



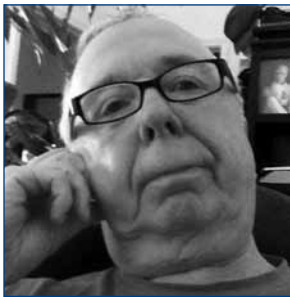
Conversations with Equal Exchange's Worker-Owners

J. Michael Lillich

When LERA announced that its 66th annual meeting was going to be in Portland, Oregon, I knew I'd look up my former student, Jessie Myszka, a class of 1996 economics major who had taken a road less traveled to work at Equal Exchange (EE). I'd stayed in touch with Myszka and followed the growth of EE, an importer of coffee and other foodstuffs under the mantra of fair trade. Equal Exchange's guiding principle is fairly traded goods that benefit small farmers.

Equal Exchange is for profit and worker owned. There are also outside investors (full disclaimer: I've owned shares of EE as an investor for more than fifteen years). Portland is EE's Northwest Region headquarters, where Myszka works.

Before LERA's annual meeting, I spent the day at Equal Exchange talking to the worker-owners about their jobs and their company.



Equal Exchange is a successful democratic co-op with complementary visions

- EE is a for-profit, worker-owned fair trade import and wholesale distribution business.
- EE's main product is coffee, followed by chocolate. Most products are organic and grown sustainably. Sales last year were \$55.6 million.
- Co-executive directors report to a democratically elected (one worker, one vote) board of directors.
- EE worker-owners receive "patronage," a share in EE's annual profits, in addition to their 401(k) retirement plans.

Equal Exchange (EE) Inc. was founded in 1986 by three food co-op managers—Jonathan Rosenthal, Michael Rozyne, and Rink Dickinson—with a big, idealistic dream: nothing less than to change the way food is grown, bought, and sold around the world. It began as a strange hybrid: a for-profit business model with a nonprofit mission.

The highest-profile rule of fair trade is providing producers a higher-than-market price to at least cover costs of production. More game changing, however, is the principle of purchasing only from farmer co-operatives. These co-ops function simultaneously as businesses and social-development organizations. Many offer services such as health and education because government services in their member areas are lacking.

Nearly as significant is pre-shipment financing. Conventional lenders in rural areas abroad often charge as much as 20

percent to 30 percent per year—hardly conducive to entrepreneurship. *Authentic* fair trade provides pre-financing so that the co-ops may purchase their members' harvest before the co-op finally sells the crop.

The three founders began their import business with Nicaraguan coffee, dubbed it Café Nica, and brought its first product to market—but not without fighting and ultimately overcoming a Reagan-administration embargo of all products from the Sandinista government. EE added high-quality black tea from civil war-torn Sri Lanka to the product line its second year. That effort ultimately failed. But the three founders persevered.

First independently, and then with the help of the European network of alternative traders, Equal Exchange identified and began working with a growing list of

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democratic farmer coffee co-ops internationally. Somehow, and against all odds, by the third year EE was breaking even.

In 1991, EE launched itself as a fair trade gourmet coffee company offering U.S. food co-ops a full line of bulk coffee beans and reached \$1 million in sales.

Fair trade, EE style, serves as the corrective for the dominant corporate free trade whose assumptions are rarely true in practice. EE in its literature describes its business practice as “authentic fair trade” to “challenge the existing trade model, which favors large plantations, agri-business, and multinational corporations; support small farmers; and connect consumers and producers through information, education, and the exchange of products in the marketplace.”

In 1995, EE moved its headquarters from Stoughton to Canton, Massachusetts, and opened a second office in Madison, Wisconsin. In 1996, EE opened a West Coast office in Hood River, Oregon. That same year, EE began a collaboration with the Lutheran World Relief organization, which became EE’s interfaith program. Seven years later, 10,000 church congregations and their members were buying EE’s fair trade coffee.

In 1998, a fair trade certification system was put into place in the United States. In 1999, one of the EE founders, Rink Dickinson, and Rob Everts became EE co-executive directors, and the board of directors (consisting primarily of workers) approved a strategic plan for 2002–2003. EE also launched a chocolate line. Chocolate’s on a worldwide roll these days, and that made EE’s sales of that product grow quickly.

In 2004, EE purchased a new headquarters building in West Bridgewater, Massachusetts, and soon installed its own coffee roasting and packaging machinery. In 2007, EE opened a new branch office in Minnesota.

In 2013, EE saw sales of \$56.1 million, and after charitable contributions

and worker-owner patronage disbursements, had a net income before taxes of \$2.7 million. Product sales broke down like this:

- coffee, 67 percent
- chocolate, 17 percent
- fresh fruit (from the produce fair trader of which EE owns the majority), 8 percent
- food snacks, 4 percent
- tea, 3 percent
- other (cups, lids, T-shirts, etc.), 1 percent

Fast-forward to May 2014: EE’s mission, based on principle, product, and process, continues to grow and evolve.

The fairly traded foods EE distributes now include olive oil from the West Bank, apricots from Pakistan, raisins from Chile, and cashews from India and El Salvador. EE packages and sells its products through its networks of food co-ops, natural food stores, church congregations, and, more recently, though its

own retail cafés. A few years ago, EE even became part of a national retail agreement developed to help food co-ops better compete with the big chains like Whole Foods.

Worker-Owner Governance

EE is a complex organization with 120 equal worker-owners, with their individual views and opinions, housed in a democratic ownership structure. So, worker-owners can’t mail it in, go home, and forget work. They organize ownership meetings roughly every two months, with an annual meeting to celebrate the business’s founding day, May 1—not coincidentally, International Workers’ Day.

Jessie Myszka has been at Equal Exchange for almost twenty years. After years at EE’s Massachusetts headquarters, she’s now co-director of operations, based in EE’s Northwest distribution facility in Portland. In her role as one of EE’s more-seasoned workers, she says the most important things she does are to understand what EE’s various teams

“[EE] is in the trade business not the aid business.”

—Jessie Myszka



Equal Exchange worker-owners take their jobs, their ownership responsibilities, and fair treatment of their farmer co-operative producers seriously.

are trying to accomplish, educate others, and facilitate the communications to make things happen:

We don't typically hire for traditional experience but rather smart people who think critically. They have to be well informed to be effective owners—and thus our worker-owners tend to want to know everything. So we have to share information. We also have to get stuff done.

Sometimes the farmer groups we deal with are well organized but others not very. Just like in co-op development in the U.S., successful cooperatives begin with a committed core. So those farmer co-ops really need to focus on educating their own members about the benefits of being in the co-op. But we're in the trade business not the aid business. So we don't seed new farmer co-ops—we look for emerging groups who need a market.

Myszka says EE's melding of a for-profit business model and a cooperative organization can be a puzzle in the terms of management because “business people don't tend to know much about co-ops and co-op people don't tend to know much about business.”

EE has an ambitious education model for its worker-owners, a bi-weekly training called Exchange Time, led by a



Jessie Myszka

worker committee. Myszka elaborates, “New hires need to understand the governance structure itself, the products, and fair trade. The worker-owners are encouraged to spend up to 10 percent of their time on personal-professional development such as board membership, learning Spanish, or organizing educational activities.”

In addition to individual education, there's also a learning curve for the whole organization. EE is not a finished product with policy and practice finally in place. Rather, it is a work in progress where all the worker-owners are getting up to speed and the organization

is adjusting and evolving in tune with external conditions and worker-owner understanding. Myszka says access to information is key to the basic collaborative question: “How do we function as a co-op? We are long on vision, short on written planning.”

Here's how EE officially describes what its governance model is and what it's not:

A worker cooperative is an alternative for-profit structure based upon standard democratic principles. It is not designed to maximize profits, nor returns to investors, but rather to bring to the workplace many of the rights and responsibilities that we hold as citizens in our communities. These principles include one-person/one-vote equality; open access to information (i.e., open-book management); free speech; and the equitable distribution of resources (such as income).

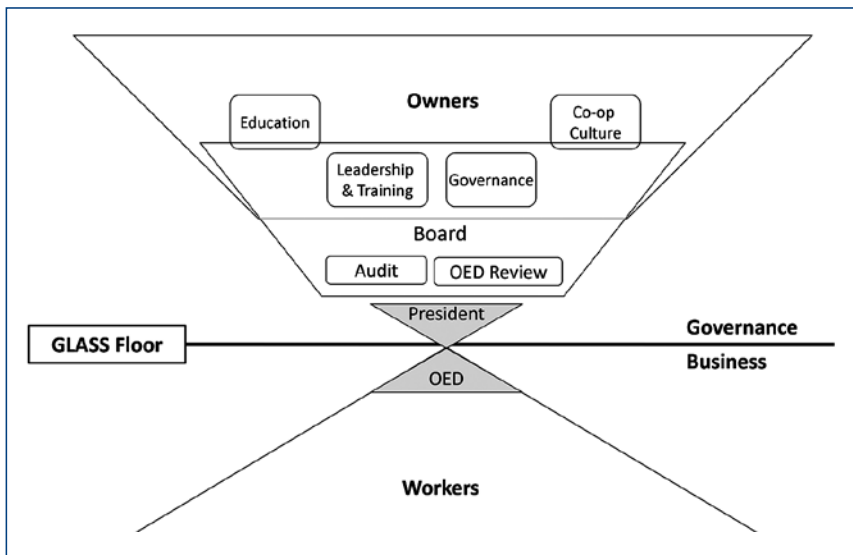
A worker co-op is not owned by outside shareholders or a small group of founders or partners but by all the employees in equal portions. Top-level managers and entry-level employees alike own an identical share and receive an equal share of any profits or losses. These “worker-owners” both elect the board of directors and fill six of the nine board seats. The board in turn is responsible



Equal Exchange worker-owners at its Portland, Oregon, warehouse-distribution center spend 10 percent of their time on activities such as board membership, the broader co-operative movement, and learning Spanish.



Senior graphic designer and Equal Exchange board member Greta Merrick (left) and Jessie Myszka (center), co-director of operations, work with an outside designer on a print publication project.



Equal Exchange's Governance for Leadership, Accountability, Scalability, and Success (GLASS) model.



Ellen Mickle

for hiring and supervising management. Consequently, a circle is formed, as in American civic democracy, of everyone being accountable to someone else.

The Newbie

Ellen Mickle, customer relations, came to EE from organic farming work. She worked at a research farm in Pennsylvania, then moved to the Northwest and worked at farmers' markets, food banks, and AmeriCorps. Quintessential to her generation, she found EE online:

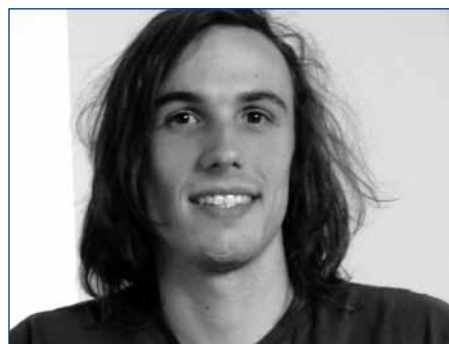
I wanted to move out of seasonal work. My take was that EE was established, successful, and growing, but still a mission-driven business. It was personal and welcoming. There's good teamwork and it feels good. After I started at the

Portland office, they sent me to the main office in West Bridgewater, Massachusetts, to introduce me to the whole organization there.

Ellen is coming up on her one-year anniversary. She'll have to pass a vote by the whole worker-owner body to join their ranks. She's quietly confident. (Editor's note: Ellen was voted in soon after the interview for this story.)

The Young Firebrand

Tyler Hall, an EE sales rep for two years, started working on farms in high school. He studied sustainability and social movements at the University of Vermont. He



Tyler Hall

majoring in environmental studies and agroecology. At a study-abroad program in Peru, by chance he stayed next door to an Equal Exchange cacao producer co-op:

That was my first exposure to fair trade abroad. It's different from Ben & Jerry's kind of fair trade—Ben & Jerry's is better than most. I worked for them at a scoop shop, and there's no education of employees. I thought I knew what fair trade was until I was studying for my EE employment interview. At EE we're providing better access to information, educating people (inside and outside) about what the essence of fair trade is—sustainable agriculture and social justice.

We work with small farmers organized as existing co-ops, some with as many as 10,000 farmers, who need a market for their coffee and cacao—the essential ingredient in chocolate. We have a guaranteed floor price for farmers, even though coffee is traded as a volatile commodity on the global market. We pay a premium for organic coffee. We also pay a social premium that farmer co-ops use to fund projects like clean water and new schools.

"I'm still learning the structure of EE and where my intervention points are most effective."
—Tyler Hall

But there's as much misunderstanding about fair trade in a Dominican Republic farmer co-op as there is among American consumers. It can be confusing. There's no

one, official criteria or authenticator for fair trade. There are multiple certifications depending upon the organizations conferring them.

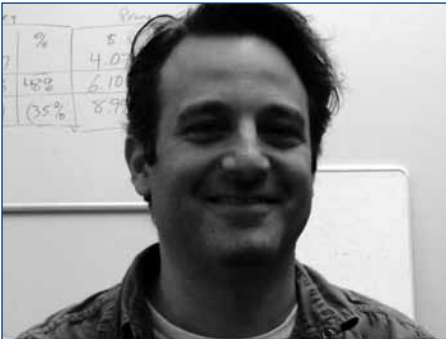
In the future, I'd love to be an EE buyer and work with the farmers. EE wants to nurture long-term relationships that lead to increased quality and yield. That's mutually beneficial to the farmers and to EE.

Hall understands that there's little that is black and white, even in the idealistic and democratic organization that EE is.

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Hall says:

Sometimes I'm frustrated with management decisions, on the choice of a product, for example. I'm still learning the structure of EE and where my intervention points are most effective. But I recognize that I may not know the scope or the context of a decision. It's my job to sell the product.



Jim Feldman

The Activist

Jim Feldman has been at EE for nine years. He started as a temp and has recently been promoted to Northwest regional sales manager. He's currently a board member:

I started as a political activist in Chicago organizing against genetically modified food. I moved to Portland to pursue activism full time. I like the idea of a large worker-owned co-op. Equal Exchange is unique, a model. It's a good example and a nice alternative to corporate dominance.

We just hired four new sales people. My job is to get them trained up. I'll have the opportunity to get out more, to get the EE name out, to help the public to understand the difference between fair trade and corporate trade. Consumers want more of that.

We have a different DNA here at EE on some fundamental things. There's a lot of pride in ownership, and all the workers have a big stake in the enterprise. We worker-owners have standard American 401(k) retirement plans. We also have a profit-sharing plan known as patronage.

In a given year, a patronage portion is on the order of \$3,500. The worker-owners receive half in cash. The other half is reinvested in EE. Worker-owners can take their investments out tax free when they leave the co-op or retire.

We have a 4:1 pay ratio, which means the executive directors aren't making more than four times the wage of the lowest-paid worker.

There's a "no buy-out clause" for the organization. What that means is that the worker-owners can't decide to sell the company to another entity. There's no exit plan

"[Equal Exchange has] a 4:1 pay ratio, which means the executive directors aren't making more than four times the wage of the lowest-paid worker."

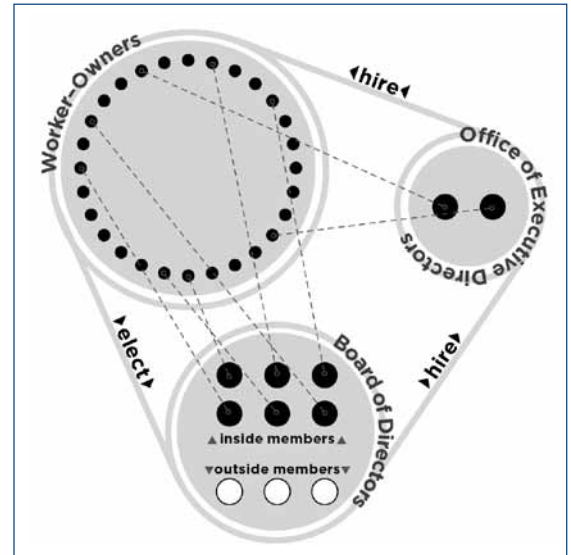
—Jim Feldman

Board Matters

Senior graphic designer Greta Merrick has just been elected to Equal Exchange's board after five years with the co-op:



Greta Merrick



As a board member, I represent the other 120 worker-owners as well as our other stakeholders—the farmers and their co-ops and EE's outside investors. I'm going to my first meeting next week at EE Massachusetts headquarters—aka the

"I want to own my hard choices. I am consciously getting out of my comfort zone. It's also an investment in myself, a different way of getting a promotion."

—Greta Merrick

Mothership. I don't have an agenda other than making sure we stay true to our mission.

I'm not a manager in my job, but I can take on a leadership role wearing my board hat. Part of my goal is to change my point of view of EE. I want to have my say and also gain understanding on how issues are decided.

I want to own my hard choices. I am consciously getting out of my comfort zone. It's also an investment in myself, a different way of getting a promotion.

Greta describes the worker-owner governance model as balanced, "but more or less assertive. The worker-owners can step in if things aren't going right."

There was a governance crisis between the board and executive directors at EE in 2010 that went on for about a year. After the adoption of a rather rules-based governance philosophy, the executive directors felt the board was too rigid and not collaborative, while the board felt its execs were not responsive enough to its requests for reports.

Resolving the conflict began with one big, strong, and persistent worker voice when the co-op voted to say, “This is not working” and mandated mediation. It ended with a co-op-wide submission of proposals for a new governance system and selecting one to implement.

EE also has outside investors. Organizational investors include congregations and farmer cooperatives, among others. There are also individual investors. EE targets to pay a 5 percent dividend. Outside investors (like me) have no official say in EE governance unless they are elected to the board of directors.

Many of LERA’s best academic researchers look at the future and worry about where the next generation’s good jobs with decent pay, good benefits, and adequate retirement will come from. In fact, today’s long-term unemployed and young worker unemployment and underemployment can look like dark harbingers of a bleak future for workers and the larger economy, both in the United States and globally.

Worker-owned co-ops like Equal Exchange provide a good alternative enlightened-governance model and a

laboratory of ideas: engaged workers; fair treatment of suppliers; ecologically aware business model; a new three-legged stool retirement program, consisting of Social Security, 401(k), and patronage investment; and limits on CEO pay. Equal Exchange questions so much that we take for granted in the employment realm. EE points out that there are innovative ways to go about business organization

and practice, the relationship between management and workers, and doing business both day to day and long term.

The question the worker-owned co-op model doesn’t answer yet is scale. While there is growth and vitality in the co-op movement, realistically speaking, worker-owned enterprises aren’t going to supplant the corporate model in the global economy anytime soon.

Says Myszka:

Two organizations are blooming that are accelerating the [co-op growth] process: the U.S. Federation of Worker Cooperatives and the Democracy at Work Institute. The Federation was founded in 2004 as a membership group for worker

Resolving the conflict began with one big, strong, and persistent worker voice when the co-op voted to say, “This is not working” and mandated mediation [between the board and the executives directors].

cooperatives. The Institute, while incorporated more recently, has been working for several years in a planning and consulting mode. Its strategic efforts include five areas intended to propel worker ownership speedily ahead:

- *access to capital*
- *conversions via retiring owners selling their business to workers*
- *documenting effective practices*
- *rural development*
- *technical assistance to co-ops from certified peer advisers*

Equal Exchange’s success stands as a viable model of how to do business, do it well at home and abroad, be successful, and profit through a smart, engaged, and collaborative workforce. Not only can EE inspire other like-minded new business experiments, it can also model practices that will spawn new experiments in worker organization and even change how the big corporations do their business by demonstrating that it can, indeed, be done.

J. Michael Lillich

Michael Lillich is principal of Clearly Expressed LLC, a professional writing service. He formerly was the managing editor of LERA’s online think tank, the Employment Policy Research Network, based at the School of Labor and Employment Relations at the University of Illinois at Urbana-Champaign. Lillich contributes writing and editing to LERA’s online and print publications. To contact him with LERA member news, honors, and books, write to 202 W. Columbia Ave., No. 103, Champaign, IL 61820, call (217) 898-1928, or send an e-mail to clearlyexpressedllc@gmail.com.

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