

Equitable Economic Recovery Through Worker Ownership

April 21, 2021

3:00 p.m. - 4:00 p.m. EST



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LEAGUE
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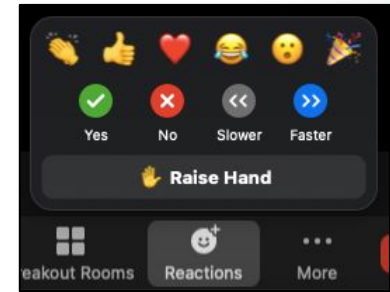
Center for City Solutions

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Welcome & Introductions

- Duration: 3:00 – 4:00 p.m. EST
 - This session is being recorded and the slides will be shared.
- Technical Details
 - Submit questions through the chat box or by using the “raising your hand” reaction.
 - “Cameras on” encouraged! — But if your internet connection is unstable, try turning your video off to improve sound quality.
 - Be sure to mute/unmute yourselves if you are called on to ask your question.



- **Welcome and Introduction**

- **Kyle Funk**, Program Specialist, Housing and Community Development, National League of Cities

- **Democracy at Work Institute**

- **Zen Trenholm**, SEED Program & Policy Manager, Democracy at Work Institute
- **Shevanthi Daniel**, Senior Program Director, Democracy at Work Institute

- **Q&A with Panelists**

- **Wrap-Up & Closing Remarks**



Shevanthi Daniel

Senior Program Director
Democracy at Work Institute



Zen Trenholm

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Democracy at Work Institute



Democracy
at Work
Institute

USFWC

Equitable Economic Recovery Through Worker Ownership

Shevanthi Daniel-Rabkin and Zen Trenholm

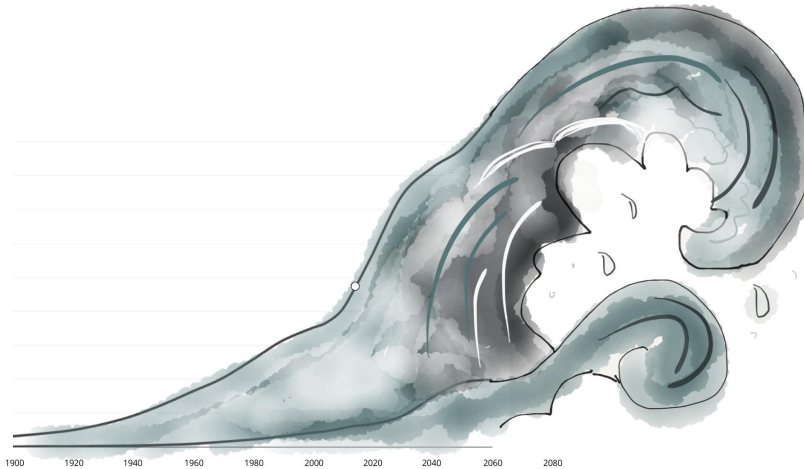
What we will cover today

- ✓ Introduction to worker ownership and its benefits to workers, businesses, communities, and local economies
- ✓ Understand the current landscape of support for worker ownership as a racial equity strategy through examples and stories
- ✓ Learn about several actions you can take to enable worker-owned business formation



Why the time is now

Silver Tsunami



Original image from University of Scranton Journal Fall 2016

COVID-19 and racial inequities



What is Worker Ownership?

What is a Worker Cooperative?

- ✓ A business **owned and controlled** by the people who work in it
- ✓ A way for groups of people to **meet their shared needs and desires**
- ✓ One of several forms of cooperatives: consumer, producer, purchasing
- ✓ One of several forms of broad-based shared ownership

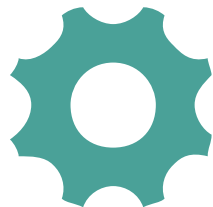


Common forms of broad-based worker ownership



Worker Cooperatives

Wholly-owned by the worker-owners, who share in profits and elect/serve on Board of Directors



Employee Stock Ownership Plans (ESOPs)

ESOPs are retirement plans that own all or part of a company on behalf of its employees



Employee Ownership Trusts (EOTs)

A trust representing employees which owns the business; can be adapted to incorporate democratic principles and profit sharing





WinCo
FOODS



How do they work?

Employee ownership means employees have:

- **Financial equity** giving them real risk and reward
- **A path for participation** to voice their desires and improve their work

A business **owned** by its employees...

..and **controlled** by its employees.



The worker ownership difference

Employee-owned companies:

- ✓ Are resilient
- ✓ Boost both profits and worker wages
- ✓ Grow faster
- ✓ Build wealth
- ✓ Build skills and leadership
- ✓ Create and retain jobs



Who do they benefit?



First-time
entrepreneurs



People locked out
of the job market



Contractors and
contingent workers



Retiring owners and
their employees



Workers in labor
intensive industries

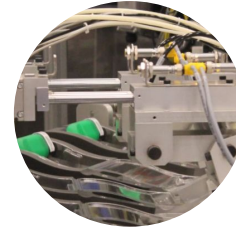


People building
values-based business



Where do you find worker owned companies?

- Retail
- Childcare
- Restaurants and Cafes
- Home Care
- Engineering
- Manufacturing
- Consulting
- Professional services



Cities addressing racial inequities



Cities addressing barriers to work



Cities addressing the small business closure crisis



Federal and State support



MassCEO
Massachusetts Center
for Employee Ownership



Time-tested models with wide appeal



"The time has come to substantially expand employee ownership in America. **Study after study has shown that employee ownership increases employment, increases productivity, increases sales, and increases wages** in the United States." (2019)



"I can't help but believe that in the future we will see in the United States and throughout the western world an increasing trend toward **the next logical step, employee ownership. It is a path that befits a free people.**" (1987)



Why are there not more worker cooperatives?





116
G **BLACK WALL STREET**

In the early decades of the 1900's Durham acquired national reputation for entrepreneurship. Businesses owned by African Americans lined Parrish Street. Among them were N.C. Mutual Life Insurance Co. (moved to Parrish, 1906), led by John Merrick, Dr. Aaron Moore, & C. C. Spaulding (1907), led by R. B. Fitzgerald and W. G. Pearson.

NORTH CAROLINA OFFICE OF ARCHIVES AND HISTORY

2004

Sew Crafty.

ONE WAY

NO THRU TRAFFIC
SERVICES AND
EMERGENCY
VEHICLES ONLY

**How can you integrate
worker ownership into your toolkits?**

What worker cooperatives need

- ✓ Access to information and resources
- ✓ Access to small business programs and services
- ✓ Technical assistance and peer support
- ✓ Appropriate and accessible financing



Elements of success for enabling worker ownership

- ✓ Improving access to information and resources
- ✓ Integrating worker ownership into existing programs
- ✓ Providing technical assistance support and connection to peers
- ✓ Making loans and guarantees accessible



First steps for enabling worker ownership

- ✓ Determine the issue you want to focus on, then decide the appropriate strategy
- ✓ If the priority is retaining small businesses from preventable closures, **consider a legacy business conversion strategy**
- ✓ If the priority is creating opportunities for people with barriers to employment and high quality jobs, **consider a start up strategy**



What is needed for a legacy business conversion strategy?



- ✓ **Market research and/or analysis** to understand your legacy business community
- ✓ **Education and promotion** to normalize both legacy business preservation and worker ownership
- ✓ **Business owner education and outreach** to understand needs and help them explore the option
- ✓ Connection to **technical assistance** providers and **capital** providers



Elements for success: Legacy business conversion strategy ideas

✓ Improve access to information and resources

- Market research and legacy business registry
- Promote legacy business preservation and transitions to worker ownership as a succession plan option through a webpage or “hotline”

✓ Integrate worker ownership into existing programs

- Commercial corridor outreach (e.g. Philadelphia); “no wrong door” approaches
- Succession planning referrals; partnership with SBDCs, chambers, and regional EDOs
- Layoff aversion initiatives


An Initiative of Employee Ownership NYC

Owner to Owners
Business Transition Hotline

Sell your business to the people who care most.

Owner to Owners helps business owners explore the option of selling their company to their employees at a fair market price while preserving jobs and sustaining wealth.

[Get Support](#)

A photograph of three people, two men and one woman, all wearing dark aprons over their shirts. They are standing together and smiling at the camera. The woman is in the center, flanked by the two men.

Elements for success: Legacy business conversion strategy ideas (ctd)

✓ **Providing technical assistance support**

- Subsidize business outreach, education, and technical services; Community Development Block Grants funds; trusted intermediaries (e.g. Miami)

✓ **Making loans and guarantees accessible**

- Audit and amend existing programs to remove barriers and qualify conversion financing
- Create or extend existing loan guarantee programs
- Partner with equity funds to make patient capital available (e.g. Legacy Business Fund)
- Partner with local foundations to make equity investments



Examples of legacy business conversion strategies: Rural



The Northeast Workforce Development Board used **WIOA funds for a training series** for their Workforce Investment Board partners on business exit planning and the employee ownership option.

Maine's Department of Labor used WIOA funds to pay for assessing the feasibility of an employee buyout of the state's largest home healthcare agency.



Examples of legacy business conversion strategies: Medium City



City of Santa Clara launched its Worker Ownership Initiative to preserve legacy businesses through worker ownership conversions. The city does not have a small business department but it did have discretionary funding.

Critical elements include:

- Mayor and City Council support
- Communications investment (webpage)
- Experience technical assistance (regional/national)



What is needed for a start up strategy?

- ✓ Clarity on the population to be served and their needs and capacity; there are two development paths:
 - **entrepreneur-driven** (investment of time and connection to resources) and **developer-driven** (investment of money and ongoing support)
- ✓ Both paths benefit from:
 - Educational and training services
 - Access to small business and entrepreneurship programs and services (including seed funding)
 - Subsidized technical support



Elements for success: Start up strategy ideas



- ✓ **Improve access to information and resources**
 - Provide educational and training services such as Minneapolis's C-TAP program
- ✓ **Integrate worker ownership into existing programs**
 - Entrepreneurship and micro-business programs like New York City or Washington D.C.
 - Including worker coop start up pilots in workforce recovery strategies like San Francisco
 - Down the line: contracting with start ups to meet essential service needs such as health care, child care, and community health promotion



Elements for success: Start up strategy ideas (continued)

- ✓ **Providing technical assistance support**
 - Subsidize education, and technical services; trusted CBO partners
- ✓ **Making loans and guarantees accessible**
 - Include worker-owned businesses as qualified entities in all entrepreneurship and micro-business grant and start up capital programs



Example of a start up strategy: Large city innovation



DREAMSF
FELLOWSHIP

Rapid Response Cooperatives are worker-owned professional staffing coops for workers with barriers to employment, aggregating resources to market its members, negotiate contracts, and provide back-office services.

Members focus on generating income, while learning in a supportive environment.

Critical elements include:

- City partner to fund start up and development costs
- Developer/back office support admin
- CBO partner to recruit workers from target demographic



American Rescue Plan and Worker Ownership

- ✓ “Small business assistance” is broad but **inclusive of worker ownership**
- ✓ **No more restrictive** than the CARES Act Coronavirus Relief Fund
- ✓ Recipient governments can **transfer funds to a private nonprofit organization** providing business assistance services
- ✓ Reauthorized **State Small Business Credit Initiative (SSBCI)** to support small businesses capital needs
- ✓ **EDA Economic Adjustment Assistance Grants** can be used to rebuild local economies, including capitalizing or recapitalizing **revolving small business loan funds** (Berkeley)



Questions?

FAQs

- ✓ Are all workers able to become worker-owners?
- ✓ How do we build buy-in for worker ownership?
- ✓ What about struggling micro-businesses?
- ✓ What if we don't have local/regional technical assistance capacity?
- ✓ What if we don't have funding for these strategies?
- ✓ What if we don't have a state statute?
- ✓ Where can we learn more and get support?





Thank you!

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“What’s Next? & Closing”

Shared Equity Webinar Series (SEWS) providing deep dives into how to make worker ownership a part of your toolkit (quarterly)

- Information found at [NLC SEED page](#)

Upcoming reports:

- Employee Ownership Report: Economic Recovery and Employee Ownership
- Municipal Policy Playbook
- Contact **Zen Trenholm** (ztrenholm@institute.coop) and **Kyle Funk** (funk@nlc.org) to learn more

- **Use:** [Searchable Summary of Provisions Tool](#)
- **Read:** [Local Recovery — Five Principles for ARP Implementation](#)
- **Read:** [ARP Local Relief FAQ](#)
- **Attend:** [NLC Update Call #6 \(ARP Implementation\)](#)
 - April 23rd, 1:30 p.m. EST

Select topic to view program information.

<input type="checkbox"/> Agriculture <input type="checkbox"/> Broadband <input type="checkbox"/> Education <input type="checkbox"/> Employment <input type="checkbox"/> Energy and Environment <input type="checkbox"/> Health Care <input type="checkbox"/> Homeland Security <input checked="" type="checkbox"/> Housing <input type="checkbox"/> Human Services and Community S... <input type="checkbox"/> Medicaid <input type="checkbox"/> Miscellaneous Provisions <input type="checkbox"/> Nutrition <input type="checkbox"/> Payments to Individuals <input type="checkbox"/> Small Business <input type="checkbox"/> State and Local Assistance <input type="checkbox"/> Taxes <input type="checkbox"/> Transportation and Infrastructure <input type="checkbox"/> Veterans Affairs	Agency	Program	Summary	Amount	Eligible City Sizes	Link to Federal Program
	Department of Agriculture	Relief measures for section 502 and 504 direct loan borrowers	Appropriates \$39 million to assist rural homeowners through the USDA's Section 502 and Section 504 direct loan programs.	\$39 million		https://www.rd.usda.gov/prog-ams-services/single-family-housing-direct-home-loans and https://www.rd.usda.gov/prog-ams-services/single-family-housing-repair-loans-grants
	Department of Agriculture	Emergency assistance for rural housing	To provide grants under section 521(a)(2) of the Housing Act of 1949 or agreements entered into in lieu of debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D) of the Housing Act of 1949, for temporary adjustment of income losses for residents of housing financed or assisted under section 514, 515, or 516 of the Housing Act of 1949 who have experienced income loss but are not currently receiving Federal rental assistance.	\$100 million	Small, Mid-Sized	https://www.rd.usda.gov/about/agencies/rural-housing-service
	Department of Housing and Urban Development	Homelessness assistance and supportive services program	Appropriates \$5 billion to assist people who are homeless with immediate and long-term assistance (emergency housing vouchers). Funds will remain available until September 20, 2030.	\$5 billion		https://www.hhs.gov/program/social-services/homelessness/index.html
	Department of Housing and Urban Development	Housing assistance and supportive services programs for Native Americans	Appropriates \$750 million for the Native American Housing Block Grants, Native Hawaiian Housing Block Grant and Indian Community Block Grant programs.	\$750 million		
	Department of Housing and Urban Development	Emergency housing vouchers	Funds available through Sept. 30, 2030.	\$5 billion		
	Department of Treasury	Emergency Rental Assistance Program	\$21.55 billion for emergency rental assistance via Corona Relief Fund (remains available)	\$21.55 billion		https://home.treasury.gov/po-icy-issues/cares/emergency-re



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