



**AB 2849: Promote Ownership by  
Workers for Economic Recovery Act**

Panel Packet  
December 20, 2023



## AB 2849 Worker Ownership Study Panel Notice and Agenda

### Meeting Date and Time

December 20, 2023, at 3:00-5:00PM PDT

**This is a public meeting. The panel members and the public may attend in person or virtually<sup>1</sup>.**

#### **In Person:**

MCC Large Community Room - Ella K. McClatchy Library  
2112 22nd St, Sacramento, CA 95818

#### **Virtual:**

Use the link below and use the raise-hand feature during public comment to be called on.

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/89689851119?pwd=JXcapLoXRAtsCAPiaoLezjUXLPUCQ.Q1T3CD2MPYI9Q10>

[Z](#)

**Passcode: 273603**

Or Telephone:

USA 215 446 3656 US Toll

USA 888 363 4734 US Toll-free

Conference code: 203062

For assistance, log in and raise hand or contact [Communications@Labor.CA.GOV](mailto:Communications@Labor.CA.GOV) or (916) 653-9900

#### **Agenda:**

1.	Call to Order by Chairperson <ul style="list-style-type: none"><li>• Roll call</li></ul>	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director
2.	Action to approve December Panel Meeting Agenda	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director
3.	Action to Approve October Meeting Minutes	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director
4.	Summary of Public Comment – Study Plan	Jillien Davey, Labor Agency, Program and Policy Research Data Specialist
5.	Decision on instruction to PI <ul style="list-style-type: none"><li>1. Panel management and meeting schedule</li></ul>	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director and LWDA Staff

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<sup>1</sup> See [SB 143 \(Section 6\)](#)

	2. Final requirements and recommendations to PI based on public comment	
6.	Opportunity for panel members to request agenda items for future panel meetings	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director
7.	Public Comment on Non-Agenda Items (5 minutes)	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director
8.	Public meeting adjourns	Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director

*Meetings are open to the public except when specifically noticed otherwise in accordance with the Open Meeting Act. All times when stated are approximate and subject to change without prior notice at the discretion of the Panel unless listed as "time certain." Items may be taken out of order to maintain a quorum, accommodate a speaker, or for convenience. Action may be taken on any item listed on this agenda, including information-only items. The meeting may be canceled without notice.*

*Members of the public can address the board during the public comment session. Public comments will also be taken on agenda items at the time the item is heard and prior to the Board taking any action on said items. Total time allocated for public comment may be limited at the discretion of the board chair.*

*Members of the public may, but are not obligated to, provide their names or personal information as a condition of observing or participating in the meeting. When signing into the Zoom platform, participants may be asked for their name and email address. Participants who choose not to provide their names will need to provide a unique identifier such as their initials or another alternative, so that the meeting moderator can identify individuals who wish to make public comment; participants who choose not to provide their email address may utilize a fictitious email address like in the following sample format: XXXXX@mailinator.com or by calling in (instructions included in the Zoom meeting link above).*

*This Notice/Agenda of Panel Meeting and related documents are available on the LWDA website at <https://www.labor.ca.gov/promote-ownership-by-workers-for-economic-recovery-act-panel>.*

*Please continue to access the LWDA website for current and updated information.*



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**LABOR & WORKFORCE DEVELOPMENT AGENCY**  
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**October 9, 2023**

Video recording available at: [https://www.youtube.com/watch?v=R3RF1I2a\\_Qg](https://www.youtube.com/watch?v=R3RF1I2a_Qg)

**Open Session**

The AB 2849 Study Panel meeting convened at 9:30 a.m., October 9, 2023, with Chair Tara Lynn Gray presiding.

1. **Roll Call**

<u>Members</u>	<u>Present</u>	<u>Absent</u>
Jessica Pitt, LWDA Assistant Secretary Healthcare Workforce	X	
Tara Lynn Gray, GO-Biz Office of Small Business Advocate Director	X	
Ra Criscitiello, SEIU UHW	X	
Denise Tugade, SEIU UHW	X	
Maria Salinas, Los Angeles Area Chamber of Commerce	X	

2. **Approval of the October 9, 2023 Meeting Agenda**

The October 9, 2023, Meeting Agenda was approved unanimously.

3. **Approval of the June 13, 2023 Meeting Minutes**

The June 13, 2023, Meeting Minutes were approved unanimously.

4. **Summary of Public Comment – Initial Study Design**

Deputy Secretary, Evaluation Jennifer Sturdy provided an overview of panel activities since the June panel meeting. Due to the cancellation of the August meeting, the decision was made to solicit public feedback on key study design issues from September 5-15, 2023. Labor and Workforce Development Agency (LWDA) asked the public to provide feedback on three questions regarding the initial study design: recommendations for key industries, case studies, and key informants. LWDA received 7 public comments from the public and panel members. Staff aggregated those comments and sent them to PI Professor David Levine. The decision was made not to make responses public because names were provided and consent from those individuals was not obtained. The PI and study team will use this information to inform study design and build a protocol for obtaining informed consent from any participants who agree to participate in the study (as informants or case studies).

5. **Initial Study Design**

PI Professor David Levine delivered a PowerPoint presentation overview of the initial study design. PI Levine noted the comments from the public and panel were helpful in creating study design. The

study will focus on majority employee-owned businesses that employ workers of lower wages with governance rights in addition to worker co-operatives.

The study research team consists of 5 researchers. PI David Levine works for the Haas School of Business, University of California Berkeley. PI Levine will be advised by Adria Scharf, Associate Director, Institute for the Study of Employee Ownership and Profit Sharing, Rutgers and Doug Kruse, Acting Director, Institute for the Study of Employee Ownership and Profit Sharing, Rutgers. The research team also includes case study researchers Minsun Ji, Rocky Mountain Employee Ownership Center and MacKenzie Scott, Institute for Work and Employment Research at MIT's Sloan School.

PI Levine discussed the study design methods which includes literature review, key informant interviews, case studies, and employee surveys.

Panelist Salinas asked if the study would include Employee Stock Ownership Plans (ESOPs) and Worker Co-Ops. PI Levine clarified the study will focus on ESOPs and Worker Co-ops.

Chair Gray asked if there is a definition for "democratic". PI Levine confirmed there is no specific definition for "democratic" but there are many characteristics that can be measured. The study will look at various dimensions of "democratic" characteristics.

PI Levine posed the following question to the panel/public: when would the panel like to meet again based on the tentative deliverable timeline? Chair Gray thanked PI Levine for the presentation. She then opened the floor to any comments or questions on the proposed timeline. Deputy Secretary Sturdy commented that the timeline reflects the milestones outlined in the Study Scope of Work. She proposed restating the question as: which milestones or deliverables does the panel want to center a meeting or a decision around? Panel Member Salinas commented that the deliverables are important documents that should be reviewed by the panel. Deputy Secretary Sturdy commented that in collaboration with Assistant General Legal Counsel John Cumming, the deliverables could be circulated without convening a meeting (for example: virtual review or public comment posting). Panelist Tugade asked if the panel is an advisory body or if the panel must meet consistently in person under Bagley Keene? Deputy Secretary Sturdy indicated that she would seek legal counsel to confirm these questions and gather some options for the panel.

Panel member Criscitiello noted that PI Levine mentioned looking at a network of co-ops in list of possible solutions for overcoming challenges [facing worker co-operatives]. Looking at an association of cooperative labor contractors is specifically referenced in the statute governing the panel. Panel member Criscitiello then asked how this fits in the design of the study. PI Levine noted the study will address this by finding out if it will be useful to strengthen existing networks or determine if there is a need to establish new networks.

Panelist Pitt asked if the panel should weigh in on the case study selection. PI Levine explained his reasoning for the "front runners" and described the limitations. He then asked what panel members thought and recommended. Panelist Pitt proposed two more industries for consideration; agriculture and childcare. Panelist Criscitiello also recommended the Arizmendi Association of Co-operatives which covers food service and construction because of their proven success. Chair Gray is also interested in food service as this sector is full of low wage workers. PI Levine reiterated the limitations but agreed to look into food service organizations. Deputy Secretary Sturdy clarified that the study is constrained by time and resources. She noted that there are other parts of the study

such as the literature review that will look across sectors, but that the case studies are time-intensive and therefore limited by resources to no more than three. Panelist Tugade wanted to also add that childcare should be a priority for the case studies. Panelist Salinas also wanted to highlight that the care economy should be a focus in the case studies because they are high need and dynamic jobs.

Chair Gray is interested in situations where an employee purchases the business from the owner for reasons such as retirement. These are not necessarily co-ops or ESOPs but she asked if this would be included in the study. Panelist Tugade clarified that this is called conversion. She also believes conversions should be highlighted in the study. PI Levine stated that conversions will likely not be included due to constraints but that this could be looked at in future studies.

Panelist Pitt wanted to circle back to Panelist Criscitiello's comment that the statute calls out "studying the establishment of an association of cooperative labor contractors that is specifically focused on cooperative labor contractors". She asked for clarification on how the study will focus on this. PI Levine confirmed that the case studies capture this part of the statute. Adria Schaff asked how the panel defines cooperative labor contractors. Panelist Criscitiello stated that to them, there is not one existing. But that there are labor pools in certain sectors such as Allied Up in healthcare. They believe the legislation is asking if an association would be a helpful path for the State to pursue. PI Levine agrees.

Member of the public Hillary Abell commented that she is happy at the inclusion of ESOPs. She also hopes that study will still mostly focus on co-ops because that seems to be what the legislature intended. She commended the study design and plan. She asked the panel and PI Levine to consider how the study can help to contribute to the field's understanding of how to scale democratic employee ownership for low wage workers. PI Levine thanked Hillary Abell for her comments.

#### **6. Opportunity for Panel Members to Request Agenda Items for Future Panel Meetings**

Chair Gray asked the panel if they have any requests for the next panel meeting agenda. Panelist Tugade wanted to highlight how these models build equity into our economy during one of the future meetings.

#### **7. Public Comment on Non-Agenda Items**

Chair Gray called for any questions or comments from the public. Assistant General Legal Counsel John Cumming suggested panel members decide when they would like to meet next. Chair Gray asked the panel for suggestions on when they would like to meet next. Deputy Director Sturdy stated she would work with PI Levine on the timeline and then work with legal counsel to determine which items will require a meeting. She asked the panel if, outside of milestones and deliverables, the panel sees any other need to meet? Chair Gray asked the panel if it's okay with the panel to wait until they are given further information on the milestones and coordinate via email on when the next meeting should be? The panel agreed with this suggestion.

There were no further questions or comments.

**Adjournment.**



# AB2849 – Promote Worker Ownership

## Phase 1 Study Plan

David Levine  
Haas School of Business  
University of California, Berkeley  
[levine@berkeley.edu](mailto:levine@berkeley.edu)  
October 31, 2023

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AB2849 **establishes a panel** to conduct a study regarding the creation of an **Association of Cooperative Labor Contractors** among other potential activities for the purpose of facilitating the growth of democratically run high-road cooperative labor contractors. AB2849 requires the **study to consider specified issues, including how to promote tenets of democratic worker control and ensure that the association’s members offer high-road jobs**. AB2849 requires the panel, in preparing the study, to engage in a stakeholder process by which it consults with, at a minimum, organized labor, worker cooperatives, and business groups that can assess the opportunities and challenges associated with expanding workplace democracy.

This report outlines the research methods for our literature review, case studies, and statistical analyses.

### Protocol for literature review

We will review the literature on the effects of worker-owned firms on company and employee outcomes. The key questions include the effects of ownership, barriers to ownership, and cost-effective policies to overcome those barriers.

Our review will build on existing reviews such as:

- Douglas Kruse 2022 "Does employee ownership improve performance? Employee ownership generally increases firm performance and worker outcomes" <https://wol.iza.org/uploads/articles/613/pdfs/does-employee-ownership-improve-performance.pdf?v=1>
- Adria Scharf 2021 "How Employee Share Ownership Strengthens Job Quality: Why Job Quality Strategies Should Focus on Transitioning Family-Owned Businesses to Their Employees"
- Sanjay Pinto, Camille Kerr, Ra Criscitiello 2021 "Shifting power, Meeting the Moment: Worker Ownership as a Strategic Tool for the Labor Movement. [https://cleo.rutgers.edu/wp-content/uploads/2021/12/Shifting\\_Power\\_Meeting\\_the\\_Moment.pdf](https://cleo.rutgers.edu/wp-content/uploads/2021/12/Shifting_Power_Meeting_the_Moment.pdf)
- Jenny Weissbourd et al 2021 "Race and Gender Wealth Equity and the Role of Employee Share Ownership" <https://www.aspeninstitute.org/wp-content/uploads/2021/03/Race-and-Gender-Wealth-Equity-and-the-Role-of-Employee-Share-Ownership.pdf>

Our review will distinguish companies with Employee Stock Ownership Plans (ESOPs) and worker cooperatives. It will distinguish further among the ESOP companies between those with high or low levels of workplace democracy. "Workplace democracy" is a complex topic, so we will examine metrics

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ranging from employees selecting members of a corporate board to employee involvement in daily decisions.

Our review will pay special attention to the effects of employee ownership for low and moderate wage workers, and for marginalized communities and workers. Our indicators of disadvantage will include low-wage occupations, low wage industries such home health care and restaurants, and workers who are people of color, immigrants, or have high school education or less.

Our review will be narrative in nature, although we will refer to results from statistical meta-analyses on specific questions such as how worker ownership affects productivity (Kruse 2021).

We will include publications utilizing a variety of different research methodologies in the review, including both statistical studies and matched case studies (comparing employee owned firms with traditional firms). We will focus primarily on findings from the United States.

## **Key informant interviews**

Our key informants will be practitioners who have worked promoting employee-owned firms for many years. We will draw on their expertise to identify market and government failures and to learn their thoughts on cost-effective policies to overcome those barriers.

We will examine

- The role, mission, and relevant programs of each association.
- Key informant perceptions of barriers to significantly expanding meaningful forms of worker ownership in California
- Their ideas for cost-effective public policies and interventions to overcome these barriers.
  - After we gather their ideas, we will ask them about a list of potential policies such as online training for employee owners and changings in employment regulatiosn to support employee ownership. We will specifically solicit their views on an Association of Cooperative Labor Contractors. We will focus on the SEIU proposal for such an Association.

## **Case studies**

We will analyze three pairs of employers. In each pair, one case study site will be employee owned. The other will be a traditional employer. Two of our employee owned case studies will be coops of contractors. The goal of the case studies is to shed light on the effects of coops on low-wage employee-owners.

The case studies will outline the history of the company and how it came to be worker owned (e.g., founded as a coop, converted a business into an ESOP, etc.). We will study the management structures, focusing on the mechanisms for employee democracy and voice. We will explore the ownership structure and how it affects compensation. If a union is present, we will also explore relations with the union and the union's role in worker ownership.

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We will look at outcomes for employees such as wealth accumulation and compensation, including profit sharing, benefits, and retirement savings. We will also examine other economic outcomes such as job security (e.g., during the COVID lockdowns), career paths, and training opportunities. Additional important outcomes include perceptions of empowerment and autonomy at work, and opportunities to exercise voice and participate in governance.

Outcomes for the companies will include profitability and growth. We will examine how employee ownership affects the ability to hire and retain employees, productivity and product quality, relations with banks, and relations with customers.

## **Recruitment of case study sites**

We will select several cases of companies to study. The goal of the case studies will be to understand how employee ownership affects employees and the company.

We have spoken to experts in the field to identify candidate ESOPs and coops with (1) majority worker ownership; (2) meaningful employee democracy; and (3) a low-wage sector or workforce. The advisory board for this study (the composition of which is laid out in AB 2849) and the public has also had a chance to comment. They made many valuable suggestions, which we attempted to incorporate (subject to our constraint of only 3 employee-owned case studies).

Examples of workplaces that are candidates include:

- Farms such as Porterville Citrus and Tanimura & Antle
- Construction companies such as American Asphalt and West Valley Construction
- Health care placement agencies and employers such as Manos Home Care, Courage Homecare, AlliedUP, EmpRes Healthcare Management, and Orban Health
- Candidates in other sectors such as Michael's Transportation (bus drivers), Berrett-Kohler publishers, and Recology (garbage and recycling).

For each employer-owned company, we will also identify a matched capitalist employer in the same region and industry and with similar employment.

Minsun Ji, who is leading one case study, already knows the leadership at her focal case study site. MacKenzie Scott (who is leading the other two case study pairs) is at the Sloan School, MIT, which has good connections to another of our focal sites.

We will contact the other employers using our social network. For example, the National Center for Employee Ownership suggested several employers on our list. We will ask them for introductions to some, as needed.

The script for case study site recruitment is:

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Hello. My name is [Name]. I am a researcher at [MIT / UC Berkeley/ the Rocky Mountain Employee Ownership Center (RMEOC)]. The state of California has asked Professor David Levine at UC Berkeley to study how ownership structures affect workplaces. We are interested in doing a case study of your company because it is employee owned.

Agreeing will involve inviting one to five managers to interviews. The interviews are about one hour.

If you agree, we will also ask you to introduce us to a sample of up to 15 of your employees. We would like to interview them on their experience of working at this company. Those interviews will be about 45 minutes.

Any manager or employee can decline to participate. Even if they agree, they can decline to answer any questions and they can end the interview at any time.

The case study will cover

- The history of the company and employee ownership
- Structure of the ESOP [or worker cooperative]
- [if an ESOP] What is the vesting schedule, allocation formula, provisions for employee voice or governance? What proportion of employees are ESOP participants?
- [If a worker cooperative:] What are the requirements of membership, democratic governance features, and profit sharing arrangement? What proportion of employees are members?
- Management structures, Human Resources, and decision-making
- [If a union is present:] relations with the union and the union's role in worker ownership
- Barriers your organization faces to expansion

If helpful, we can carry out the interview in an employee's native language.

We will not name you or your company in our write-up of the results.

## Management sample

We will interview several managers at each employer.

Our focus will be the CEO and/or COO and head of human resources. At smaller employers (such as Courage) there may be only one or two managers and we will attempt to interview each. We may interview up to 3 additional managers or supervisors. We will probably choose an operational manager and a supervisor, but may prioritize a founder or a manager who has been at the company a long time.

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The Manager interview guide is at [Manager interview - EO.pdf](#). These will be semi-structured interviews, so the precise order of questions and depth of follow-ups will depend on the flow of the interview.

## Employee sample

We will interview up to 15 employees at each employer.

We will focus on the most common occupation(s). Ideally, we will ask managers to identify a list of employees. If needed, we may narrow the eligible population to shifts and locations that are easy for the research team to contact. Among eligible employees, we will select at random.

Structuring each case study will involve a negotiation. Thus, the precise selection mechanism will depend on the outcome of that negotiation. Our goals will be to have a fairly representative sample and to minimize burden on the employer, employees, and our research team. That is, we will avoid having managers select the employees, over-sampling senior employees, etc.

We will ask managers to send employees an introduction to our study:

Dear [employee name],

My name is [NAME]. I am a researcher at [MIT / UC Berkeley/ the Rocky Mountain Employee Ownership Center (RMEOC)]. The state of California has asked UC Berkeley to study employee owned workplaces. We are doing a case study of your company focusing on the experience of the workforce.

Your name was chosen at random and your employer agreed to introduce us.

Can we speak with you for about 45 minutes? There are no penalties if you decline to participate. Even if you agree, you can decline to answer any questions and you can end the interview at any time.

We will then contact the selected employees in person and request an interview. We may ask the employer to have managers or supervisors introduce us personally to the employees. We will take informed consent (in the respondent's preferred language) prior to any interview.

Some employees may have an easier time speaking and/or reading in their native language. If an employer has a meaningful share of employees most comfortable in a different language, we will translate the recruitment script, informed consent form, and interview schedule. We will also bring a translator to the interview.

We will conduct the interviews in a private location at or near each employee's place of work. If an employee requests, we can perform the interview outside of the workplace such as a nearby cafe or their home. The research team will ensure that interviews are in a private location.

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The Employee interview guide is in [Employee interview - EO.pdf](#). Again, these will be semi-structured interviews, so the precise order of questions and depth of follow-ups will depend on the flow of the interview.

Each interview will take less than 45 minutes. Each respondent will have one interview.

## **Matched sample**

For each case study, we hope to interview a matched comparison employer with a traditional ownership structure.

We will look for employers in the same local labor market, same industry, and of roughly the same size. After we identify candidate employers, we will use our social network (including the worker-owned firm) to help introduce us.

Our recruitment script, informed consent, and interview schedules are similar to those for the employee owned sample.

The management and employee samples will be determined using the same methods as at the employee owned firms. The manager and employee interviews at traditional employers will be very similar to those at employee owned firms, but without the questions on ownership.

## **Ethical review, privacy and transparency**

We will submit our research protocol for approval to the Institutional Review Board (IRB) at the University of California, Berkeley (known as the Committee for the Protection of Human Subjects). The protocol will include an informed consent statement for each sample consistent with United States Federal Policy for Protection of Human Subjects (Common Rule 2018).

We will compensate employees for their time and travel, if the employer deems such compensation to be appropriate.

Our Data Management Plan will include means to protect the privacy of respondents. For example, we will keep identifiable data only to compensate respondents, and then destroy it. We will separate identifiable data from interview notes and transcripts. For employee interviews, the identifiable information will be kept in a password protected thumb drive, not connected to the Internet. (We collect names and phone numbers for follow-up and clarifying questions.)

## **Analysis of existing employee surveys**

Proponents of worker ownership claim that it improves job quality. For many workers, respect at work is an important contributor to job quality. We posit that ESOPs will improve respect at work. Most managers and professionals at traditional workplaces receive respect at work. Thus, we posit that the

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increase in respect will be greater for low-wage workers. This analysis is important to motivate policies to promote employee ownership. That is, if employee ownership does not benefit employees—especially low-income employees—then policies to promote ownership should have lower priority than if employees benefit.

## The existing surveys

There are two existing data sources we know of that have data on both employee-owners and traditional employees: The General Social Survey<sup>1</sup> and the Rutgers surveys.<sup>2</sup>

The General Social Survey (GSS) is a large repeated cross sectional survey of a representative sample of US adults. In several years it included a module that measured employee stock ownership and a number of workplace characteristics.<sup>3</sup>

The GSS measure of employee stock ownership is broad, so includes more than just ESOPs and coops. If we eliminate managers and employees who receive stock options, we should have a sample that is mostly ESOPs. Unfortunately, the stock option exclusion will also exclude some employees with both options and ESOPs, but that tradeoff seems acceptable given that most option holders are not in an ESOP.

The Rutgers survey started with a sample of employees at nine ESOPs. They then asked similar questions to a fairly diverse sample of respondents who fill out surveys on M-Turk. M-Turk is a site offering small online jobs, and is widely used by academics for survey research.

The ESOPs that participated in the Rutgers survey are not necessarily representative of all ESOPs and the respondents on M-Turk are not necessarily representative of all US employees. Nevertheless, these data should shed some light on the differences between the two sectors.

## Methods

In each dataset, we will compare outcomes such as respect at work for owners and non-owners who are similar on other characteristics such as age, sex and education. We will also look specifically at whether this relationship holds for low-wage workers.

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<sup>1</sup> Smith, Tom W., Davern, Michael, Freese, Jeremy, and Morgan, Stephen L., General Social Surveys, 1972-2018 [machine-readable data file] /Principal Investigator, Smith, Tom W.; Co-Principal Investigators, Michael Davern, Jeremy Freese and Stephen L. Morgan; Sponsored by National Science Foundation. --NORC ed.-- Chicago: NORC, 2019. 1 data file (64,814 logical records) + 1 codebook (3,758 pp.). -- (National Data Program for the Social Sciences, no. 25).

<sup>2</sup> Jung Ook Kim, Dan Weltmann, and Edward Carberry, *National ESOP Employee Survey*. <https://smlr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing/national-esop>

<sup>3</sup> National Institute for Occupational Safety and Health (NIOSH), "Quality of Worklife Questionnaire." <https://www.cdc.gov/niosh/topics/stress/qwlquest.html>

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#### **Predicting who is a low wage worker**

The GSS does not collect useful wage data each year. To measure who is a likely low-wage worker, we will first predict wages as a function of age, sex, race, ethnicity, education, occupation, and so forth. We will then estimate predicted wages for each employee. We call workers in the lower third of the predicted wage distribution “low-wage workers.” Presumably, this sector will have more women, African-Americans, Hispanics and immigrants than average.

#### **Effects of ownership**

We will then estimate how outcomes such as self-reported respect at work, job satisfaction and intention to quit differ for owners and non-owners with similar observable characteristics. In the GSS, we will also examine self-reports of experiencing racial or sexual discrimination or sexual harassment. For these outcomes we will look at how ownership affects reports of discrimination for women and for people of color.

Importantly, we will include the interaction of ownership and having a low predicted wage, to estimate if ownership has larger (or smaller) effects for low-wage workers.

Because we have a limited number of stock owners, we will do a cross-equation test of the main effects of ownership on all the outcomes. We will then do a separate joint test of all the incremental effects of ownership on low-wage populations. The tests of discrimination on specific groups will be included in both joint tests.

#### **Using machine learning**

There are many potential controls including age, sex, education, tenure with this employer, number of children and marital status (interacted with being female), race and ethnicity, employer size, broad industry, broad occupation, region, and so forth. It is also plausible that there will be two-way interactions of these potential controls.

We cannot easily include all of these controls and two-way interactions in a standard regression. To permit a rich set of potential control variables, we will use a machine learning method called “cross-fit partialling out.” A characteristic such as employee education can only cause bias in our estimates of how ownership affects outcomes if the characteristic correlates with either ownership or the outcome. Thus, this method retains control variables that fairly strongly predict either the outcome (such as respect at work) or being an owner.

#### **Does ownership matter due to its effects on other management practices?**

We expect the effects of ownership will operate partly through different human resource and management practices. That is, we hypothesize that training, information sharing, employee empowerment, and gainsharing (such as profit sharing or group-based bonuses) are higher for owners. We will test those hypotheses using the same regressions as described above.



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We will then include these workplace practices in the regressions predicting respect and intention to quit. This analysis will test if these practices mediate the relationship between ownership and impacts such as respect and intention to quit. For example, assume ownership lowers quits, but only due to higher training and employee participation in firms with employee ownership. In that case, we expect the statistical relationship between ownership and quits to disappear if we also control for training and participation.

These analyses can help inform policies promoting ownership. For example, if the benefits of ownership only appear when bundled with supportive management practices, any efforts by the state to promote ownership should promote that bundle of practices.

## Transparency

We will post this protocol on an Open Science Foundation (OSF) site to commit ourselves to the specified statistical analyses. As noted above, we will post a more complete statistical analysis plan to the OSF site prior to running the analysis with the actual data.

We will post all of our code on the project website (not yet established). We will post all GSS data, and instructions for requesting the Rutgers surveys.

## Policy levers

The final chapter will analyze potential policies to promote high-road democratic employee ownership, with a focus on low-wage workers.

We will examine policies ranging from informing business owners of the potential upsides of ESOPs as a way to sell their business to procurement preferences by state agencies.

We will specifically analyze the existing proposal for an Association of Cooperative Labor Contractors (ACLCL), an incubator and conglomerate of coops for contract employees in multiple industries.

## Budget

	<b>From:</b> 7/1/2023 <b>To:</b> 6/30/2024 <b>BUDGET CATEGORY</b>	7/1/2024 9/30/2024 <b>Year 1</b>	<b>Year 2</b>	<b>TOTAL</b>
PERSONNEL: Salary and fringe benefits.		\$253,112	\$99,288	\$352,400

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TRAVEL	\$12,600	\$0	\$12,600
MATERIALS & SUPPLIES	\$0	\$0	\$0
EQUIPMENT	\$0	\$0	\$0
CONSULTANT	\$83,800	\$0	\$83,800
SUBRECIPIENT	\$0	\$0	\$0
<i>Subject to OTHER DIRECT COSTS (ODC) IDC Calc</i>			
GAEL	\$3,674	\$1,581	\$5,255
Service Contract – Editor	\$4,000	\$0	\$4,000
Service Contract – Translation Services	\$4,000	\$0	\$4,000
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<b>TOTAL COSTS PER YEAR</b>	<b>\$522,359</b>	<b>\$141,284</b>	<b>\$663,644</b>
<b>TOTAL COSTS FOR PROPOSED PROJECT PERIOD</b>			<b>\$663,644</b>

## Timeline

**AB2849 – Promote Worker Ownership**

**Phase 1 Study Plan**

<b>Deliverable</b>	<b>Date</b>
Circulate study design report and draft interview forms for managers and for employee-owners	Oct. 31, 2023
Advisory panel meeting: Approve Study Design	Early December 2023
Advisory panel meeting: Status Update	February 2024
Advisory panel meeting: Discuss preliminary results	Near April 1, 2024
Circulate draft final report	May 1, 2024
Advisory panel meeting: Provide feedback	Near May 15, 2023
Circulate final report incorporating panel comments	June 30, 2024
Advisory panel meeting to approve final draft	Near July 15

**AB2849 – Promote Worker Ownership**  
**Phase 1 Study Plan Jessica Pitt Comments**

David Levine  
Haas School of Business  
University of California, Berkeley  
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October 31, 2023

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AB2849 **establishes a panel** to conduct a study regarding the creation of an **Association of Cooperative Labor Contractors** among other potential activities for the purpose of facilitating the growth of democratically run high-road cooperative labor contractors. AB2849 requires the **study to consider specified issues, including how to promote tenets of democratic worker control and ensure that the association's members offer high-road jobs.** AB2849 requires the panel, in preparing the study, to engage in a stakeholder process by which it consults with, at a minimum, organized labor, worker cooperatives, and business groups that can assess the opportunities and challenges associated with expanding workplace democracy.

This report outlines the research methods for our literature review, case studies, and statistical analyses.

### **Protocol for literature review**

We will review the literature on the effects of worker-owned firms on company and employee outcomes. The key questions include the effects of ownership, barriers to ownership, and cost-effective policies to overcome those barriers.

Our review will build on existing reviews such as:

- Douglas Kruse 2022 "Does employee ownership improve performance? Employee ownership generally increases firm performance and worker outcomes" <https://wol.iza.org/uploads/articles/613/pdfs/does-employee-ownership-improve-performance.pdf?v=1>
- Adria Scharf 2021 "How Employee Share Ownership Strengthens Job Quality: Why Job Quality Strategies Should Focus on Transitioning Family-Owned Businesses to Their Employees"
- Sanjay Pinto, Camille Kerr, Ra Criscitiello 2021 "Shifting power, Meeting the Moment: Worker Ownership as a Strategic Tool for the Labor Movement. [https://cleo.rutgers.edu/wp-content/uploads/2021/12/Shifting\\_Power\\_Meeting\\_the\\_Moment.pdf](https://cleo.rutgers.edu/wp-content/uploads/2021/12/Shifting_Power_Meeting_the_Moment.pdf)

## AB2849 – Promote Worker Ownership

### Phase 1 Study Plan

- Jenny Weissbourd et al 2021 "Race and Gender Wealth Equity and the Role of Employee Share Ownership" <https://www.aspeninstitute.org/wp-content/uploads/2021/03/Race-and-Gender-Wealth-Equity-and-the-Role-of-Employee-Share-Ownership.pdf>

Our review will distinguish companies with Employee Stock Ownership Plans (ESOPs) and worker cooperatives. It will distinguish further among the ESOP companies between those with high or low levels of workplace democracy. “Workplace democracy” is a complex topic, so we will examine metrics ranging from employees selecting members of a corporate board to employee involvement in daily decisions.

Our review will pay special attention to the effects of employee ownership for low and moderate wage workers, and for marginalized communities and workers. Our indicators of disadvantage will include low-wage occupations, low wage industries such home health care and restaurants, and workers who are people of color, immigrants, or have high school education or less.

Our review will be narrative in nature, although we will refer to results from statistical meta-analyses on specific questions such as how worker ownership affects productivity (Kruse 2021).

We will include publications utilizing a variety of different research methodologies in the review, including both statistical studies and matched case studies (comparing employee-owned firms with traditional firms). We will focus primarily on findings from the United States.

### Key informant interviews

Our key informants will be practitioners who have worked promoting employee-owned firms for many years. We will draw on their expertise to identify market and government failures and to learn their thoughts on cost-effective policies to overcome those barriers.

We will examine

- The role, mission, and relevant programs of each association.
- Key informant perceptions of barriers to significantly expanding meaningful forms of worker ownership in California
- Their ideas for cost-effective public policies and interventions to overcome these barriers.
  - After we gather their ideas, we will ask them about a list of potential policies such as online training for employee owners and changings in employment regulations to support employee ownership. We will

## **AB2849 – Promote Worker Ownership**

### **Phase 1 Study Plan**

specifically solicit their views on an Association of Cooperative Labor Contractors. We will focus on the SEIU proposal for such an Association.

#### **Case studies**

We will analyze three pairs of employers. In each pair, one case study site will be employee owned. The other will be a traditional employer. Two of our employee-owned case studies will be coops of contractors. The goal of the case studies is to shed light on the effects of coops on low-wage employee-owners.

The case studies will outline the history of the company and how it came to be worker owned (e.g., founded as a coop, converted a business into an ESOP, etc.). We will study the management structures, focusing on the mechanisms for employee democracy and voice. We will explore the ownership structure and how it affects compensation. If a union is present, we will also explore relations with the union and the union's role in worker ownership.

We will look at outcomes for employees such as wealth accumulation and compensation, including profit sharing, benefits, and retirement savings. We will also examine other economic outcomes such as job security (e.g., during the COVID lockdowns), career paths, and training opportunities. Additional important outcomes include perceptions of empowerment and autonomy at work, and opportunities to exercise voice and participate in governance.

Outcomes for the companies will include profitability and growth. We will examine how employee ownership affects the ability to hire and retain employees, productivity and product quality, relations with banks, and relations with customers.

#### **Recruitment of case study sites**

We will select several cases of companies to study. The goal of the case studies will be to understand how employee ownership affects employees and the company.

We have spoken to experts in the field to identify candidate ESOPs and coops with (1) majority worker ownership; (2) meaningful employee democracy; and (3) a low-wage sector or workforce. The advisory board for this study (the composition of which is laid out in AB 2849) and the public has also had a chance to comment. They made many valuable suggestions, which we

## AB2849 – Promote Worker Ownership

### Phase 1 Study Plan

attempted to incorporate (subject to our constraint of only 3 employee-owned case studies).

Examples of workplaces that are candidates include:

- Farms such as Porterville Citrus and Tanimura & Antle
- Construction companies such as American Asphalt and West Valley Construction
- Health care placement agencies and employers such as Manos Home Care, Courage Homecare, AlliedUP, EmpRes Healthcare Management, and Orban Health
- Candidates in other sectors such as Michael's Transportation (bus drivers), Berrett-Kohler publishers, and Recology (garbage and recycling).

For each employer-owned company, we will also identify a matched capitalist employer in the same region and industry and with similar employment.

Minsun Ji, who is leading one case study, already knows the leadership at her focal case study site. MacKenzie Scott (who is leading the other two case study pairs) is at the Sloan School, MIT, which has good connections to another of our focal sites.

We will contact the other employers using our social network. For example, the National Center for Employee Ownership suggested several employers on our list. We will ask them for introductions to some, as needed.

The script for case study site recruitment is:

**Hello. My name is [Name]. I am a researcher at [MIT / UC Berkeley/ the Rocky Mountain Employee Ownership Center (RMEOC)]. The state of California has asked Professor David Levine at UC Berkeley to study how ownership structures affect workplaces. We are interested in doing a case study of your company because it is employee owned.**

**Agreeing will involve inviting one to five managers to interviews. The interviews are about one hour.**

**If you agree, we will also ask you to introduce us to a sample of up to 15 of your employees. We would like to interview them on their experience of working at this company. Those interviews will be about 45 minutes.**

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### Phase 1 Study Plan

**Any manager or employee can decline to participate. Even if they agree, they can decline to answer any questions and they can end the interview at any time.**

**The case study will cover**

- **The history of the company and employee ownership**
- **Structure of the ESOP [or worker cooperative]**
- **[if an ESOP] What is the vesting schedule, allocation formula, provisions for employee voice or governance? What proportion of employees are ESOP participants?**
- **[If a worker cooperative:] What are the requirements of membership, democratic governance features, and profit-sharing arrangement? What proportion of employees are members?**
- **Management structures, Human Resources, and decision-making**
- **[If a union is present:] relations with the union and the union's role in worker ownership**
- **Barriers your organization faces to expansion**

**If helpful, we can carry out the interview in an employee's native language.**

**We will not name you or your company in our write-up of the results.**

### **Management sample**

We will interview several managers at each employer.

Our focus will be the CEO and/or COO and head of human resources. At smaller employers (such as Courage) there may be only one or two managers and we will attempt to interview each. We may interview up to 3 additional managers or supervisors. We will probably choose an operational manager and a supervisor but may prioritize a founder or a manager who has been at the company a long time.

The Manager interview guide is at [Manager interview - EO.pdf](#). These will be semi-structured interviews, so the precise order of questions and depth of follow-ups will depend on the flow of the interview.

### **Employee sample**



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### Phase 1 Study Plan

We will interview up to 15 employees at each employer.

We will focus on the most common occupation(s). Ideally, we will ask managers to identify a list of employees. If needed, we may narrow the eligible population to shifts and locations that are easy for the research team to contact. Among eligible employees, we will select at random.

Structuring each case study will involve a negotiation. Thus, the precise selection mechanism will depend on the outcome of that negotiation. Our goals will be to have a fairly representative sample and to minimize burden on the employer, employees, and our research team. That is, we will avoid having managers select the employees, over-sampling senior employees, etc.

We will ask managers to send employees an introduction to our study:

**Dear [employee name],**

**My name is [NAME]. I am a researcher at [MIT / UC Berkeley/ the Rocky Mountain Employee Ownership Center (RMEOC)]. The state of California has asked UC Berkeley to study employee-owned workplaces. We are doing a case study of your company focusing on the experience of the workforce.**

**Your name was chosen at random, and your employer agreed to introduce us.**

**Can we speak with you for about 45 minutes? There are no penalties if you decline to participate. Even if you agree, you can decline to answer any questions and you can end the interview at any time.**

We will then contact the selected employees in person and request an interview. We may ask the employer to have managers or supervisors introduce us personally to the employees. We will take informed consent (in the respondent's preferred language) prior to any interview.

Some employees may have an easier time speaking and/or reading in their native language. If an employer has a meaningful share of employees most comfortable in a different language, we will translate the recruitment script, informed consent form, and interview schedule. We will also bring a translator to the interview.

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We will conduct the interviews in a private location at or near each employee's place of work. If an employee requests, we can perform the interview outside of the workplace such as a nearby cafe or their home. The research team will ensure that interviews are in a private location.

The Employee interview guide is in [Employee interview - EO.pdf](#). Again, these will be semi-structured interviews, so the precise order of questions and depth of follow-ups will depend on the flow of the interview.

Each interview will take less than 45 minutes. Each respondent will have one interview.

### **Matched sample**

For each case study, we hope to interview a matched comparison employer with a traditional ownership structure.

We will look for employers in the same local labor market, same industry, and of roughly the same size. After we identify candidate employers, we will use our social network (including the worker-owned firm) to help introduce us.

Our recruitment script, informed consent, and interview schedules are similar to those for the employee-owned sample.

The management and employee samples will be determined using the same methods as at the employee-owned firms. The manager and employee interviews at traditional employers will be very similar to those at employee-owned firms, but without the questions on ownership.

### **Ethical review, privacy and transparency**

We will submit our research protocol for approval to the Institutional Review Board (IRB) at the University of California, Berkeley (known as the Committee for the Protection of Human Subjects). The protocol will include an informed consent statement for each sample consistent with United States Federal Policy for Protection of Human Subjects (Common Rule 2018).

We will compensate employees for their time and travel, if the employer deems such compensation to be appropriate.

Our Data Management Plan will include means to protect the privacy of respondents. For example, we will keep identifiable data only to compensate respondents, and then destroy it. We will separate identifiable data from

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### Phase 1 Study Plan

interview notes and transcripts. For employee interviews, the identifiable information will be kept in a password protected thumb drive, not connected to the Internet. (We collect names and phone numbers for follow-up and clarifying questions.)

#### Analysis of existing employee surveys

Proponents of worker ownership claim that it improves job quality. For many workers, respect at work is an important contributor to job quality. We posit that ESOPs will improve respect at work. Most managers and professionals at traditional workplaces receive respect at work. Thus, we posit that the increase in respect will be greater for low-wage workers. This analysis is important to motivate policies to promote employee ownership. That is, if employee ownership does not benefit employees—especially low-income employees—then policies to promote ownership should have lower priority than if employees' benefit.

#### The existing surveys

There are two existing data sources we know of that have data on both employee-owners and traditional employees: The General Social Survey<sup>1</sup> and the Rutgers surveys.<sup>2</sup>

The General Social Survey (GSS) is a large repeated cross-sectional survey of a representative sample of US adults. In several years it included a module that measured employee stock ownership and a number of workplace characteristics.<sup>3</sup>

The GSS measure of employee stock ownership is broad, so includes more than just ESOPs and coops. If we eliminate managers and employees who receive stock options, we should have a sample that is mostly ESOPs. Unfortunately, the stock option exclusion will also exclude some employees with both options and

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<sup>1</sup> Smith, Tom W., Davern, Michael, Freese, Jeremy, and Morgan, Stephen L., General Social Surveys, 1972-2018 [machine-readable data file] /Principal Investigator, Smith, Tom W.; Co-Principal Investigators, Michael Davern, Jeremy Freese and Stephen L. Morgan; Sponsored by National Science Foundation. --NORC ed.-- Chicago: NORC, 2019. 1 data file (64,814 logical records) + 1 codebook (3,758 pp.). -- (National Data Program for the Social Sciences, no. 25).

<sup>2</sup> Jung Ook Kim, Dan Weltmann, and Edward Carberry, *National ESOP Employee Survey*. <https://smlr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing/national-esop>

<sup>3</sup> National Institute for Occupational Safety and Health (NIOSH), "Quality of Worklife Questionnaire." <https://www.cdc.gov/niosh/topics/stress/qwlquest.html>

## **AB2849 – Promote Worker Ownership**

### **Phase 1 Study Plan**

ESOPs, but that tradeoff seems acceptable given that most option holders are not in an ESOP.

The Rutgers survey started with a sample of employees at nine ESOPs. They then asked similar questions to a fairly diverse sample of respondents who fill out surveys on M-Turk. M-Turk is a site offering small online jobs and is widely used by academics for survey research.

The ESOPs that participated in the Rutgers survey are not necessarily representative of all ESOPs and the respondents on M-Turk are not necessarily representative of all US employees. Nevertheless, these data should shed some light on the differences between the two sectors.

### **Methods**

In each dataset, we will compare outcomes such as respect at work for owners and non-owners who are similar on other characteristics such as age, sex and education. We will also look specifically at whether this relationship holds for low-wage workers.

### **Predicting who is a low wage worker**

The GSS does not collect useful wage data each year. To measure who is a likely low-wage worker, we will first predict wages as a function of age, sex, race, ethnicity, education, occupation, and so forth. We will then estimate predicted wages for each employee. We call workers in the lower third of the predicted wage distribution “low-wage workers.” Presumably, this sector will have more women, African Americans, Hispanics and immigrants than average.

### **Effects of ownership**

We will then estimate how outcomes such as self-reported respect at work, job satisfaction and intention to quit differ for owners and non-owners with similar observable characteristics. In the GSS, we will also examine self-reports of experiencing racial or sexual discrimination or sexual harassment. For these outcomes we will look at how ownership affects reports of discrimination for women and for people of color.

Importantly, we will include the interaction of ownership and having a low predicted wage, to estimate if ownership has larger (or smaller) effects for low-wage workers.

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Because we have a limited number of stock owners, we will do a cross-equation test of the main effects of ownership on all the outcomes. We will then do a separate joint test of all the incremental effects of ownership on low-wage populations. The tests of discrimination on specific groups will be included in both joint tests.

#### **Using machine learning**

There are many potential controls including age, sex, education, tenure with this employer, number of children and marital status (interacted with being female), race and ethnicity, employer size, broad industry, broad occupation, region, and so forth. It is also plausible that there will be two-way interactions of these potential controls.

We cannot easily include all of these controls and two-way interactions in a standard regression. To permit a rich set of potential control variables, we will use a machine learning method called “cross-fit partialling out.” A characteristic such as employee education can only cause bias in our estimates of how ownership affects outcomes if the characteristic correlates with either ownership or the outcome. Thus, this method retains control variables that strongly predict either the outcome (such as respect at work) or being an owner.

#### **Does ownership matter due to its effects on other management practices?**

We expect the effects of ownership will operate partly through different human resource and management practices. That is, we hypothesize that training, information sharing, employee empowerment, and gainsharing (such as profit sharing or group-based bonuses) are higher for owners. We will test those hypotheses using the same regressions as described above.

We will then include these workplace practices in the regressions predicting respect and intention to quit. This analysis will test if these practices mediate the relationship between ownership and impacts such as respect and intention to quit. For example, assume ownership lowers quits, but only due to higher training and employee participation in firms with employee ownership. In that case, we expect the statistical relationship between ownership and quits to disappear if we also control for training and participation.

These analyses can help inform policies promoting ownership. For example, if the benefits of ownership only appear when bundled with supportive management practices, any efforts by the state to promote ownership should promote that bundle of practices.

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#### Transparency

We will post this protocol on an Open Science Foundation (OSF) site to commit ourselves to the specified statistical analyses. As noted above, we will post a more complete statistical analysis plan to the OSF site prior to running the analysis with the actual data.

We will post all of our code on the project website (not yet established). We will post all GSS data, and instructions for requesting the Rutgers surveys.

#### Policy levers

The final chapter will analyze potential policies to promote high-road democratic employee ownership, with a focus on low-wage workers.

We will examine policies ranging from informing business owners of the potential upsides of ESOPs as a way to sell their business to procurement preferences by state agencies.

We will specifically analyze the existing proposal for an Association of Cooperative Labor Contractors (ACLC), an incubator and conglomerate of coops for contract employees in multiple industries.

#### Budget

<b>BUDGET CATEGORY</b>	<b>From: To: 7/1/2023 6/30/2024 Year 1</b>	<b>7/1/2024 9/30/2024 Year 2</b>	<b>TOTAL</b>
<b>PERSONNEL: Salary and fringe benefits.</b>	\$253,112	\$99,288	\$352,400
<b>TRAVEL</b>	\$12,600	\$0	\$12,600
<b>MATERIALS &amp; SUPPLIES</b>	\$0	\$0	\$0
<b>EQUIPMENT</b>	\$0	\$0	\$0
<b>CONSULTANT</b>	\$83,800	\$0	\$83,800
<b>SUBRECIPIENT</b>	\$0	\$0	\$0

**AB2849 – Promote Worker Ownership**

**Phase 1 Study Plan**

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<b>Advisory panel meeting to approve final draft</b>	Near July 15

The panel issued a Request for Public Comment seeking input on the draft AB 2849 Promote Worker Ownership Study Plan:

1. To provide your feedback on the draft Phase 1 Study Plan, as well as any other recommendations for the study team

The Request was issued on November 15 with a request to submit comments by December 1. The panel received 6 total public comments – 4 panel members and 2 members of the public. These comments will be sent to the Principal Investigator upon publishing this document in the December 20<sup>th</sup> meeting packet.

Comments can be seen below:

1. Maria Salinas - Panel Member I do not have additional comments. I think it is comprehensive.
2. Ra Criscitiello - Panel Member When using datasets to compare outcomes, I would encourage the team to draw out any possible conclusions about how worker-owned entities may have disproportionately positive impacts not just for low-wage workers but for black workers and other workers whose wages have been historically suppressed. Also, under the “Policy Levers” section: “We will examine policies ranging from informing business owners of the potential upsides of ESOPs as a way to sell their business to procurement preferences by state agencies.” I would encourage the inclusion of policies that examine the potential upsides of worker-owned cooperatives as well.
3. Kirk Vartan - Member of Public

Two main categories I’d like to request be incorporated:

1. Challenge/review the way conversions to worker cooperatives are done today. I see two main issues:  
1. Cost and 2. Time. It costs way too much and takes way too much time. I also feel we need to disrupt how the process is done in order to see an order of magnitude growth opportunity. We convert/create 10s of co-ops a year (if we are lucky). We need a system that can scale to 1,000s of conversion a year. I proposed the idea of Rapid Conversion Academy (RCA), but I feel like I was left on an island to starve. So, I basically gave up. I still believe in the concept and that it is better way to execute, but it is untested. I am including a doc I put together back in 2019. The times for each section are relative to each other, so don’t look at the durations...just the relative duration to each other. I believe you can convert in 2 months. And I see the community college infrastructure at the mechanism to scale the process. I was working with Mission College in Santa Clara to test this and started an education series. I got the initial course class done. Again, not my job, but I invested time with a couple others to make it happen. I have attached a copy of the doc and can explain more about it if you like.

2. What tools and support do current co-ops need. The link to the co-op opportunities is here:

[https://docs.google.com/document/d/14njpwB3r5Clpym6l-mA\\_dRboxLvAL-j-0w4g18fa7ig/edit#heading=h.yehs85t37x6b](https://docs.google.com/document/d/14njpwB3r5Clpym6l-mA_dRboxLvAL-j-0w4g18fa7ig/edit#heading=h.yehs85t37x6b)

2. Kirk Vartan - Member of Public I am sending this direct as I am unclear if WORC (meaning J) will have the capacity to get a consolidated list to you. Nov 30 is fast approaching, so please add this to the one I already submitted (the doc we were working on before Bernadette left):



ASK: Identify existing laws where union/labor organizations have benefits or special rules.

GOAL: How can co-ops receive the same benefits/considerations? Basically, any benefits unions get from the government because of their focus on prioritizing workers, co-ops should have the same benefits.

SPECIFIC EXAMPLE: Laws that provide businesses with unions/collective bargaining additional options for overtime calculations. For example, if a business has a collective bargaining agreement, there is an overtime wage law exemption. Co-ops are not identified in this exemption.

3. Hilary Abell - Member of Public

- Thank you for the opportunity to provide feedback on the study plan for the worker ownership study commissioned under AB 2849. Following are my high level (and some detailed) suggestions after reviewing the study plan document:
- Many of us in the field would like to see the study provide as much insight as possible into HOW to create more high-impact (for low-wage workers) worker ownership in California. WHETHER to do so is already a settled matter, given the unanimous passage of The California Employee Ownership Act (SB1407) in September 2022. CalOSBA will be establishing an Employee Ownership Hub to promote EO.
- If the POWER Act were passed in isolation from any other worker ownership legislation (or intent to promote EO by the state government), the current design of the study would make more sense to me. But this is not the case.
- The most important contribution the study can make is to advance the state's understanding of HOW it can most effectively promote all forms of broad-based EO to the benefit of low-wage workers. The study design, however, feels light on this question.
- Here are some ideas on how the study design can shift emphasis to the most useful areas:
- Do not spend much time on literature review. Many articles and studies have compiled the vast literature on worker ownership.
- One such study is my meta study published in 2020: The Case for Employee Ownership: why government and philanthropy should invest in this powerful business model (PDF and webinar recordings available)
- Pages 15-24 of my 2021 publication California Worker Cooperatives includes both the benefits and supporting data points (mostly from California).
- I hope these will help you fasttrack your literature review, especially as it pertains to worker coops, which have been less studied
- Check out the endnotes too.
- The most useful aspect of any literature review would be to:
- Look for research that addresses gaps in the broader literature or specific questions that the study team or advisors have
- It would be interesting for you to speak with any well-informed nay-sayers. Where are there holes in the data? Is any con data that is out there actually valid?
- Dig into "how" questions, like under which conditions is worker ownership more likely to be impactful, especially which origin stories (conversion of successful businesses vs. startups, high-medium- or low-touch coop development, including unions in ESOPs or not)
- Sections 4-6 (page 24 on) of California Worker Cooperatives has a lot of HOW discussion and real California examples

- Review the case study literature (including simply stories and writeups, not just full case studies). I have a list from 2021 of California coop stories which could be helpful. I'm happy to share it and would appreciate Project Equity being credited for its contributions.
- Spend more time on HOW questions in the overall study
- Ensure deep understanding, dialogue and analysis in the stakeholder interviews and engagement
- You might get further faster if you convened some key experts in conversation with each other about HOW questions, including policy questions.
- You may not want to limit yourselves to a single conversation with strategically insightful
- The worker coop profiles in California Worker Cooperatives frame up some HOW observations that may be helpful. There is one on Arizmendi, another on a converted coop (California Solar Electric) and another on a startup (Yolo Eco-Clean with comparisons to other green cleaning coops)
- For the policy analysis, please don't start from scratch. I and many others have done extensive research in this area and can point you to many lists of potential and actual state policies (we have a database at Project Equity which we can share).
- Your research can focus on the gaps
- You mention procurement - an important issue! I suggest any procurement research focus on what the state of California procures and how that lines up (or doesn't) with what employee-owned companies produce.
- Include in this any key procurement areas where the state might need additional or better options, and whether the state could help create worker-owned companies to provide those goods or services
- It would also be interesting to look at where local purchasing policies can already benefit employee-owned businesses and whether/where additional focus on EO could be useful.
- We recently helped design a new procurement preference for EO in LA County as described in this motion approved by the County Supervisors in September 2023. In reality, however, most EO companies that could qualify for the 15% preference would already qualify under local purchasing preferences (larger ESOPs might be an exception).
- Another area that would make a big contribution to understanding of EO policy would be to review the impact of different kinds of state incentives for business owners to transition to EO. subsidies for feasibility studies tax credits
- Do grants or tax credits work better?
- What can be learned from Colorado, Missouri and Iowa and their experience of offering tax credits, grants or both for several years?
- I have some contacts and preliminary analysis that I'd be happy to share.
- Changes in employment regulations is something that has been considered less, so very interesting for you to look into. Same with access to financial and insurance services (though this may be more an issue of private sector practice and institutional policy than public policy; still very important!)
- Suggestions on the case studies
- Not including a coop conversion is a real gap. Can this be rectified? If you were to reduce focus on the lit review, for example, could you do a 4th case study? I am available immediately

(starting next week) to help identify candidates. A few come to mind: Proof Bakery, LA, Atthowe Fine Arts (logistics, storage and shipping), Oakland

- Sun, Light and Power (solar), Berkeley - the only ESOP-coop combo (see The Beyster Institute's writeup of their "ESOP-erative". A formally democratic ESOP.
- I'd be interested to see what your study could say about democratic ESOPs / workplace democracy in ESOPs (and I have some thoughts here)
- I could think of others as well and have contacts at all of these
- If adding a converted coop to your original case studies is not possible, would you consider including a case study by Project Equity of one of our client companies?
- I plan to conduct interviews in the months ahead and write one up for our own impact report.
- I'd welcome the opportunity to collaborate with your team so that you can validate and help improve it.
- Consider using Apollo HealthCare (a home care company converted to worker ownership through its recent acquisition by Obran Cooperative) as a comparison to Courage LLC. I can make introductions to Obran to see if they are interested.
- Please include the economic impact of employee ownership among your questions, such as
  - how the company's wages and benefits compare to industry average
  - comparing same-size companies is CRITICAL here!!
  - how much profit has been shared over what time period
- While not economic per se, I suggest adding questions around predictable scheduling flexible scheduling job tenure the three bullets above are commonly cited as benefits of EO so testing this in your comparative case studies would be very valuable, PTO etc.
- I would be happy to share Project Equity's survey that we do annually for our client companies (pre-transition and for 5+ years after that) if we can be credited for our contributions.
- I hope this is helpful and look forward to talking these and other things through with the study team!

Thank you for your work on this!

#### 4. Jessica Pitt – Panel Member

In parts of the study plan, it appears that the focus of the study is on ESOPs. I am not an expert in the field of cooperatives, but from my understanding ESOPs, while they can be structured similarly to a cooperative and have similar benefits to a cooperative, are NOT cooperatives (there is no requirement to have the same democratic structures as a worker-owned cooperative). I am concerned about the inclusion of ESOPs to the exclusion of worker-owned cooperatives. Perhaps I am misreading the study plan, but in several places there is mention of ESOPs, but not other models, and it reads as if they may be a focus of the study to the exclusion of worker owned cooperatives.

There is no doubt in the AB 2849 legislation that cooperatives of labor contractors should be a focus of the study, and I am glad to see that they will be included in the case studies, but I would also like to see worker owned cooperatives included and prioritized over ESOPs. Worker owned cooperatives typically have greater equity benefits than ESOPs and probably greater barriers to implementation and scaling that could benefit from policy-level interventions.

I also feel that the Study Panel should have the opportunity to weigh in on which cooperatives are selected for the case studies. We were given an opportunity to weigh in generally on industries and

types of coops both through previous public comment and at the last meeting, but this decision will significantly shape the direction and focus of the study and I believe it merits additional input from the Panel.

**LABOR & WORKFORCE DEVELOPMENT AGENCY**  
**AB 2849 Worker Ownership Study**  
**Panel Meeting In-Person Site Directions**

The AB 2849 Study Panel will meet on Wednesday, December 20, 2023 from 2:00-4:00pm PDT.

MCC Large Community Room - Ella K. McClatchy Library  
2112 22nd St, Sacramento, CA 95818

Directions from Sacramento International Airport

- Take Hwy 5 South
- Exit on "X" Street in Sacramento.
- Continue on to "X" Street
- Turn Left on 22<sup>nd</sup> Street
- 2112 22<sup>nd</sup> St, Sacramento, CA 95818