

Phase 1 study plan

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Background and Panel Requirements

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.

In addition to the above stated objective, the AB2849 Panel provided the following requirements during the December 20, 2023 Panel meeting:

1. **Scope:** The study must include a focus on how the State can support the conversion/establishment/expansion of cooperatives and how the State can create higher impact for low wage workers through worker ownership.
2. **Demographics:** The study must 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. The Panel recognizes that any effort to examine results through the lens of gender, race and ethnicity, or other demographics will depend on sample sizes and may face potential limitations. The study must include this focus, and any limitations and suggestions for future study must be included in the Recommendations.
3. **Case Study Sample:** The Case Study sample must meet the following conditions:
 - a. At least one Cooperative in a low wage sector.
 - b. At least one Cooperative Conversion in a low wage sector.
 - c. If the sample includes an ESOP, the ESOP must be 100% employee-owned in a low wage sector.

- d. The sample may include variation in low wage sectors, including Care Economy, Construction, Agriculture, and/or Food Service.
4. **Balance methods using ESOPs:** The study has limited time and scope based on AB2849. The panel agrees to the use of existing data that may include a narrow focus on ESOPs but requests the study team ensures analysis and findings on ESOPs from existing data remain generalizable and applicable for broader employee-owned entities.

This report outlines the research methods for the study literature review, case studies, and statistical analyses to align with AB2849 Panel objectives and requirements.

Protocol for literature review

We will review the literature on the effects of worker-owned firms on company and employee outcomes. 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" ([source](#)).
- 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. ([source](#))
- Jenny Weissbourd et al 2021 "Race and Gender Wealth Equity and the Role of Employee Share Ownership" ([source](#))

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. Where there is data available, we will prioritize the study of worker cooperatives.

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 informant interviews will focus on associations of worker-owned firms.

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 and their ideas for cost-effective public policies and interventions to overcome these barriers.
- The value and attributes of an Association of Cooperatives for contractors. We will focus on the SEIU proposal for such an Association, as originally written ([source](#)).

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. Most of our employee owned case studies will be coops of contractors. We intend to include a case study of a co-op conversion. In the event we cannot line up the intended pairs of case studies, we will substitute the most relevant co-op case we can find to align with the interests of the panel.

Methods

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 level of 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

As of January 2023, three sites have been selected:

1. At least one Cooperative in a low wage sector – Study team confirms a small home healthcare cooperative with a matched comparison employer.
2. At least one Cooperative Conversion in a low wage sector – Study team confirms a bakery conversion cooperative, with a potential matched bakery that also underwent an ownership conversion to a non-cooperative model; if unable to secure that match in a timely manner, study team will instead conduct several mini-case studies of cooperatives of contractors to focus on challenges faced with reaching scale-up.
3. If the sample includes an ESOP, the ESOP must be 100% employee-owned in a low wage sector – Study team has confirmed a construction ESOP that is 100% employee owned and is working on identifying a matched comparison employer.

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.

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 company
- [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 initial Manager interview guide is located [here](#). 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.

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.

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.

The initial Employee interview guide is located [here](#). 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 recruitment script is:

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 and traditional workplaces. We are interested in doing a case study of your company as a traditional workplace.

Agreeing will involve inviting a few managers to interviews. The interviews are about one hour. We will also ask your help in setting up some interviews with 5-15 employees. Those interviews will also 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
- Management structures, Human Resources, and decision-making
- [If a union is present:] relations with the union
- Barriers you face growing your business

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 the experience of working at this employer.

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.

Our survey will follow best practices in research transparency and reproducibility. For example, we will post the protocol and data analysis plan prior to collecting any data. We will publish all code and de-identified data (to the extent possible given confidentiality constraints) on the Web.

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 worker ownership 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.

Data

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

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. While we recognize that coops are not highly represented in this data source, we are not aware of any data source which has sufficient co-op data for statistically valid analysis. Thus, we fall back on this study using ESOPs as a means of quantitatively measuring the impact of employee ownership.

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.

Predicting who is a low wage worker

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.

It is unclear how much precision we will have to look at multiple outcomes in multiple datasets. We will experiment with specifications using simulated data to determine our statistical power. To avoid data mining, we will pre-specify the analyses we feel have sufficient precision prior to running analyses with real data.

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.

Transparency

We will post this protocol to commit ourselves to the specified statistical analyses.

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

From: To: BUDGET CATEGORY	7/1/2023 6/30/2024 Year 1	7/1/2024 9/30/2024 Year 2		TOTAL
PERSONNEL: Salary and fringe benefits.	\$253,112	\$99,288		\$352,400
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
Focus Group Costs	\$12,000	\$0		\$12,000
Survey Costs	\$0	\$0		\$0
Contingency Funds	\$13,747	\$3,786		\$17,533
TOTAL DIRECT COSTS	\$386,933	\$104,655		\$491,588
Basis for Indirect Costs	<i>\$386,933</i>	<i>\$104,655</i>		<i>\$491,588</i>
Indirect Costs @ 35%	<i>\$135,426</i>	<i>\$36,629</i>		<i>\$172,056</i>
TOTAL COSTS PER YEAR	\$522,359	\$141,284		\$663,644
TOTAL COSTS FOR PROPOSED PROJECT PERIOD				\$663,644

Timeline

Deliverable	Public Review Date	Panel Meeting Date
Study SOW	June 6, 2023	June 13, 2023
Contract Executed	August 23, 2023	N/A
Initial Study Design public review	September 9, 2023	N/A
Initial Study Design discussion	September 29, 2023	October 9, 2023
Initial Study Plan Initial Interview Forms Initial Informed Consent Case Studies (general)	November 15, 2023	N/A
Initial Study Plan Initial Interview Forms Initial Informed Consent Case Studies (general)	December 8, 2023	December 20, 2023
Approve: Final Study Design Report Final Interview Forms Final Informed Consent Case Studies (general)	Early January 2024	N/A
Study Status Update	Early March 2024	Mid March 2024
Initial Study Results discussion	Early April 2024	Mid April 2024
Initial Study Final Report presentation	Mid May 2024	End May 2024
Final Report presentation	Mid June 2024	End June 2024