democracy – productivity, efficiency, and increased skills and profitability — but also socio-economic benefits (for lack of a better term) – improved working conditions and quality of employment, job and economic security, concern for the environment and community development in general, increased self esteem, and empowerment in many areas of the participants’ lives. The various forms of democratic economic participation and ownership provide market and non-market benefits, combining economic and humane objectives and goals.¹⁵

EXAMPLES

Community-Controlled Urban Planning: *Dudley Street Neighborhood Initiative, Roxbury, MA*

The Dudley Street Neighborhood Initiative (DSNI) is an example of a process for comprehensive “bottom-up” urban redevelopment planning.¹⁶ The intergenerational DSNI combined control over aban-

done properties with comprehensive urban planning controlled by community residents, for human, economic, physical, and environmental development. The DSNI combined concern for affordable housing and other physical development with organizing, creating vision and political will, and asserting control over real estate in long term planning. Youth involvement was instrumental throughout the process.

What began as a “Don’t Dump on Us” campaign to clean up vacant lots and close down illegal trash transfer stations, ended with a comprehensive economic development plan for the entire neighborhood. The plan was designed by the residents themselves and supported by a network of public and private sector players. Community control of abandoned properties in the neighborhood, through genuine resident control, was an innovation that gained the DSNI distinction as “the nation’s first neighborhood group to win the right of eminent domain.”¹⁷ DSNI members and residents argued that the community needed to “gain control of the land in order to stop outside developers from transforming the land in ways that would be unresponsive to the needs of the community.”¹⁸

Economic Development for Low-Income and Hard-to-Employ Populations: *California*

Conover, et al.,¹⁹ study 15 mutual benefit service sector cooperatives in California that serve difficult-to-employ populations, particularly immigrant and refugee groups. Many of their constituents lack the entrepreneurial experience or access to credit and lucrative markets necessary to launch their own businesses. The co-ops developed businesses in house cleaning, janitorial services and home care to create new jobs that offer higher wages and benefits, and greater job advancement potential than was otherwise available to their target populations. They sometimes also offered additional social service benefits to workers such as opportunities for education and social support. The co-ops share the goal of giving workers the skills and opportunities to exercise leadership and democratic control over an economic venture, using cooperative development to empower low-income workers.

The cooperatives formed in the 1980s, to improve standards of living and address the challenges of: the need for entry level jobs for immigrants who lack prior experience and do not speak English, the need for higher than minimum wage, the need for more full time work hours than available in the market, the need for greater

job stability and security, and more opportunity for job skills training and career advancement. Jobs for women were a particular challenge. The co-ops emphasized creating a supportive, community-based organization where member/workers share cultural values and activities as well as create jobs and develop leadership. Cooperative strategy gave these businesses a means for meeting community needs, developing viable organizations and decision-making, and leadership skills in members. The collective approach allowed for pooling of resources to achieve maximum financial benefits, and for achieving important social goals, as well as minimizing complex tax, legal, and administrative burdens.

These organizations succeeded in providing high quality jobs in a supportive environment, and were able to better match job requirements with worker skills. They succeeded at providing higher wages for members than the national minimum wage, and wages higher than entry-level jobs in retail and manufacturing for unskilled, non-English speaking immigrants. Some instituted profit sharing, and returned surplus earnings to members. They were able to provide many services to their members such as English language training, driving lessons, emergency loans, citizenship classes, auto loans, food distribution, assistance with income taxes, transportation and health services. Providing adequate benefits and creating full time jobs were their greatest challenges.

Comprehensive Economic Development for Women: *Jamaica Plain, Massachusetts*

Cooperative Economics for Women (CEW), in Jamaica Plain, Massachusetts, organizes with low-income women, especially women of color, immigrant and refugee women and women surviving domestic violence, to create cooperative approaches to generating income while organizing for community development.²⁰ CEW strives to make “creative ideas work in times of cut-throat capitalism,” through a transformative training program that combines literacy, organizational skills, the technical know-how to run a business, and building trust and community. Participants gain employment experience and a cooperative perspective through a rigorous and comprehensive innovative training program. Graduates have created five small successful cooperatives in the areas of catering, house cleaning, clothing (sewing), and child care.

Cooperative Home Care Associates (CHCA): South Bronx, New York

Cooperative Home Care Associates (CHCA) is a worker-owned home health care cooperative in the South Bronx, New York.²¹ It employs more than 300 African-American and Latina women as home care paraprofessionals. Since 1987 worker owners have earned annual dividends of between 25 and 50% on their initial investment. The co-op maximizes wages and benefits for members, providing paid vacations and health insurance (unprecedented in this sector), in an environment of trust and collaboration. CHCA also offers training and career advancement programs for its members. Average employee turnover is well below the industry average. CHCA prides itself in being a business and a “secular church” – providing both decent jobs to low income women and fulfilling a social and civic purpose to support members’ families and neighborhood improvement.

Watermark Association of Artisans: North Carolina.

Watermark Association of Artisans is a worker-owned craft cooperative in North Carolina. Women comprise 97% of the group. “Watermark has given birth to more than 400 jobs where there were none, while creating economic justice and democracy in the workplace that can be a model for other organizations.”²² Also, through its training programs Watermark has helped its members and community take control over their economic lives. One member reflects: “I never thought I could do anything; neither did my husband or my parents. Now I am making things and people pay me for them. Now I know I can do something.” A mother of three, this member went back to school, earned a general-education diploma and went to a local college. Other members credit Watermark with increasing their sense of empowerment to, for example, participate in the PTA and talk to the principal at their child’s school, or leave a domestic violence situation.

Notes

¹ See Jessica Gordon Nembhard, “Community Economic Development: Alternative Visions for the 21st Century,” in John Whitehead and Cobie Kwasi Harris, eds., *Readings in Black Political Economy* (Dubuque, Iowa: Kendall/Hunt Publishing Company, 1999), 295-304.

² See for example findings by: David Levine and Laura D’Andrea Tyson, “Participation, Productivity and the Firm’s Environment,” in A. Blinder, ed., *Paying for Productivity: A Look at the Evidence* (Washington, DC: Brookings Institute, 1990), 205-214; Len

Krimerman and Frank Lindenfeld, eds., *When Workers Decide: Workplace Democracy Takes Root in North America* (Philadelphia: New Society Publishers, 1992); and Curtis Haynes, Jr., and Jessica Gordon Nembhard, “Cooperative Economics - A Community Revitalization Strategy,” *The Review of Black Political Economy* Vol. 27, No.1, Summer 1999, 25th Anniversary Edition.

³ See Nembhard, “Community Economic Development...”, for a summary. Also see for example: William Darity, Jr., and Patrick L. Mason, “Evidence on Discrimination in Employment: Codes of Color, Codes of Gender,” *Journal of Economic Perspectives*, Vol. 12, No. 2, Spring 1998, 63-90; Ray Marshall, ed., *Back to Shared Prosperity: The Growing Inequality of Wealth and Income in America* (Armonk, NY: M.E. Sharpe, 2000); Melvin Oliver and Thomas Shapiro, *Black Wealth/White Wealth: A New Perspective on Racial Inequality* (New York: Routledge, 1997); HUD, *The State of the Cities 1999* (Washington, DC: U.S. Department of Housing and Urban Development, 1999).

⁴ Social energy is the strategic use of cooperation and consensus in enterprise building. See Curtis Haynes, Jr., “A Democratic Cooperative Enterprise System: A Response to Urban Economic Decay,” *Ceteris Paribus* Vol. 4, No. 2, October 1994, particularly p. 21 and note #5), for more details. Haynes likens the concept social energy to W.E.B. Du Bois’s conception of transforming the “cooperative spirit” into an economic resource (*Economic Cooperation Among Negro Americans* (Atlanta: Atlanta University Press, 1907)).

⁵ Corey Rosen, “ESOPs Hype or Hope?” in Krimerman and Lindenfeld, eds., *When Workers Decide: Workplace Democracy Takes Root in North America* (Philadelphia: New Society Publishers, 1992), 186. Joseph Blasi finds, for example, that ESOPs, even democratic ones, must be combined with “extensive labor-management cooperation, short-term profit sharing, and shopfloor reorganization” and workers must be provided with “many diverse ways of shaping their work and the companies they work in” (“Are ESOPs Part of the Problem?” in Krimerman and Lindenfeld, 1992, p. 189). Also see Elizabeth A. Bowman and Bob Stone, “Worker Ownership on the Mondragon Model: Prospects for Global Workplace Democracy,” unpublished monograph (GEO Newsletter), 1996.

⁶ David Levine and Laura D’Andrea Tyson, “Participating, Productivity and the Firm’s Environment,” 1990.

⁷ Rosen, “ESOPs, Hype or Hope?”, 189.

⁸ See David Imbroscio, *Reconstructing City Politics: Alternative Economic Development and Urban Regimes* (Thousand Oaks, CA: Sage Publications, 1997).

⁹ Curtis Haynes, Jr., and Jessica Gordon Nembhard, 1999, “Cooperative Economics – A Community Revitalization Strategy.”

¹⁰ George Benello, “Economic Democracy and the Future,” in Len Krimerman, Frank Lindenfeld, Carol Korty, and Julian Benello, *From the Ground Up: Essays on Grassroots & Workplace Democracy* by C. George Benello, (Boston: South End Press, 1992), 83.

¹¹ Chuck Turner (interview), “Empowering Communities of Color,” in Krimerman, et al., *ibid.*, p. 191.

¹² See Krimerman and Lindenfeld, "Are ESOPs Part of the Problem?"

¹³ Ibid.

¹⁴ Chris Weiss and Christine Clamp, "Women's Cooperatives: Part of the Answer to Poverty?" in Krimerman and Lindenfeld, 1992, *ibid.*, pp. 229-232.

¹⁵ Also see: Gar Alperovitz, "Who Owns Capital?" *Boston Review* (February/March 1999); Daniel A. Coleman, "Combining Worker and Consumer Ownership: the Experience of Weaver Street Market," *Journal of Cooperative Studies* Vol. 33, No. 1 (No. 98), April 2000), pp. 7-14; Peter Davis, Book Review: "Contested Terrain: Co-operation as a Social Movement for Economic and Political Justice," *Journal of Co-operative Studies*, Vol. 32, No.2 (No. 96), September 1999), pp. 147-160; Dianne Fitzgerald, "Cooperativism at its Best: Through CEPP, Social Assistance Recipients Become Income Tax Payers," *Grassroots Economic Organizing Newsletter*, Issue 38 (September-October 1999), pp. 10-12; Ted Howard, "Ownership Matters," *Yes! A Journal of Positive Futures* (Spring 1999), pp. 24-27; Jaques Kaswan, "Cooperatives as a Socioeconomic Alternative to the Mainstream: Are We Ready?" *Grassroots Economic Organizing Newsletter* Issue 38, September-October 1999, pp. 2-3, 12; Karin Morris, "The Wages Curriculum: Teacher's Guide to Starting Worker Cooperatives in Low Income Communities," Women's Action to Gain Economic Security, Center for Cooperatives, University of California, Davis, 1998; Sigmund C. Shipp, "The Road Not Taken: Alternative Strategies for Black Economic Development in the United States," *Journal of Economic Issues* Vol. 30, No. 1, March 1996, pp. 79-95.

¹⁶ Based on accounts in Medoff and Sklar, *Streets of Hope: The Fall and Rise of an Urban Neighborhood* (Boston: South End Press, 1994); also see Greg Watson, "Block by Block: Ten Lessons We've Learned on Dudley Street," presented at the 24th Annual Neighborhoods USA Conference, May 26-29, Madison, WI; Internet, www.dsni.org/ten_lessons.htm.

¹⁷ Eminent domain is the power of a state to confiscate land for public use and designate the said authority to another agency or entity. The DSNI through a long and strategic struggle won approval from the Boston Redevelopment Authority for their application for eminent domain over most of the city-owned and abandoned properties in its neighborhood.

¹⁸ This is the wording in a community meeting report as found in Medoff and Sklar, *Streets of Hope The Fall and Rise of an Urban Neighborhood*, 1994.

¹⁹ Nancy Conover, Frieda Molina, and Karin Morris, "Creating Jobs Through Cooperative Development," The National Economic Development and Law Center, The University of California, Davis, March, 1993.

²⁰ Based on materials from Cooperative Economics for Women, especially their brochure: "For Your Information: About Cooperative Economics For Women," Jamaica Plain, MA: CEW, 1977.

²¹ Based on information in Sigmund C. Shipp, "Worker-Owned Firms in Inner-City Neighborhoods: an Empirical Study," *Review of International Cooperation* Vol. 92-93, No. 4/99-1/00 March 2000, pp. 42-46.

²² This information and the quotes come from Carolyn McKecuen, "Watermark Artisans: A Lifetime Path of Economic and Personal Empowerment," in Krimerman and Lindenfeld, eds., "Are ESOPs Part of the Problem?", 21-25.

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