

GETTING

IN A TIME OF GROWING ECONOMIC INEQUALITY, COULD DESIGN STUDIOS BENEFIT FROM A WORKER-OWNED CO-OP MODEL?

GREG MIHALKO, ONE OF THREE PARTNERS AT THE NYC DESIGN STUDIO

Partner & Partners, is knee-deep in the legal language and regulations of a half-updated **operating agreement**(1). He's consulted the **city's small business resources**(2) and reached out to a trade association for worker cooperative businesses, which promptly directed him to two other nonprofits. He's contacted the lawyer who drew up the studio's first operating agreement and sought advice from another lawyer friend out of Chicago.

Partner & Partners has been operating as an LLC for six years, but Mihalko and his colleagues are considering a transition to a worker-owned cooperative, and they're not finding a ton of designer-specific advice. "There are a lot of theoretical notions on what a worker-owned model would look like, but nothing that says, 'Here is how to apply these principles to your specific situation,'" Mihalko explains.

Put simply, a worker cooperative, or co-op, is a business entity that is owned and governed **by the people who work there** (3). It's not a new concept, but it is one that's gaining renewed traction against a backdrop of growing economic inequality. According to the U.S. Federation of Worker Cooperatives, there are 500 democratic workplaces in the United States, which together employ 8,000 people and generate more than \$400 million in annual revenues. A scroll through the organization's national co-op directory surfaces the kind of left-leaning, community-based initiatives you might expect—the Green Mountain Spinnery of Vermont and Moosewood Restaurant in Ithaca, New York, among them. But increasingly, more conventional businesses across industries are looking into the co-op model as both a reinforcement of their social values and a savvy way to run a small startup. And that includes design studios.

For Partner & Partners, transitioning to a worker-owned co-op wouldn't drastically change the nature of how it operates as an LLC, but it would codify the studio's nonhierarchical workplace structure and set up a **formal pathway**

- 1 A key legal document for an LLC that outlines the ownership and member duties, as well as processes for the business' financial and functional decisions.
- 2 aigaeod.co/nyccoop
- 3 In a worker cooperative, ownership and control of the business are derived from working in the company, rather than from simply investing capital in it.
- 4 Some co-ops require a buy-in for employees to become owners, others require employees to work for a certain number of years before they are eligible. It's up to the individual business.
- 5 This could come in the form of company bylaws or an internal manual that dictates how each worker gets a vote when making decisions about the business.



to ownership for its employees (4). Like many designers who go into business for themselves, Mihalko formed a studio where he and the two other partners who joined him shared the responsibility, the risks, and also the profits. There was no hierarchy, because there were no employees—"worker-owned" is the default when your only workers are the founders. A company that maintains that model as it grows benefits from making it official with a business valuation, a plan in place for collective decision-making (5), and all the paperwork and lawyer fees that go along with it. For a certain type of entrepreneurial designer, that effort might be worth it: The co-op model is the sweet spot between collectively pooled financial backing and creative and professional autonomy.

Sabiha Basrai, a designer and worker-owner at Design Action Collective in Oakland, California, says the organization's co-op model empowers her to make design choices and take ownership over projects. Decisions like setting rates and bringing in new work are made collectively, but when it comes to actually designing for clients, Basrai says she has full creative power. And as a worker-owner, she also has a real responsibility to make those projects successful for the good of the company (and her own dividends).

"I came to Design Action from a national nonprofit organization that was extremely hierarchical; I had a boss and he had two other bosses, and they had bosses over them," she says. "By the time anything got to me, a lot of decisions had already been made. Here, it's much less about, 'Am I following the instructions correctly?' and much more about feeling accountable to the movement you're trying to serve."

Design Action began as a spin-off of the Berkley co-op Inks Press, founded in the 1970s, and is behind the branding for Black Lives Matter and other progressive social change organizations. Designers who work there are involved in social justice organizing inside and outside



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the office, and in many cases they're assigned work based on those interests, which for Basrai means working with immigration rights NGOs.

Design Action Collective is incorporated as a worker-owned cooperative under California state law. There's no buy-in process, and all 12 Design Action employees are either owners or on an ownership track. They're paid the same hourly wage regardless of how long they have been part of the collective, but they also accrue patronage based on the number of hours they worked the previous year. This means that whatever profits remain after the fiscal year closes, and expenses and wages get paid, **are distributed in proportion to hours worked that year (6)**. In order to maintain the business' cash flow, patronage is paid out in installments after three years over the course of five years (you still get paid after three years even if you leave the company).

Basrai says that although she was making salary in her last job at the non-profit, the amount of unpaid overtime she worked there meant her salary consistently translated to a lower hourly wage than the one she makes at Design Action. She also notes that the collective has been 15 years profitable, so while patronage does vary according to the amount of profit the company earned that year, she feels she can count on the extra money year after year.

Both Basrai and Mihalko say that an important perk to the worker-owner model is that it reinforces their own beliefs about equally distributing power and ensuring that employees feel valued. That ethos is echoed by advocates of worker co-ops that also view them as a way to address economic inequality on a larger scale. The city government resources that Mihalko has been consulting are courtesy of the Worker Cooperative Business Development Initiative, a city council-backed venture that put \$2.2 million toward fostering co-ops in 2017, under the belief that they will promote entrepreneurship and "improve New York City's economic landscape." Similar city-sponsored programs are underway in Cleveland, Ohio; Austin, Texas; and Richmond, California.

That equitable ethos can also be something that benefits a company's bottom line, with the right company structure and what Pentagram partner Abbott Miller calls "organizational intelligence." Since its founding in 1972, Pentagram has grown into one of the most reputable design firms in the industry; today it has 23 partner-designers in 4 cities across the United States, UK, and Germany. At its core, **Pentagram operates like a traditional company and not a co-op; the firm's partners are all shareholders (7)**, while the employees under them are not. However, the finer points of the company structure have several intentional similarities to a co-op model, with **little institutional hierarchy (8)** and, crucially, partners in each office pooling their profits and

- 6 So, for example, if the entire collective worked a total of 10,000 hours over the fiscal year, and you personally worked 2,500, of those hours, your patronage will be 25% of the patronage distribution that year.
- 7 Incoming partners buy shares at a set value over the course of a number of years; it typically takes about 9 or 10 years for new partners to buy into full partnership. In the meantime, they are considered "partner-elect," but are still given full voting power for any decisions made at partner meetings. Money from the shares goes toward expenses that affect the whole company, such as updating the website or funding a publication.
- 8 All Pentagram partners meet twice a year to collectively make decisions about the company and review each other's work. According to Miller, there's little official "voting;" rather, if even one partner dissents on a decision (i.e. bringing on a new partner), they don't go forward with it.
- 9 "Each partner runs our team the way we want to, so we pretty strenuously avoid things that feel like typical management structures," says Miller.

dividing them evenly among themselves. Miller says that the unique business model, created by founding partner Colin Forbes, gives each of the partners a sense of financial stability while also instilling a healthy competition among partners who don't want to appear like they aren't pulling their weight. "The brilliance of the model that Colin divvied is that it creates a sense of incentive for partners, but it also creates this incredible stabilizing influence in what can be a very mercurial profession," he says.

This financial structure also influences one of the most interesting aspects of Pentagram's functional structure: Each partner has a team of around 8 to 10 employees, and each team **essentially operates as its own individual studio (9)**. In many cases, partners were already running studios of about that size before they came on to Pentagram; joining the firm gives them IT support, an accounting department, legal advice, the cultural capital of being part of a renowned design firm, and the actual capital that results from the shared profits of 23 design powerhouses.

The benefits of a collective model, however, don't come without expending the considerable amount of energy to establish and maintain it. Unlike more established and traditional business models, operating a co-op means a lot of trial and error without a clear-cut path, which not all designers have the interest or stamina to do. "With someone like Colin Forbes, he saw it as a great design project," Miller says. "It takes a designer who is as interested in the design of a business as the business of design."