



## Local Self-Reliance: Store Cooperative Owners in Philadelphia

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By the MOTHER EARTH NEWS Editors

### LOCAL SELF-RELIANCE

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ILLUSTRATION: MOTHER EARTH NEWS STAFF

*Philadelphia is the scene of another kind of revolution instigated by the Institute for Local Self-Reliance helping store cooperative owners in Philadelphia.*

*The institute for Local Self-Reliance works to help urban residents gain greater control over their lives through the use of low-technology, decentralist tools and concepts. Because we believe that city dwellers and country folks alike can profit from the institute's admirable efforts, we've made this "what's happening where" report by the ILSR staffers one of MOTHER's regular features. If you would like to know more, you can have a free catalog of ILSR's selection of books and pamphlets by sending the institute a self-addressed, stamped envelope . . . or become an associate member for a tax-deductible \$35 per year (\$50 for institutions) and receive both a periodic report on the institute's work and a 20% discount on all the group's publications. Write to ILSR, Dept. TMEN, Washington, D. C.*

Philadelphia, called the cradle of liberty for its role in America's fight for independence, is today the scene of another kind of revolution: In dozens of that city's chain grocery stores, checkout clerks and other "ordinary" employees are becoming store cooperative owners in Philadelphia. And ironically enough, the parent of this experiment in worker ownership is none other than A & P . . . the company that pioneered the concept of the modern, corporation-controlled supermarket back in 1912.

The chain's halcyon days were limited, however. In 1969 A & P was still number one in domestic sales

among all retail food outlets, but the firm — now an "old timer" — had grown fat and sloppy with success. Soon, hungry new competitors — such as Safeway and Kroger — overtook the giant . . . and by 1975 A & P had fallen to fourth place.

It wasn't long before large corporate losses began to pile up, so — in an attempt to stop them — A & P began to close many of its stores . . . and between 1974 and early 1982 it reduced the number of its locations from 3,468 to 1,055. However, each time the company shut down an outlet, it was forced to lay off first those people who had worked the shortest time, who — generally speaking — were the younger and lowest-paid employees . . . and to retain those with seniority and, usually, larger paychecks.

As a result, the firm's actual per-worker labor costs remained extraordinarily high (the industry norm for annual wages is just under 10% of total revenue, while A & P was paying 15%). Furthermore, the reduction in employees led to poorer customer service . . . and the corporation found itself in a vicious downward spiral caused by low sales and high overhead, which — today — continues to seriously threaten the future of the once-great chain. A ray of hope, however, has begun to shine in the Philadelphia region.

In the spring of 1982, Philadelphia's United Food and Commercial Workers union locals called laid-off A & P personnel to a series of educational meetings on the subject of employee ownership. The Philadelphia Association of Cooperative Enterprise (PACE) acted as an advisor . . . and nearly 200 people pledged \$5,000 each for a share in one of the reopened stores. With those funds as a basis, the union submitted a bid to A & P of \$4 million for a block of 17 stores.

The chain's management responded with a counteroffer: A & P agreed to transfer ownership of 20 of the ill-fated supermarkets to a new subsidiary, Super Fresh Food Centers, with provisions that would allow an employees' cooperative organization at each of the locations to gradually buy the store. Furthermore, A & P established "quality circles" — committees of workers and supervisors — to give participants a stronger voice in management and to provide a forum for exchanging ideas.

The workers, in turn, agreed to reduce their vacations from as much as four weeks to a maximum of just one week . . . and took pay cuts of up to \$2.00 an hour.

Under the arrangement, A & P will give each cooperative a 1% share of that store's gross sales . . . as long as the members together hold labor costs at all 20 locations to a level of 10% of operating revenue. If the payroll percentage figure goes up, the workers' cut will be decreased proportionately . . . while if salaries should fall below 10%, the share to the cooperative will be increased.

About half of the gross sales fund will be distributed as employee bonuses, and the remainder will go into a master account for buying additional stores. In the first year of operation, this nest egg could yield as much as \$1.5 million, which in turn could be used to borrow up to \$9 million for new purchases.

Furthermore, in direct contrast to the "old way" of doing business at A & P, each store will operate *independently* of the others. Employees who wish to become members of a cooperative simply invest \$5,000 apiece (the union will continue to represent workers, but cannot, itself, own any of the outlets) . . . and anyone who wants to join but has trouble coming up with the fee can get help through the company's credit union or through payroll deduction financing. In the event that an individual leaves the cooperative, he or she will receive the initial \$5,000 plus a share of whatever profits have accumulated to that point.

Meanwhile, other cities and corporations are watching the endeavor with interest. Perhaps A & P — a

company once accused of driving "mom and pop" stores out of existence — will become the progenitor of a new generation of employee-managed enterprises. And these will be *neighborhood-based* businesses . . . rooted in and responsive to their communities, owned and operated by the workers themselves, and keeping local dollars in the local economy. This is the vision fostered by the Philadelphia experiment.

*EDITOR'S NOTE: For a superb account of today's urban woes — and a comprehensive, innovative proposal for remedying those problems — you'll want to read *Self-Reliant Cities* by David Morris, founder and president of ILSR. The hardcover book is available for \$8.95 plus \$1.50 shipping and handling from the Institute for Local Self-Reliance, Dept. TMEN, Washington, D. C.*