



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

Panel Packet
April 25, 2024



AB 2849 Worker Ownership Study Panel Notice and Agenda

Meeting Date and Time

April 25, 2024, at 3:00-5:00PM PDT

This is a public meeting. The panel members and the public may attend in person or virtually¹.

In Person:

South Natomas Meeting Room – South Natomas Library
2901 Truxel Rd., Sacramento, CA 95833

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/85750506682>

Or Telephone:

Dial:

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 or (916) 653-9900

Agenda:

| | | |
|----|--|--|
| 1. | Call to Order by Chairperson (5 minutes) <ul style="list-style-type: none">• Roll call | Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director |
| 2. | Action to approve April Panel Meeting Agenda | Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director |
| 3. | Action to Approve March Meeting Minutes | Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director |
| 4. | Initial Study Results Discussion | Professor David Levine, UC Berkeley Institute of Business and Social Impact (IBSI) |
| 5. | Opportunity for panel members to request agenda items for future panel meetings | Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director |
| 6. | Public Comment on Non-Agenda Items (5 minutes) | Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director |
| 7. | Public meeting adjourns | Tara Lynn Gray, GO-Biz Office of Small Business Advocate, Director |

¹ See [SB 143 \(Section 6\)](#)

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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**Panel Meeting
April 25, 2024**

PANEL MATTERS

March 20, 2024 Meeting Minutes
March 20, 2024 Presentation Materials

OTHER MATTERS

Meeting Location and Directions

LABOR & WORKFORCE DEVELOPMENT AGENCY
AB 2849 Worker Ownership Study
Panel Meeting Minutes
March 20, 2024

Video recording available at: <https://www.youtube.com/watch?v=b4llv1eG9WI>

Open Session

The AB 2849 Study Panel meeting convened at 3:00 p.m., March 7, 2024, with Chair Tara Lynn Gray presiding.

1. Roll Call

| Members | Present | Absent |
|---|----------------|---------------|
| 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 March 7, 2024 Meeting Agenda

MSalinas moved to approve; Second by RCriscitiello; Approved by all Panel members.

3. Approval of the December 20, 2023 Meeting Minutes

MSalinas moved to approve; Second by RCriscitiello; Approved by all Panel members.

4. Presentation – Update by Principal Investigator

Presentation by Dr. Levine: PI updated the panel members on study progress.

5. Opportunity for Panel Members to Request Agenda Items for Future Panel Meetings

None

6. Public Comment on Non-Agenda Items

None

7. Adjournment.



Worker Ownership in California

March 15, 2024

Report

Chapters

1. Effects of worker ownership
2. Standards for high-road co-ops
3. Barriers to worker ownership and high-road strategies
4. Factors that promote high-road co-op success
5. Policies to incentivize high-road worker co-operatives
6. Evidence gaps & learning agenda

Supporting research (Appendices)

- Case study of road construction
- Case study pair of home health care
- Mini-cases of co-ops of labor contractors
- Statistical study
- Key informant interviews

Team, in brief

- David Levine, UC Berkeley, Principal Investigator
- Doug Hirsch, UC Berkeley, Project Manager
- Daniel Spitzberg, UC Berkeley, Researcher & Chief Editor
- Adria Scharf, Rutgers School of Management and Labor Relations, Researcher & expert adviser
- Doug Kruse, Rutgers SMLR, Expert adviser
- William Foley, Rutgers SMLR, Researcher on lit review
- K. MacKenzie Scott, MIT Sloan, Researcher on case studies
- Goncalo Costa, City University of New York, Researcher on statistics
- Minsun Ji, Rocky Mountain Employee Ownership Center (Exec. Dir.), Researcher on case studies
- Ed Carberry, University of Massachusetts-Boston, Consulting adviser



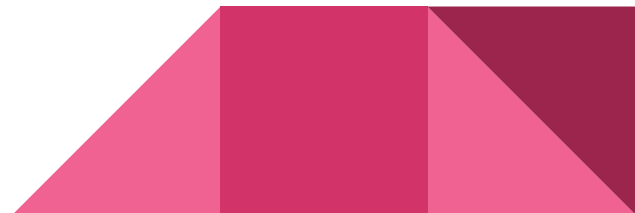
1. Effects of worker ownership

Research is hard

No randomized experiments

“Correlation does not equal causation” implies that comparing average outcomes can be misleading

- For example, if we see a relatively low wage at a co-op, it could indicate
 - low pay (for that sort of worker), or
 - could be a relatively high wages in a low-wage sector, or
 - high wages for workers with a low market wage



Results for employees

Jobs last longer

- especially during recessions and COVID

Pay is not lower for ESOPs

- Unclear for co-ops

ESOPs help build wealth



Results for employers

Employee owned companies survive longer

Productivity is often higher, but results are less consistent



Effects of ownership in low-wage sectors?

Very little statistical evidence on disadvantaged workers: people of color, with limited education, in low-wage sectors, etc.

We are distilling the case study literature



Missing important outcomes


Very limited evidence on dignity, respect, harassment, etc.

These issues are especially salient in low-wage sectors



2. Standards for high-road worker co-op

Depts. of Labor & Commerce on “What is a good job?”

- Recruitment is fair
 - Pay is a stable and equitable living wage, with rewards for skills & experience
 - Benefits are good: Health insurance, retirement, etc.
 - Careers opportunities both at this employer and elsewhere
 - Workers
 - Are empowered at work (strategy, mid-level decisions, shopfloor)
 - Can join unions
 - Are treated with respect
 - Have equal opportunity, without facing discrimination
 - Have schedules with adequate and predictable hours
 - Are safe at work
- 

Depts. of Labor & Commerce on “What is a good job?”

- Recruitment is fair
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 - Are empowered at work (**strategy**, mid-level decisions, shopfloor)
 - Right to join unions
 - Are treated with dignity and respect
 - Have equal opportunity, without facing discrimination
 - Have schedules with adequate and predictable hours
 - **Are safe at work**

Bold items are easier to measure

Hard to measure key ideas such as employee empowerment

- Shopfloor
- Intermediate levels: Safety committee, grievance procedure
- Strategic: Board of directors, etc.

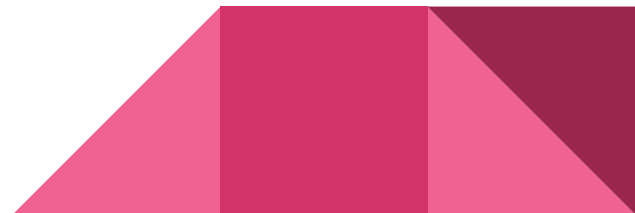
- “One person one vote” is measurable for strategic participation
 - But misses shopfloor participation



Wages are easier to measure

Rules for minimum and maximum compensation face market considerations

- Why raise minimum wage $>$ market or regulated level?
 - Employees get vote themselves a profit share if a low base wage leaves a surplus



Our research: Snapshot of progress

- Case study of road construction
- Case study pair of home health care
- Mini-cases of co-ops of labor contractors
- Statistical study
- Key informant interviews





Case study pair: Home care cooperative

Status

- We have completed most interviews and observation at a home care cooperative and a comparison
 - similar worker population, geography, and number & type of clients.
- Both firms are made up of majority immigrant workers from the Philippines, predominantly women




INITIAL OBSERVATIONS: NETWORKS


- **Cooperative is highly networked with significant institutional support**
 - Grants from public and philanthropic sources
 - Technical assistance from non-profits and other co-ops
 - Engaged in multiple networks of organizations in worker ownership and in home care organizing and advocacy.
- The family-owned comparison had some public training and support, with limited access to funding



IMMIGRANTS ARE INTERESTED IN COOPS

- Immigrant workers make up most of the home care sector.
 - Immigrant workers are particularly vulnerable to wage theft, exploitative work conditions, etc.
 - Many of the Filipina immigrants are also familiar with co-ops from the Philippines
 - This co-op is part of a coalition of cooperatives with immigrants from different global regions (e.g. Africa and non-U.S. Americas)
- 

Competing with informal and noncompliant actors.

- Both firms spoke of the role of the informal sector and norms of wage theft as challenges to competing as a compliant, high-road business
 - Both firms serve clients who pay for their own care.
 - Requires substantial private resources and/or private long-term care insurance
 - Clients have affordability challenges
- 

Dispersed workforce: Opportunity and challenge

It is a challenge to create solidarity, perceptions of shared ownership, and democracy when the workforce is dispersed

Complex schedules (e.g. night shifts) complicate scheduling meetings and even virtual engagement

At the same time, worker autonomy from dispersion means that worker-owners directly impact care quality



Case study Road Construction

Status


Completed

- Most (over 20 hours) management and employee interviews
- Observation of meetings, strategic planning, and on-the-ground work deployment (3-week field visit period)

BUT...

- Not yet identified a comparison employer
- 

INITIAL OBSERVATIONS

- **Strong career opportunity within the firm.** The ESOP tends to train and promote from within, including for executive positions. Non-college graduates find alternative paths to skills.
 - **Management training and building ownership culture.** This firm has devoted significant resources to developing shared firm culture and managerial training program that emphasize individual ownership and co-ownership of the firm, as well as autonomy for workers at all levels.
- 

Co-op conversion

Data collection

Co-op conversion of a bakery

- Retiring owner wanted to benefit employees by selling to them
- \$1.7 million valuation, but owner sold for \$1.4 million

7 interviews completed

Data analysis is ongoing



Preliminary insights

Workers appreciated conversion


Strong ownership culture within 2 years

Worker-owners flourished after conversion

- 10 initial employee owners
- Now 25 full-time employee owners

Store revenue more than tripled (!)






Mini-Cases of Co-ops of Labor Contractors

Data collection

These mini-cases are at employee-owned contractors

- No comparisons
 - No employee interviews
 - Goal is to inform our analysis of the proposed Association of Cooperatives of Labor Contractors (ACLC)
 - Mostly using documents
- 

Sample

An employee-owned trust to act as a contractor for farmworkers

- 2 interviews

A worker-owned cooperative of health care contractors (everyone but doctors and nurses)


- One interview



Farmworkers is a trust for employees' benefit

| ESOP | Employee Owned Trust |
|--|-----------------------------|
| Company buys shares for worker retirement accounts | Trust keeps shares |
| Company buys back shares when workers leave | No |
| Big tax advantages | No |
| High costs to set up and operate | Much lower costs |
| Can dissolve or sell to a traditional employer | Not easily |

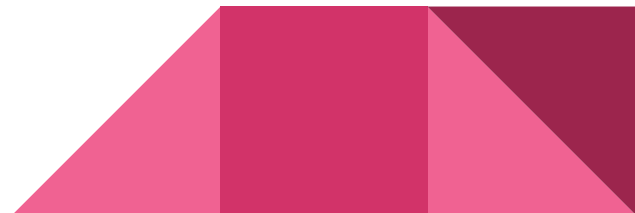
Ag worker contractor

- After 1000 hours, employee contractors can join the trust and vote for its board
 - Leadership frustrated at challenges engaging the dispersed migrant workers
 - In early 2024, no employee board members (though rules state 5 employees of 9 board members)
 - Lots of employees have temporary work permits so cannot become owners
 - Started with a big farm partner as main customer
 - 11 smaller clients, but still mostly just supplying their partner client
- 

Health care contractor

Not gaining market share

- After a couple of years, only about a dozen employee-owners
- Some contractors get hired away by customers



Early insights: Getting started

Many partners involved in funding and supporting each contractor



Early insights: Growing

When pay is $>$ market level, it is hard to grow market share

- Unless productivity rises

It is useful to have a big customer (that is, someone to hire your contractors)

- E.g., a big farm to hire farm workers at better-than-normal wages

Government support can fill some \$gaps

- COVID-related funding helped one Contractor for a while
- 

Members & migrants

Many low-wage employees in farmwork, etc., have a temporary work visa

Not a good fit for employee ownership

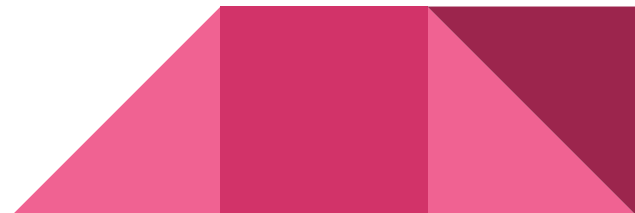
- Works better for Employee Ownership Trust than ESOP



Key informant interviews (KIIs)

Goals

- Understand how existing organizations and networks support **worker ownership** and **high-road employment**
- Get insights into barriers and potential policies



Sample (part-way through)

Key informants with **programmatic** and **analytic** perspectives

- 6 co-op staffing firms and employers of record (one in CA closed in 2020)
+ 6 in co-op associations providing back-office and HR services
- 6 individuals in academia, think tanks, and funding who have looked at worker ownership and high-road employment



Early insights

1. Lessons from co-ops can evolve definitions of high-road employment

- This includes hard-to-measure aspects like dignity and respect
- However, many aspects of workplace democracy are not limited to worker-owned businesses

2. Economies of scale are vital for staffing/back-office service co-ops

- All US firms struggle to secure clients and place workers
- However, several large-scale worker-owned co-ops have demonstrated success through network and ecosystem strategies:
 - Namaste Solar is a vertically integrated supply chain of allied firms
 - Mondragon is a conglomerate of cooperative businesses
 - SEWA is a union of informal workers in India

Statistical analysis

The question

What are the effects of ownership on employees?

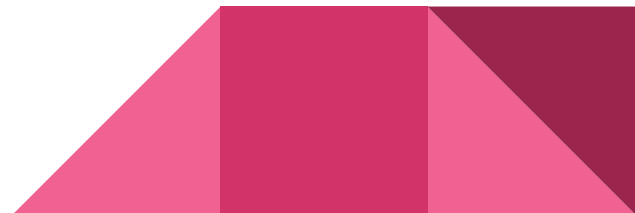
Are those effects different for disadvantaged employees?



Datasets

We are looking at the only 2 datasets we could find

1. General Social Survey
 - a. Three waves had a worker ownership module
2. Rutgers ESOP survey and matched online (Amazon M-Turk) sample



Statistical methods

- Many potential control variables
 - Employee demographics
 - Employer characteristics
 - Etc.
 - We use a machine learning method to identify important control variables

Lots of outcomes, so about 1/20 test will be “statistically significant” at the 5% level.

- We adjust for having multiple tests

We still worry about searching for results we expect or prefer

- We are testing specifications with simulated ownership and registering our final specification before we run it

Disadvantaged ESOP members are scarce

| | In GSS (3 waves) | In Rutgers Survey |
|---------------------|------------------|--------------------------|
| Bottom 30% earnings | 12 | 153 |
| Black | 10 | 10 |
| Hispanic | 14 | 21 |
| Immigrant | 13 | . |
| High school dropout | 3 | 5 |
| Any of above | 36 | 179 |
| Any ESOP | 80 (out of 892) | 817 (out of 1680) |

Disadvantaged

Rutgers survey has more ESOP members than GSS, but at only 8 employers

Force

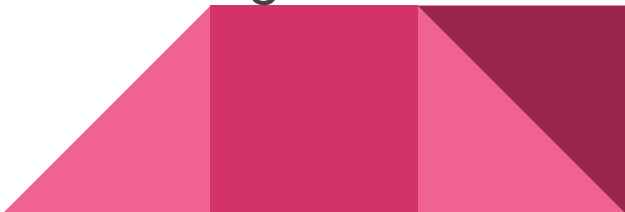
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A peek at preliminary results

Not enough employee owners in the GSS to look at results for disadvantaged employees separately

These cross-tabs **do not account for**

- observable differences among employers or employees
 - multiple hypothesis testing
 - multiple employees at one ESOP employer in the Rutgers dataset
- 

| GSS, scaled 1 to 10 (best) | Non-ESOP | ESOP mean | Difference |
|--|-------------------|-----------------|----------------|
| Satisfaction and pride about company index | 7.43 | 7.86 | -0.43 |
| I take part in decision-making | 7.00 | 8.42 | 1.42*** |
| I have freedom to do my job | 7.71 | 7.74 | -0.04 |
| Good relation with management | 7.14 | 7.34 | -0.19 |
| My earnings are fair | 6.15 | 5.78 | 0.37 |
| I am searching for a new job | 2.91 | 2.23 | -0.68 |
| I am treated with respect | 7.38 | 7.66 | 0.38 |
| My coworkers care about me | 2.95 | 2.27 | 0.38 |
| N | 692 to 725 | 73 to 74 | |

| Rutgers, bottom 30% of income | Non-ESOP mean | ESOP mean | Difference |
|---|--------------------------|----------------------|-------------------|
| Satisfaction and pride about company index | 6.52 | 8.24 | 1.72*** |
| I take part in decision-making | 6.60 | 7.10 | 0.50 |
| I have freedom to do my job | 7.22 | 7.50 | 0.28 |
| Good relation with management | 3.76 | 3.01 | -0.75 |
| My earnings are fair | 4.45 | 4.95 | 0.51 |
| I am searching for a new job (10=agree) | 3.61 | 2.02 | -1.59*** |
| N | 418 | 151 to 153 | |



Barriers to employee ownership and high-road strategies

This chapter will discuss many barriers

Employers and employees are not familiar

Employees lack skills of reading financial statements, etc.

Capital constraints

etc.





Factors that promote high-road employee ownership

We will discuss many facilitators

Enforce labor laws to make a “low road” approach less competitive

Employees have skills to work together and run a business

Networks share ideas, etc.






Policies to promote high-road worker cooperatives

We are just starting to evaluate policies

- Principles

- Policies that overcome government failures
- Policies that overcome market failures
- Policies that are cost-effective
 - E.g., pay a fixed cost for a public good such as training materials that many employers can use can be cost-effective compared to an ongoing subsidy

Example analysis

- **Market failure:** It is hard for a business owner to understand if employee ownership is a useful option to buy the business when the owner retires
 - **Potential policy:** Artificial intelligence chatbot helps a business owner understand if employee ownership is a good option, and the various options: ESOPs for S- and C-corps, co-op conversion, Employee owned trust etc.
- 



Alliance of contractor co-ops

Two Dimensions of ACLC Vision

1) Confederation of co-ops

- Sharing: Technology, branding, economies of scale in insurance, health, worker supports
 - For example, you need a great app that clients, employees and the co-op can all use

2) Labor contracting role

- Worker owned labor pools contracting with employers seeking labor, selecting, vetting and placing those workers



Two Dimensions of ACLC Vision

1) Confederation of co-ops

- Sharing: Technology, branding, economies of scale in insurance, health, worker supports
- **Solid evidence that such strategies can strengthen cooperative resilience and benefit workers**

2) Labor contracting role

- Worker owned labor pools contracting with employers seeking labor, selecting, vetting and placing those workers
- **It is hard to reach scale**



Examples of co-ops of contractors

CHCA, a very large (2000 employee) co-op in NYC

- It is possible to **eke out** a higher job quality model in low margin sector
- Co-op structure cannot “fix” the market conditions, with low wages and mark-ups

Drivers Cooperative (NYC)

- A challenge to secure market share vis a vis large digital app companies
- Niche strategy



Examples of co-ops of contractors

Washington State Home Care Cooperatives

- Five home care cooperatives with similar structures;
- Variation in consumer demand is the key predictor of scale, growth, size of profit shares; consistency of hours and availability of full time work.
- Sufficient startup financing appears important

Allied Up, California Harvester, and Drivers Co-op examples

- All point to the importance & challenge of securing market share



Variations to ponder

Variation in contracting mechanisms

- Independent direct contractors vs, staffing firms vs. app-based platforms
- Each have distinct strategies, with distinct approaches to clients and to workers

Variation in sector

- Sectors and regions with high demand or labor shortage have more leverage to pursue high-road higher-wage strategies



Management of CLCs is hard

Managers need

- local knowledge of sector and potential clients
- an entrepreneurial spirit to solve problems for clients
- commitment to workplace democracy



Incentives for clients of CLCs

-Legal clarity that contractors are not employees of the client (relief from “joint employment liability”) is a meaningful incentive to businesses post AB5.

Additional incentives for contracting businesses may be required.

- We are not lawyers, but hope lawyers examine structuring CLCs as nonprofits organized along cooperative principles to secure tax exemption for CLCs



Raising demand via higher productivity


- Great technology
 - App that lets clients know which home health care aids are available
 - App that lets workers know what jobs are available
- Higher skills or certification for skills
- Higher quality outputs: Motivation, etc.
- In many sectors such as home health care: Lower turnover



CLC in low wage sectors is very hard

Cannot just proclaim a specific compensation level and expect to find customers

Either

- Accept low compensation in low-wage sectors with competitive markets
 - Raise productivity
 - Find niches willing to pay above-market wages
- 

New Data on Labor Contractor Workers to be Available

Beginning in May 2024 private employers with 100+ employees hired through labor contractors will be required to submit employee pay data to the state's Civil Rights Department (CRD).

Will shed light on labor contractor pay and equity and clarify opportunities for CLC model



Evidence gaps

Evidence gaps

- Lack of data on how worker ownership affects disadvantage employees
- Often unclear on the relative importance of hypothesized barriers (market and government failures)



Learning agenda

Policies can have rigorous evaluations



Conclusions

All of these results are preliminary!

And the policy analysis is even more preliminary!



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

The AB 2849 Study Panel will meet on Thursday, April 25, 2024 from 3:00-5:00pm PDT.

South Natomas Meeting Room – South Natomas Library
2901 Truxel Rd., Sacramento, CA 95833

Directions from Sacramento International Airport

- Start on Hwy 5 South
- Take exit 88 from I-80 East
- Follow Truxel Road
- Turn right on to Pebblestone Way
- The destination is on the left