Organizing’s Business Model Problem

OCTOBER 26, 2016 — SHAYNA STROM
Working people looking to have a voice in politics have a business model problem: most non-union organizing groups struggle to grow very large. People have been organizing outside of unions for decades now, whether in non-union worker organizing groups, often called alt-labor, or in community organizing groups. Many such groups have had great successes. Organizing groups have, for example, passed domestic worker bills of rights in various states and gotten celebrity chefs to stop violating employment law and become high-road employers. But, unlike unions, which have a stable and predictable funding source through automatic dues deduction from union member paychecks, non-union organizing does not have reliable funding. Instead, it is dependent primarily on support from foundations, which is inherently limited and inconsistent, and makes it hard for such organizing groups to expand significantly in size and power.

Many non-union organizing groups have recognized that they have a business model problem, and have begun to experiment with different ways to fill the gaps, including creating businesses to fund their organizing work, or other sources of earned income. Arguably, however, no one has found a silver bullet answer. This report, the first in a series looking at ways to deal with the business model problem in organizing, will not offer any easy answers, but instead will explore the difficulties non-union groups face when raising for money for organizing. The first section will look at why it is so hard for organizing groups to fund themselves, why that matters, and what organizing groups and the progressive movement as a whole are doing to address that. The second section will take a step back and explore this issue more theoretically, looking first at the goals of fundraising for organizing, and then raising a note of caution about the ways that financial desperation can lead groups to undertake activities and efforts that may at first blush seem mission-aligned, but in the long run may actually do more harm than good.

The Difficulty of Raising Money for Non-Union Organizing

To begin, it is worth exploring why groups that do non-union organizing struggle to fund themselves, and why that matters (for ease of reading, this report will henceforth use the term organizing groups throughout to refer to groups that do non-union, grassroots, in-person organizing of workers or low-income populations). Many organizing groups would prefer to fund themselves through membership dues, if at all possible, but it is difficult to collect such funding from individuals at scale in the absence of automatic dues deduction. Collecting voluntary dues is inherently a time-intensive and therefore expensive process—even after signing people up for membership, groups need someone on staff to perform tasks such as chasing down members about expired credit cards or reminding members who pay in cash. This difficulty is exacerbated by the fact that many organizing groups work with low-income populations, some of whom may be unbanked, and who may also experience fluctuations in income. Some organizing groups, such as the United Farm Workers (UFW) during its early period, have proven that it is possible to fund a movement while relying heavily on
voluntary dues from low-income members. But the UFW also leaned heavily on in-kind donations and full-time (long-term) volunteers serving as staff, which reduced their overall costs.\(^3\) As perhaps one reflection of the difficulty of raising money from voluntary dues, a 2005 study of community organizing groups (henceforth “community organizing funding study”) found that dues comprised only 10 percent of the average group’s budget,\(^4\) while a 2006 study (henceforth “worker center funding study”) found that worker centers receive only 2 percent of their budgets from dues.\(^5\) Small-dollar fundraising from nonmembers (for example, canvassing or associate membership programs) is another plausible way to help fund groups—but that has many of the same difficulties as dues collection, unless people are already very motivated by the issue and/or the giving is particularly timely (for example, the Obama campaign in 2008 or Sanders campaign in 2016).

Government funding used to play a larger role in funding organizing than it does today. Legislation enacted as part of President Lyndon B. Johnson’s War on Poverty created Community Action Programs (with the goal of “maximum feasible participation of the poor”) helped fund community organizing, while programs like Volunteers in Service to America (VISTA), Law Enforcement Assistance Administration and the Community Reinvestment Act provided various kinds of support for organizing in the 1970s.\(^6\) However, the War on Poverty ended, and President Ronald Reagan came to office with a different view on the proper role of government and the welfare state. Today, some organizing groups receive workforce development and training funds for services they offer to their members, if not for the organizing work itself.\(^7\) Of course, government funding for organizing comes with inherent risks—such funding can be cut for political reasons, and taking government funding may also dissuade some organizing groups from aggressive campaigns against the government.

Organizing groups that are connected or affiliated with organized labor may also receive some financial support from central labor councils or specific unions, although the amount—and whether the funding is regular or ad hoc—varies widely.\(^8\) The alt-labor group OUR Walmart was once heavily funded by the United Food and Commercial Workers Union (UFCW), although it is now independent. New York Communities for Change, one of the groups created after the community organizing group Association of Community Organizations for Reform Now (ACORN) fell apart, has received money from the Service Employees International Union (SEIU).\(^9\) (Notably, the Chamber of Commerce has used these facts to argue that worker centers are a “front” for unions.\(^10\) That said, union funding of other organizing groups is inconsistent, and in part depends on the alignment of any given organizing group with a union’s strategy and goals. Moreover, unions are struggling to maintain their own power and resources at the moment,\(^11\) so they are not a reliable solution to the funding problems of non-union organizing groups.
The impediments organizing groups face when trying to raise earned revenue—whether charging for services or operating a business—are perhaps more complicated. The community organizing funding study found that, for the one-third of community organizing groups that generated earned revenue, such revenue encompassed 15.1 percent of their budgets. In my own interviews, organizers described their struggles as stemming from (in no particular order): a dearth of relevant earned revenue ideas; a dearth of funding to help start up specific projects; a lack of staff with enough time to devote to potential sources of earned revenue; and a lack of staff with appropriate business skills. These problems are also similar to those found in other mission-oriented fields that increasingly require earned revenue—for example, nonprofit journalism. (As one person says in a Pew Research Center analysis of nonprofit journalism, “Journalists do not think like entrepreneurs.”) Yet, as will be discussed in the next section of this report, some of the problems that organizing groups face are much broader difficulties associated with doing for-profit work in the context of an organization with a social mission.

The most significant source of funding for organizing groups is foundations. The community organizing funding study found that community organizing groups depend fairly heavily on philanthropic support: the average group received 62.7 percent of their budget from private (institutional) grants. Similarly, the worker center funding study found that immigrant worker centers got 61 percent of their budget from foundations. A number of progressive foundations (ranging from the Ford Foundation and the Public Welfare Foundation to the Unitarian Universalist Veatch Program at Shelter Rock) fund community organizing and worker centers, but foundation funding for organizing has been only modest in scope for years now. As far back as 1990, a study by J. Craig Jenkins and Abigail Halcli found that foundations gave only 1.1 percent of their grants to progressive social movement organizations. Ten years later, in 2000, a survey of grassroots organizations and the foundations that fund them found that “the overwhelming majority of grassroots organizations do not think they receive an ‘adequate’ level of support from foundations. Half the foundations interviewed agree.” As a result, foundation support is often not sufficient to allow organizing to scale. Moreover, foundations themselves are also increasingly encouraging groups to become more self-sufficient. Perhaps equally importantly, foundation funding often comes with strings attached, and may be less accessible when a certain type of work is out of favor or the economy is in a downturn. Raising money from wealthy individuals rather than foundations has a different set of benefits and problems, but relies on the networks of individual staff, which may not include many people with a lot of wealth.

Many nonprofits outside of the organizing sector struggle to fund themselves, of course, but organizing groups may have a particularly difficult task. As already mentioned, organizing groups are heavily dependent on foundations, but they may be even more dependent on foundations than the typical nonprofit. In addition, there may be a more limited pool of foundations or individual wealthy donors willing to give them money, since organizing groups do advocacy-oriented or “edgy” work that may be less appealing to many funders. Finally, organizing groups may have other ideological
commitments—such as a commitment to making their organization “owned” by its members—that limit their ability to accept certain sources of funds. (This will be discussed in more depth in the next section of this report.)

The Importance of the Moment

This business model problem for organizing groups is not new—arguably, organizing groups rethink how to fund themselves at least every decade. As traditional union organizing struggles, however, the need for non-union organizing groups to be larger, more powerful, and more of a political force is only rising.

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For decades, unions have been the primary way that workers made their voices heard in the American political system—whether fighting for the Affordable Care Act, the minimum wage, or unemployment insurance. Whatever one's perspective on unions, they have been formidable political advocates—a strength enabled in part by an ample and predictable revenue flow. Moreover, they have played a crucial role in funding and fostering other forms of activism, including the civil rights movement.

Yet the percentage of workers in unions is declining, from 20.1 percent in 1983 to 11.1 percent in 2015—a result at least in part of changing economic forces such as the decline of manufacturing and rise of globalization. In addition, union revenues are facing specific existential threats—right to work laws in twenty-five states make it easier for workers to opt out of membership (and paying union dues) even when their workplace has a union, and lawsuits such as Friedrichs v. California Teachers Association—about whether people who are not members of a public sector union but benefit from the union's presence in their workplace still need to pay “fair share” fees—could reduce union bank accounts even further. Public sector unions were granted a brief reprieve in Friedrichs with the death of Justice Antonin Scalia, but most observers believe that another case like Friedrichs will come back to the Supreme Court at some point in the near future.

At a time of such uncertainty for unions, the need for robust and powerful organizing outside of unions is even more stark. Non-union organizing has significant potential but it needs to be able to grow.

Innovations in Fundraising: How Groups Are Responding
In an effort to try to reduce their dependence on foundations, organizing groups have begun to become more creative in their revenue generation. Many of these organizations are in search of “power, scale, and sustainability,” to use the terminology of SEIU 775 president David Rolf. (See Tables 1 and 2 for a typology of organizing group efforts)

Some of the revenue generation efforts are attempts to find a more productive way of getting revenue from activities that organizing groups have long engaged in—for example, membership dues or canvassing. Certain groups are gaining greater efficiency by trying to do traditional fundraising work with more accountability. The community organizing group Kentuckians For The Commonwealth, for example, doubled its membership and tripled its grassroots fundraising between 2004 and 2007 using goals at every level of the organization and regular outreach to membership both through mailings and through one-on-one contact. They are now trying to increase their membership even more and expand their monthly sustainer donation program. Organizing groups may also try to make membership in their groups particularly attractive to potential members; the National Domestic Workers Alliance (NDWA), for example, recently launched a membership association that will provide dues-paying domestic workers with a suite of benefits, such as insurance and know your-rights-training to support their work, as well as discounts at pharmacies and other locations. Similarly, the Restaurant Opportunities Centers United (ROC-United), a membership organization of restaurant workers, high-road employers, and consumers that fights for better working conditions in restaurants, provides various services to members who pay dues (for example, training on front-of-the-house fine-dining serving and bartending).

Other organizations are looking to expand beyond their established membership to increase donations—ROC-United also created Diners’ United, a dues-paying consumer association, while groups such as Pineros y Campesinos Unidos del Noroeste (PCUN) have followed in a tradition of groups that offer memberships for retirees (in this case, retired farmworkers). At the same time, organizations such as Membership Drive, founded by the former head of Greenpeace USA, are working with canvasses from the Working Families Party, the Center for Popular Democracy, and other groups to increase the return on investment from canvass activities.

A number of groups raise revenue by offering services to their members, with fees paid by members, non-members, companies, the government, or others. The group OUR Walmart is currently building a digital platform that will facilitate peer-to-peer workplace support for Walmart workers, using certain services for workers (“learn how to navigate the Walmart system”) as a gateway into further connection with workers across the country. But the platform will then potentially have a revenue benefit as well; once OUR Walmart has built a big list of users, it will try to negotiate discounted, needed services for members (low cost financial services, childcare solutions, etc.) as a pathway toward revenue generation. Certain groups have long provided some for-profit services as a core part of their model. The Freelancers Union, for example, provides insurance to the self-employed—a model that generated a large number of the
Freelancers Union’s members. As the insurance market has changed, however, in part in response to the Affordable Care Act, the Freelancers Union has had to innovate, and is exploring a variety of other paid offerings for members, including new insurance programs.37

Other organizations offer services that are benefits to their members but may not serve a core function for the organization other than raising revenue. The AFL-CIO, for example, gets a substantial portion of its budget from revenue from its union-branded credit card.38 Similarly, MoveOn.org is now trying to raise money from mission-driven companies by negotiating discounts for MoveOn members with clean energy companies and then marketing those discounts to members.39 Many of these organizations leverage one of the core powers of their groups—the sheer number of people involved—to achieve some sort of profit that can get funneled back into organizing.

Some groups have been experimenting with a particularly wide range of methods to fit revenue generation into their missions. NDWA has created Fair Care Labs, an innovation arm of the broader organization that is exploring a variety of ways to help domestic workers and raise revenue, ranging from developing standards for high-road companies to building direct partnerships with companies such as Care.com to building technology products (including a tool, currently in beta form, to allow employers to fund benefits for domestic workers). It has also developed an online tool to let people create and customize contracts with their nannies; the program is not generating revenue yet but is set up to allow for that potential. The Coalition of Immokalee Workers (CIW), a farmworker organizing group based in Immokalee, Florida, has developed a trademarked label for ethically-grown food that recently began appearing in supermarkets, enabling consumers to choose produce that fits their values and potentially creating royalties that could help sustain one of the CIW’s flagship programs.41 As already mentioned, ROC-United has also long offered certain kinds of training to its members; they are now exploring whether similar programs (for example, wine-pairing classes) can be offered to consumers for a fee. Coworker.org, which allows workers to do workplace activism online, is exploring whether the insights about workplace problems gleaned from its site could be packaged and monetized for Environmental, Social, and Governance (ESG) investors, who may be interested in knowing which businesses have unhappy workers.42 The Industrial Areas Foundation (IAF), a broad-based community organizing network, has developed entirely separate businesses that are in line with its values; for example, it has built 6,000 affordable homes and apartments in New York, Baltimore, and Washington, D.C. and Milwaukee.

Several other organizations ask corporations and/or government to pay for the organization’s labor standards enforcement work. The CIW created the Fair Food Program, a partnership among workers, growers, and major retail brands, to ensure that fruit and vegetables are grown under conditions that are fair to the workers. Certain corporate buyers, as a part of their legally-binding agreements with the CIW, make an annual support payment to help fund a monitoring organization that oversees the implementation of a set of human rights standards on tomato, pepper, and
strawberry farms along the East Coast. Similarly, the Texas-based Workers Defense Project, a worker center that represents a lot of construction workers, has developed the “Better Builder Program,” which holds real estate developers to certain standards, including paying construction workers a living wage, providing basic safety training, mandatory workers’ comp, and complying with a local hire goal. To enforce those standards, companies and/or government entities then fund third party independent monitoring to ensure that real estate developers are complying with the Better Builder standards.\footnote{44}

A few organizations have developed to support innovation in fundraising, ranging from investors/technical assistance groups such as the Workers Lab and core technical assistance groups like Accelerate Change and Membership Drive. A few other organizations serve this space but are perhaps more likely to work with an online organizing group than a worker center, including the investor New Media Ventures and accelerator Citizen Engagement Lab (CEL).

In many ways, the activities that these groups are doing—even especially those that provide services to members—are the continuation of a trend that some successful political groups have done for many years. As Peter Murray, founder of Accelerate Change, documented in his influential article, “The Secret of Scale,” organizations as diverse as the National Rifle Association, the AARP, and the travel organization AAA all provide services to members and use those services as a way to draw people into the organization and earn revenue (“functional organizing,” to use Murray’s terminology).\footnote{45} Yet while there have long been organizing groups that do functional organizing,\footnote{46} at least to some extent, there is perhaps a renewed seriousness to the way organizing groups are innovating to build membership and revenue.\footnote{47}

\begin{quote}
Even if all of these initiatives succeed—and many are at their early experimental stages, where that is still unclear—some have the potential to massively change the scale of a given group’s organizing, while others will simply provide small amounts of helpful extra income.
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Notably, however, the initiatives of these groups vary significantly in their scope and their potential to grow the organizing groups significantly. Even if all of these initiatives succeed—and many are at their early experimental stages, where that is still unclear—some have the potential to massively change the scale of a given group’s organizing, while others will simply provide small amounts of helpful extra income. At a time when unions are declining and organizing groups need significant amounts of new resources, both types of initiatives are potentially valuable—but meaningfully different.
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Table 1. Ways that Organizing Groups Are Trying to Generate Revenue (Other than Large Donor or Foundation Fundraising)

<table>
<thead>
<tr>
<th>Type of Revenue-Generating Activities</th>
<th>Source of Revenue</th>
<th>Examples of organizations doing this or hoping to do this</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing costs rather than generating income</td>
<td>Organizing groups</td>
<td>IAF bulk purchasing cooperative</td>
</tr>
<tr>
<td>Services or businesses</td>
<td>Multiple; See Table 2</td>
<td>See Table 2</td>
</tr>
<tr>
<td>Voluntary membership dues (including using services as incentives to pay dues and membership canvasses)</td>
<td>Members</td>
<td>PCUN, NDWA, Kentuckians for the Commonwealth</td>
</tr>
<tr>
<td>Expanding the pool of dues (including consumer dues, canvassing; associate membership; local business donors)</td>
<td>Individuals interested in the organization</td>
<td>ROC-United, Center for Popular Democracy, Working Families Party</td>
</tr>
<tr>
<td>Investments</td>
<td>Income from investments</td>
<td>Primarily done by larger non-profits, including those with an endowment</td>
</tr>
<tr>
<td>Income from (external) social-change oriented businesses</td>
<td>External businesses that are unrelated to the organizing groups</td>
<td>Multiple; some businesses like CREDO Mobile or Amalgamated Bank have programs that generate small amounts of money for non-profits (the non-profits that benefit can change over time)</td>
</tr>
</tbody>
</table>

Source: Compiled by author.

Table 2. Services or Businesses That Could Generate Revenue
<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Sources of Revenue</th>
<th>Examples of organizations doing this or hoping to do this</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services for members, paid for by members</td>
<td>Members</td>
<td>Freelancers Union</td>
</tr>
<tr>
<td><strong>Examples:</strong> benefits, training</td>
<td></td>
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<tr>
<td>Services for members, paid for by external parties</td>
<td>Government or corporations</td>
<td>ROC-United</td>
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<tr>
<td><strong>Example:</strong> education/training, legal services funded through Legal Services Corporation funds</td>
<td></td>
<td></td>
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<tr>
<td>Services for members negotiated with external companies</td>
<td>Corporations (and sometimes also members)</td>
<td>MoveOn.org, AFL-CIO, OUR Walmart</td>
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<tr>
<td><strong>Example:</strong> job benefits (when companies contribute as well as workers); discounts</td>
<td></td>
<td></td>
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<tr>
<td>Services paid for by corporations (serving an organizing mission)</td>
<td>Corporations</td>
<td>Coalition of Immokalee Workers</td>
</tr>
<tr>
<td><strong>Examples:</strong> product certifications, seals of approval, ratings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services for allied organizations</td>
<td>Other organizations</td>
<td>WFP, Coworker.org</td>
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<tr>
<td><strong>Examples:</strong> Advocacy-for-hire; packaging and monetizing insights collected by the organization</td>
<td></td>
<td></td>
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<tr>
<td>Services for non-members that also benefit members; non-members pay</td>
<td>Consumers of the business</td>
<td>NDWA contract tool</td>
</tr>
<tr>
<td>Using legal wins to help fund organizing</td>
<td>Corporations (when compelled by courts); members who donate personal winnings; referral fees from attorneys</td>
<td>ROC-United; Workers Defense Project</td>
</tr>
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</table>
### Case Studies of Revenue-Raising by Organizing Groups

To get a better sense of the wide range of ways that organizing groups are dealing with their business model problem, it is helpful to look at a few case studies in more depth.

**Coalition of Immokalee Workers: Farmworker Organizing in Immokalee, Florida**

The Coalition of Immokalee Workers (CIW) has sometimes been held up as a model of what scalable forms of worker power may look like in the future. The organization, through its Fair Food Program, has created a human-rights based Code of Conduct for tomato, pepper, and strawberry growers. Participating corporate buyers agree to purchase only from farms in good standing within the Fair Food Program, and a separate council set up by the CIW monitors the farms’ implementation of the Code of Conduct. Importantly, companies that have joined the Fair Food Program more recently pay an annual support payment ranging from $15,000 to $100,000 (depending on the size of the buyer), which helps to finance the program.

Yet, there are at least two limitations to the financial sustainability provided by the Fair Food Program. First, the annual support payments, as currently structured, are not sufficient to sustain the growth of the program into new products and regions. Second, the annual support payments fund enforcement and monitoring, but do not fund the CIW’s work overall—neither its general operations nor its organizing work.

The CIW is taking the need to raise sustainable revenue seriously, however. It has developed a trademarked “Fair Food” label for ethically grown food that will start appearing in supermarkets soon, enabling consumers to choose produce that fits their values and enabling the CIW to earn royalties from that label. Labels range significantly in the amount of money they earn for organizations; some earn nothing, while others (such as the Rainforest Alliance’s frog seal) earn

<table>
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<tr>
<th>Enforcement</th>
<th>Corporations or Government</th>
<th>Workers Defense Project, Coalition of Immokalee Workers Fair Food Program</th>
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<tbody>
<tr>
<td>Operating businesses that broadly serve the mission</td>
<td>Consumers of the business</td>
<td>IAF housing work</td>
</tr>
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</table>

Source: Compiled by author.
significant income. The CIW’s studies of consumer demand suggest that, if this strategy works, it has the potential to bring significant revenue to the organization—revenue that will go directly to the CIW and not just to the Fair Food Program. It is far from certain if the program will succeed, however, and a substantial amount of staff time has been invested in developing the label. As a result, the Fair Food label is perhaps best seen as a higher risk/higher return strategy that has the potential for being more transformative than many other strategies groups are trying.

The CIW is also trying at least two other mechanisms to raise additional revenue. The first is a fairly traditional fundraising method—developing a base of monthly supporters. The CIW has a relatively large base of committed consumer activists; it will start by trying to convert them into monthly donors, then expand the pool to people who are not already committed allies. (Interestingly, the CIW does not collect any form of membership dues, in part because it is simply outside of the culture of the organization—their membership is poor and that is not the kind of relationship the organization wants to have with its members.)

Second, the CIW is exploring ways to partner with smaller grocery stores and restaurants to generate new sources of revenue. It does not make sense for smaller grocery stores (coops, regional chains) to participate in the Fair Food Program in the same way as larger chains, because they usually lack the market power to influence the conduct of their suppliers. Yet, they are in some ways natural allies to the Fair Food Program, since they often share a constituency of conscientious, ethically minded consumers. The exact form of the partnership remains to be seen, but the CIW is exploring a number of creative methods.

Restaurant Opportunities Centers United: Restaurant Workers, Employers, and Consumers Fighting for Better Working Conditions in Restaurants
Restaurant Opportunities Centers United (ROC-United) historically has been funded primarily by foundations—about 95 percent of its budget comes from private grants. The organization has actively been trying to become more self-sustaining, however, and is exploring a variety of ways to do so. Since many of their projects are in experimental stages, it remains to be seen how much revenue-generation potential they have.

First, the organization collects membership dues, and provides various services to members who pay dues (for example, training on front-of-the-house, fine-dining serving and bartending). The services are funded by a mix of private foundation grants, membership dues, and government grants for workforce development, training, and safety.

ROC-United also operates its own restaurants—under the brand name COLORS—in New York and Detroit. While those restaurants function more as a hub for the organization's programs than a way to raise revenue, ROC-United is now looking to incubate worker-owned cooperatives (catering businesses, pop-up restaurants, and so on) within those restaurants and ultimately take some kind of ownership stake in those companies.

In an effort to expand the constituency committed to (and potentially helping to fund) these issues, ROC-United created Diners’ United, a dues-paying consumer membership association, and Restaurants Advancing Industry Standards in Employment (RAISE), a “high-road” employer membership association. ROC-United is now also exploring services that can be offered to these constituencies for a fee—for example, wine-pairing classes for consumers, and employer training and technical assistance for restaurants that are interested in learning how to transition to higher wages and better benefits.

The organizing group believes that mobile applications may also hold revenue-generating possibilities, and has already created Top Server, a game that teaches fine-dining and wine-pairing skills, and the Diners Guide, which helps consumers identify high-road restaurants. Since tip theft is a serious issue in the industry, the organization is also exploring an application that would let consumers send tips directly to their servers, without credit card processing fees.

**THE ABOVE IS A PROMOTIONAL VIDEO BY ROC-UNITED FOR THEIR “DINERS GUIDE” APP.**

Finally, ROC-United is expanding its legal program, which provides restaurant workers with legal resources and support. The program helps workers fight wage theft, but also provides some resources to ROC-United—attorneys pay ROC-United referral fees, and members may donate back some of their personal winnings to the organization.

*Industrial Areas Foundation: Broad-Based Community Organizing Throughout the Country*
The Industrial Areas Foundation (IAF) operates perhaps the widest range of large earned-income ventures of any organization interviewed for this report. Because the IAF is decentralized, the ventures have primarily been developed by local IAF affiliates. The ventures are incorporated as separate organizations in which the organizing groups have governance roles. Some of the ventures make payments to the IAF organizing groups as a core cost of their work, in recognition of the crucial role of organizing in creating and advancing the ventures.

IAF affiliates in New York (East Brooklyn Congregations), Milwaukee (Common Ground), Baltimore (Baltimoreans United in Leadership Development), and Washington, D.C. (Washington Interfaith Network) have developed housing ventures that have built over six thousand affordable homes and apartments. The affordable housing work in New York has been particularly dramatic, and has been the subject of a fair amount of press attention. The housing work has generated between tens and hundreds of thousands of dollars per year to support each affiliate’s organizing efforts, including their affordable housing and neighborhood revitalization organizing.

![Affordable houses coming to Nehemiah Spring Creek in East New York due to work of Metro IAF New York. Source: NewYorkYIMBY.com.](image)

The Washington Interfaith network also developed the Community Purchasing Alliance (CPA), an affiliated cooperative that aggregates the purchasing power of religious institutions, schools, and other nonprofits, enabling them to save money on energy, waste hauling, building maintenance, supplies, and solar installation. CPA currently has 130 participating institutions, and has helped individual members save thousands of dollars annually (and sometimes far more). Yet, the IAF has had to learn, like many other organizing groups, just how hard it can be to run successful businesses. The cooperative, which was founded in 2011, still requires some foundation support, although it expects to break even without foundation support soon.

While IAF’s affiliate organizing groups and earned-income ventures are technically separate entities, the organizing efforts help to create the demand for their ventures. As a result, there are potential reputational costs to the IAF if the
ventures do not succeed, which is part of why the IAF tries to be careful when selecting partners to operate them.

The IAF also has a strong membership dues culture. The individual institutions—churches, schools, neighborhood associations, and so on—that are members of the IAF affiliates are required to pay annual membership dues, which on average comprise about 40 percent of any given affiliate’s budget. Because IAF affiliates are comprised of institutional members rather than individuals, however, it is somewhat easier for them to collect dues than it is for an organizing group composed of individuals.

The Potential Distorting Effect of Fundraising Efforts

While there are many promising aspects to organizing groups’ experimentation in fundraising methods, there are also potential pitfalls that are becoming increasingly apparent. This section will first take a step back and look at the goals that organizing groups may have in mind when seeking to raise funds, and then move on to discuss the specific risks that the fundraising process may present to an organizing group’s overall mission.

**Goals of Fundraising for Organizing Groups**

Given all the innovation in raising revenue for organizing, it is helpful to state outright the goals that fundraising for organizing may have. Some of the goals for organizing groups are no doubt the same as those for any nonprofit, mission-driven organization. In particular, funding should ideally be:

- **Sufficient**: the amount of funding should be enough to meet the programmatic needs of the organization.

- **Predictable/consistent**: the flow of money should be regular enough to allow the organization to plan for the long-term.

- **Sustainable**: the flow of money should not be quickly exhausted.

- **Without “strings”**: a sufficiently large portion of the money should be for general operating support, giving organizations much more flexibility about how best to use it.

In addition, there are a number of goals that are particularly important for organizing groups. Ideally, fundraising efforts for organizing—and the money those efforts raise—should:

- **Foster accountability/democracy**: The purpose of organizing is to build and exercise the collective power of the
organization’s members or constituency. Yet any organization is inherently at least somewhat accountable to the source of its funds and to what it has to do to generate its funds—otherwise it risks losing those funds. To balance those two factors and keep organizing groups accountable to their members, a sufficient portion of organizing’s funding needs to come from its own members—a feat that may not be easy to accomplish when those members are low-income workers. In addition, organizing groups may need to think carefully about the activities they engage in to generate funds and how those impact accountability and democracy—for example, the work that an organizing group has to do to recruit new dues-paying members versus the work required to create a new business.

- **Encourage member investment**: Another benefit of members helping to fund organizing groups is that it increases member investment in their own organizations, giving members a sense of ownership. (Notably, however, this value may be more important to community organizing groups than to some worker centers. 49)

- **Reward accomplishment**: Ideally, funding should follow organizational success—an organization that does well should get more funding, and an organization that fails at its mission should find it harder to get funding. Since organizing groups exercise power on behalf of their members, ensuring that funding rewards accomplishment is also another way to ensure democracy; organizations that do not represent their members well should ultimately go out of business.

- **Allow for independence**: While every organization wants independence and the ability to make their own strategic judgments, it is perhaps particularly important for organizing groups, since they do work that is advocacy-oriented and sometimes controversial. One way to maintain independence through funding is to limit the amount of money that organizing groups take from any single outside source.

- **Help the organizing**: Some methods of raising revenue not only align with the organization’s values, but also help it achieve its core mission. For example, an immigrant-organizing group looking to expand its base may offer immigrants legal services for a small fee as a way of deepening the organization’s network of potential members.

- **Avoid harm to the organizing**: Importantly, the methods of raising revenue should also not hurt a group’s organizing efforts. As will be explored in more depth later in this section, fundraising can hurt organizing in a number of ways—if it overly occupies the time of organizers to the detriment of their core work; if it creates excessive mission creep for the organization (for example, if the method of raising revenue is very unrelated to the core work of the organization); if it changes the relationship of the members to the organization (for instance, if they start to see the organizing group as primarily a service provider or start seeing their own role as that of a customer); if it negatively affects power dynamics within the organization and changes whose work is seen as primary to the
organization's purpose; or if it damages the reputation of the organizing group in any way.

Some of these goals obviously work together. For example, an organizing group that fosters accountability by ensuring that a lot of its resources come from its members may also find that funding rewards accomplishment, since membership growth is likely to follow organizational success. Some goals may constrain each other. An organization may decide, for example, that for reasons of accountability, over 50 percent of its income must come from its members in some fashion (whether paid by them as dues, paid by them for services, or raised by them through small dollar contributions). Yet, this is not easy for many organizing groups to achieve, especially if their members are low-income and even more so if their members are unbanked. As a result, it may be harder for such groups to be sure that their funding is sufficient and sustainable. In this situation, organizing groups seeking to strike a balance between competing goals may find it helpful to think through a set of principles tailored to their specific needs and potential resources (see Table 3).

| Table 3. Sample Set of Principles for Organizing Groups Seeking to Balance Different Goals |
| + Over 50 percent of income from members in some fashion (whether paid by them as dues, paid by them for services, or raised by them through small dollar contributions) |
| + No more than 20 percent from any one external funding source |
| + No time-consuming fundraising efforts that do not also serve a core mission of the organization |
| + Any experimental ventures done under a different “brand” to avoid hurting the organizing brand |

Of course, any given organizing group may care about some goals more than others. Some groups, in particular, do not collect membership dues because taking money from low-income members may not seem either fair or feasible, among other reasons. That said, if a group takes the majority of these funding goals seriously, the competition between the goals may lead to a few complicated observations. The first is that, at least in the short run, there may not be any one single business model for sustainable funding of organizing groups, or an easy substitute for legally established automatic dues deduction. It is hard to imagine a readily available funding source that would let groups accomplish the majority of their funding goals, unless the funding was both required by law and derived from members. There are of course a variety of ways that countries other than the United States use the law to enable better funding for organizing—Nordic countries, for example, by law, tie certain unemployment benefits to joining unions. Yet, short of enacting a very new legal regime for organizing in the United States, groups will likely have to piece together funding from a number of different sources, including their own members.
Second, there are a lot of ways that raising money for organizing can go awry. Groups can generate too little income from their membership, or rely too much on a single outside source of income. (Of course, there is always the risk of being overly “purist” in thinking about fundraising for organizing and losing any ability to raise money in the process.) Perhaps most relevant right now, however, is the potential for mission distortion, namely the risk of doing something that could hurt actual organizing efforts—often by thinking about fundraising completely independently from organizational needs.

The Risks of Hurting Organizing through Fundraising

When for-profit businesses try to raise revenue, they are focusing on their core business proposition. For nonprofits, on the other hand, the reverse is often true—fundraising is a distraction from the core work of the organization. Indeed, the 2005 community organizing funding study found that one of the “barriers to increased fundraising effectiveness” for organizing groups was “attitudinal and expectations barriers—the mindset that fundraising is an unpleasant diversion, not part of organizing or organization building.”

At the same time, organizers often have two character traits that may make them particularly prone to poor choices about how to raise money. First, they really feel like they need the money. In my interviews with organizers, many described themselves as “desperate” for new sources of funding. Second, since organizing work itself often requires believing that David can triumph over Goliath, organizers tend to be very optimistic by nature. As one interviewee told me, “We innovate. We do things everyone says are impossible.” This is obviously not a bad trait, and it is something that organizers have in common with entrepreneurs. Yet when organizers have no particular expertise in the method they are using to raise money and that method requires large investments of time and resources to succeed, organizing groups that are already desperate for money may be prone to choose funding methods that, in the long run, are not in the interests of the organizing mission.

The risks from raising money are perhaps particularly keen when organizing groups engage in earned-revenue ventures, an area of increased interest. There is, of course, a long history of organizing groups using services and earned revenue ventures very successfully to build their organizing; for example, theaters and summer camps that helped sustain the labor movement in the 1920s by building communities with specific visions for social change, or legal services that helped draw people to immigrant organizing groups. Yet there is also a long history of nonprofits trying to run small businesses to earn extra money, and failing to do so successfully.
For one thing, raising money through a commercial operation is difficult, because running a viable commercial operation is difficult. A Bridgespan study of nonprofits that engaged in earned revenue ventures in 2000 or 2001 found that “71 percent of the ventures reported that they were unprofitable, 24 percent believed that they were profitable, and 5 percent stated that they were breaking even. Of those that claimed they were profitable, half did not fully account for indirect costs such as allocations of general overhead or senior management time.”  

Many new businesses fail whether or not they are run by nonprofits; according to the U.S. Small Business Administration’s Office of Advocacy, about one-third of small businesses with employees do not survive the first two years of existence, and about half last at least five years. As the authors of the Bridgespan study argue, however, “The odds are stacked even higher against nonprofits, for several reasons”, including conflicting priorities like the desire to pay a living wage or make some products affordable to low-income groups; lack of business perspective; reliance on indirect customers to pay fees since the intended beneficiaries are low-income; and difficulty pulling the plug on unsuccessful ventures.

Moreover, even profitable businesses may not be efficient ways to generate income to use for organizing. As social entrepreneurship professor Gregory Dees argues in the book *Generating and Sustaining Non-Profit Earned Income:*

> Even profitable ventures may not generate free cash flow, in which case they make no financial contribution to the parent organization. But more important is that even when the venture does generate free cash flow, it may be a very costly way of raising the amount of cash it creates, considering the investments of time, scarce human resources, and start-up capital required. Philanthropic fundraising might be a cheaper and easier way to generate the same amount of money.

Finally, even those efforts that generate income for organizing may not create enough revenue to allow organizing groups to grow dramatically—a significant concern for groups hoping someday to be as powerful as unions have been historically. As Peter Murray, the president of Accelerate Change, argues, “If you’re going to take the risk of trying an earned income venture, make sure that you’re shooting for growth in a market that is big enough to truly scale. Most groups are trying earned revenue ventures that are destined to always be tiny because of their structure and market size.”


Finally, even those efforts that generate income for organizing may not create enough revenue to allow organizing groups to grow dramatically—a significant concern for groups hoping someday to be as powerful as unions have been historically.

Beyond the difficulty of running a successful business that actually can help organizing groups grow, earned-income ventures may have other kinds of costs to the nonprofits, including adversely affecting the organization's mission. Earned-income ventures risk occupying too much of the senior organizers' time, and distracting them from their core work; in my interviews, several organizers admitted spending large numbers of hours on building new potential revenue sources. Earned-income ventures can also create mission creep, pulling organizations perhaps only incrementally away from their primary activities yet changing the organization in the process. Earned-income ventures also may change the relationship of members to their organization; if members join an organizing group primarily to get benefits like, say, cheap phone service, they may develop a transactional relationship with that organization, the way they would with their phone carrier. Money can also affect the internal dynamics of an organization—if one part of the organization is generating revenue and another is not, that may influence whose voice gets listened to in intra-organizational disputes. Finally, earned-income experiments that are intimately linked to an organizing group's name can affect the reputation of the organization, either because the efforts are seen as contrary to the organization's values or because public failure of the earned income enterprise looks like failure by the organizing group.

Groups may want to think through the potential tradeoffs of their earned-revenue ventures quite explicitly.

None of this means that organizing groups should simply avoid earned-revenue efforts—indeed, earned-revenue projects can play a major role in helping certain groups grow to scale. Yet as groups focus on revenue generation, it is crucial that they keep their broader goals in mind. As Dees says, money “is an input into the process, not a bottom line on the same level as mission impact. A venture is worthwhile only if it is an efficient way to serve or support the parent organization's mission performance.” Groups may want to think through the potential tradeoffs of their earned-revenue ventures quite explicitly—perhaps even developing a checklist of things to think through (see Table 4 for a possible list...
of questions a group may wish to ask itself). Most organizers think through the kinds of questions in Table 4 implicitly; none will be a surprise. Yet, when groups are understandably desperate for money, it is sometimes too easy to gloss over potential tradeoffs, unless they force themselves to consider those tradeoffs explicitly.

Table 4. Questions a Group May Want to Ask to Determine Whether a Given Way of Raising Revenue Helps or Hurts the Organizing

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>+ What is our group’s mission, and who is our base?</td>
</tr>
<tr>
<td>+ How connected is this effort to our mission (other than raising revenue for it)?</td>
</tr>
<tr>
<td>+ If funding were not an issue, would we still be interested in doing this kind of activity or something like it? If no, are there any activities we would still be interested in doing that we could monetize instead?</td>
</tr>
<tr>
<td>+ Who in the organization is spending time thinking about this effort? Does thinking about this effort help these people to do their jobs or distract them from it?</td>
</tr>
<tr>
<td>+ Are we looking for a low-risk, low-return venture, or a higher-risk, higher-return venture? What are the implications of each for how we do our organizing?</td>
</tr>
<tr>
<td>+ If this effort fails to raise revenue, will that damage the reputation of the organization?</td>
</tr>
<tr>
<td>+ If people knew that we were doing this activity to raise revenue, would that damage the reputation of the organization?</td>
</tr>
<tr>
<td>+ Are we selling services to members? If so, how will we avoid creating a situation in which our members feel like customers rather than members?</td>
</tr>
</tbody>
</table>

In the end, the ideal ways of raising revenue for organizing—just as with for-profit companies—are ones that build the organization overall, doing activities that are core to the organization’s work and would be helpful to the organization regardless. Different organizations handle these issues in different ways. When the largely self-funded Freelancers Union is assessing new opportunities, for example, it starts first with a focus on member needs and organizational needs. Only once an idea meets those criteria do staff members assess the revenue possibilities from that opportunity. Palak Shah, the social innovations director at the National Domestic Workers Alliance, has a four-prong set of questions she asks when considering a new opportunity, experiment, or partnership in Fair Care Labs. Before Fair Care Labs will try an initiative, it must meet at least one of the first two prongs, and hopefully two out of the four:

1. Does this help us improve job access, job quality, or improve labor standards for domestic workers?

2. Does this help us recruit and organize workers, thus growing our movement?

3. Is there a way to sustainable scale? Can this be self-financing or generate revenue?
While there is no perfect way of building revenue for organizing groups, staying focused on the overall organizational strategy helps to integrate revenue generation into the culture of organizing groups in the most organic way possible.

Successfully staying focused on organizational strategy can require serious discipline. Bridgespan's survey of nonprofits also found that only 10 percent of nonprofits reported starting earned-income ventures solely for financial reasons; most reported doing so for either mission reasons or a mix of financial and mission reasons. Yet, as the authors of that study report, many of the ventures in practice were only vaguely related to mission, concluding, “the lure of potential ‘profits’ not only distorts financial analysis but also thwarts an impartial evaluation of a venture's mission contribution.” It is easy to understand how this happens: when an organization needs money, its definition of what is mission-related may understandably become more flexible. Northwestern professor Burt Weisbrod also notes, “We have repeatedly seen how broad [nonprofit] goals make it difficult to determine whether a commercial activity that garners revenue brings any adverse side effects [to that nonprofit] with regard to mission.” Yet, if earned income ventures do not help to build the organizing group in strategic ways, the group may be better off without earned income. If organizing groups want to be sure that their ways of raising revenue help their organizations in the long run, it is important that they develop commitment mechanisms for ensuring that their efforts to raise money really serve organizational goals.

...if earned income ventures do not help to build the organizing group in strategic ways, the group may be better off without earned income.

Conclusion

Fundraising for organizing is a difficult task—it is hard to generate sufficient money, and harder still to do so in ways consistent with how many organizing groups think about mission and the purpose of money for organizing. Many organizing groups are innovating in an attempt to achieve greater financial sustainability and independence, but it remains to be seen whether they can actually achieve that sustainability—especially without it coming at a dear cost to the organizing.

Developing new sources of funding for organizing is a crucial problem—one to which people are rightly devoting lots of time and creativity. Hopefully, organizing groups will only become more sophisticated at raising revenue in the future,
embedding it in the culture of their work. Yet, fundraising for organizing should serve the work that organizing groups do, not the other way around. Working people deserve a voice in politics, in their communities, and in their workplaces—and that is only possible if organizing is both financially sustainable and focused on its mission.

Acknowledgments

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Notes


2. Note that online organizing groups have been able to raise money more efficiently, in part because of the low-cost of soliciting donations—but it has been hard for offline organizing groups to replicate that success simply by soliciting money online.


5. Janice Fine, Worker Centers: Organizing Communities at the Edge of the Dream (Ithaca: ILR Press, 2006), 254. These numbers may be somewhat outdated at this point, since the worker center movement was fairly new in 2006; that said, to my knowledge there are no more recent studies of worker center funding.


7. The worker center study notes that 21 percent of worker center income comes from government. Fine Worker Centers, 254.


12. It is hard to compare earned income for community organizing group with services provided by worker centers, since a higher percentage of the services provided by worker centers are in fact government funded.

13. See notes 31–44 for a sampling of interviews.


22. For example, “In the summer of 2005, the center for Community Change convened thirty-five worker centers for a conference on strategies for membership building, dues collection, and income generation.” Fine, Worker Centers, 226.

middle-class. See also “36 Reasons Why You Should Thank Our Unions,” AFL-CIO Union Plus, https://www.unionplus.org/about/labor-unions/36-reasons-thank-union.


39. Tzyh Ng, phone interview with author, May 19, 2016.

40. Palak Shah, interview with the author.

41. Steven Hitov and Marley Moynahan, phone interview with author, September 2, 2016.

42. Jess Kutch, interview with author, Washington, DC, June 22, 2016. Note that Coworker.org is included in this report, despite being an online organizing group, because it is more of a worker organization than other online organizing groups.


44. Jose Garza, phone interview with author, September 6, 2016.

46. For example, the AFL-CIO has long provided some discounts to members through its Union Plus program. That said, the Union Plus program has arguably been a bit haphazard and has not been used to drive membership growth or even revenue (except for the credit card).

47. Just this year, for example, SEIU passed a resolution at its convention supporting the creation of an innovation center inside the union (although the innovation center will be focused on organizational growth and organizing models rather than funding sources). “Resolution 103A—Innovate to Strengthen and Transform Our Union to Win,” Service Employees International Union (SEIU), May 20, 2016, http://conventiondocs.seiu.org/resolutions-committee/.


49. Fine, Worker Centers, 221.

50. Fine, Worker Centers, 221–22.


53. There are a number of groups in the U.S. trying creative incremental legal solutions—for example, passing a law that allows (but does not require) workers to deduct membership dues and other charitable contributions automatically from their paychecks. However, it seems unlikely that such incremental solutions would be sufficient to become the primary source of income for organizing groups.


55. Thanks to Andy Stettner for this point.


61. J. Gregory Dees, “Putting Nonprofit Business Ventures in Perspective,” in Generating and Sustaining Nonprofit Earned
65. “The [YMCA] today generates substantial revenues by operating health-and-fitness facilities for middle class families, but critics charge that the YMCA has lost sight of its mission to promote the ‘spiritual, mental, and social condition of young men.’” Dees, “Enterprising Nonprofits,” 7.
67. Caitlin Pearce, Interview.
69. As Peter Murray notes, however, one way to mitigate this problem is to segregate the earned income venture from the organizing and brand it separately.
72. As Dees notes, “[A]ssessing potential new ventures in terms of likely net impact on mission performance requires a complex judgment that weighs the expected positive and negative effects of the venture. On the positive side is the direct social impact likely to be created by the venture itself, plus the impact created by the mission-related activities that are supported by the surplus funds generated by the venture, along with any other benefits that strengthen the parent organization...On the negative side is any reduction in mission impact caused by diverting valuable resources to the venture, along with any undesirable side effects.” Dees, “Putting Nonprofit Business Ventures in Perspective,” 16.
73. Foster and Bradach suggest an alternative checklist of their own. Foster and Bradach, “Should Nonprofits Seek Profits?” 7–8.
74. Interestingly, while the Freelancers Union includes both for-profit and nonprofit arms, the majority of staff serve all parts of the organization rather than being specifically allocated to one arm.
75. Caitlin Pearce, interview.
78. Indeed, Gregory Dees, a proponent of social entrepreneurship who helped define the term, argues against unwarranted exclusive focus on earned income. Successful social entrepreneurs, he says, “do not see donor dependency as a disease, nor do they see earned income as a panacea. They recognize the strengths and weaknesses of both forms of revenue. Despite popular conceptions, neither form is inherently more reliable or sustainable than the other. Businesses fail all the time, and many donor-dependent nonprofits have been around for many decades, even centuries.”
Shayna Strom, Senior Fellow

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