# Meeting the $15/hour Challenge at Central Co-op

BY TYLER BURCH AND DAN ARNETT

Over three years ago, Central Co-op made a commitment to strategically work to align with the principles and values of the "Statement of Cooperative Identity." The relationship with labor is impossible to ignore in this context. On top of this, the debate about disparities in income and wealth, fierce divides on minimum-wage policy, and the declining power of organized labor have each informed our leadership's thinking about managing relationships with staff and unions.

What might we do to best reflect a balance of equality and equity, to increase solidarity among stakeholder groups, and to demonstrate social responsibility? In our case, a commitment to wages and total compensation that reflect a respect for dignity and reciprocity, each at the core of our understanding of a cooperative ideal, seemed a natural course.

Inspired by the March on Washington for Jobs and Freedom in the 1960s, coupled with a Saint Mary's University education in cooperative management, Central Co-op's then-new General Manager, Dan Arnett, worked with the human resources department to craft this commitment. An inflation-adjusted interpretation of the wages sought in a quest for economic justice, put forth during the march led by Dr. Martin Luther King Jr., served as a touchstone for the work.

With higher wages came improved standards and accountability.

### Adjusting pay rates

It became apparent that simply boosting wages across the board would bankrupt the cooperative. Still, it would be possible to adjust wages asymmetrically and reach a goal of entry-level wages at the $15 mark without compromising profitability. This would require wage compression from the highest to lowest pay rates within a given job grouping, as well as from the top to bottom rates company-wide.

Prior to implementing our compensation strategy and agreements with the unions (UFCW and IWW) that have organized the co-op workforce, Central had a 57 percent difference between the top and the bottom of the pay scale within the same entry-level job group ($12.20–$19.20/hour). Today, we have a 29 percent difference ($15.64–$20.14/hour). Central Co-op maintains compression differences and provides equitable rate adjustments year-after-year through a progressive cost-of-living adjustment (COLA) program. Historically, adjustments were made by applying regional CPI-U (Consumer Price Index) rates to individual base wages, which offers more favorable adjustments to those with higher wages.

Today, every employee (both managers and nonmanagers) receives the same annual COLA by multiplying the co-op's average hourly wage by the CPI-U figure and adjusting all rates by this amount. We are fortunate to operate in a region that provides fairer wages in comparison to other states and cities. Based upon our 2015 salary analysis, comparable local businesses' starting wages for the same entry-level positions average $11.97/hour, and maximum wages for the same positions average $16.43/hour.

### Added complexity

Adding to the complexity was the need to balance benefits. Staff members averaging at least 28 hours a week were set to receive 100 percent insurance with dental and vision coverage, as well as majority coverage for dependents (80 percent) and spouses/partners (70 percent). Benefits also include: short-term/long-term/AD&D disability insurance, a 20 percent discount on most items (alcohol was set to 15 percent, and loss leaders at 0 percent), substantial paid time off (15–30 days/year), 401(k) match and immediate 100 percent vesting, and more.

The benefits agreed to were best in class for staff with primary employment at the co-op and after 60 days of employment. Part-time employment was also included in most benefits but received 60 percent health insurance coverage sans family coverage from 20–28 hours per week—still well ahead of most employers.

What were the results? The move was not universally accepted. Some senior staff did not believe that the extent of the wage compression was fair, despite the fact that the top-paid journey-level staff positions were compensated at or above the 90th percentile for comparable positions. It seems that the relative sense of compensation outweighed the absolute compensation received—which also reflects studies on wealth levels and happiness. There were also detractors in the business community and media. Some prophesized an imminent cooperative downfall! Management responded by emphasizing that productivity and service, not line-item labor expense control, pays the bills.

It seems our leadership was correct. First of all, we have not seen any material decline in profitability. Sales per labor hour since the switch have been excellent for a cooperative of our scale and scope, running routinely over $120 per hour worked. And recruitment has been stronger than ever. The co-op has been trending to a 9 percent increase in applicants year-over-year with a higher quality and more robust pool of applicants for hard-to-fill positions.

### Improved conditions and performance

It appears we're quickly becoming a desired place to work. Talented applicants with senior status with their former employers are seeking employment with us, and we have not had any employees voluntarily separate to work for a regional competitor. This has notably contributed to increasingly strong service and performance. With higher wages came improved standards and accountability measures. This led to a reduction in employee concerns regarding the lack of accountability and generated turnover by low performers.

While there is no one-size-fits-all approach we would recommend, it is undeniable that both aspects of our cooperatives' dual character, as both associations and enterprises, is greatly dependent on and reflective of our relationship with workers. We believe that cooperatives have every reason to lead on wages, benefits, and work conditions, and that, done well, this can be a competitive advantage and another way to express the best of our ideals. ☐