Equitable Economic Recovery Through Worker Ownership

April 21, 2021
3:00 p.m. - 4:00 p.m. EST
Welcome & Introductions

Kyle Funk
Program Specialist
Housing & Community Development
Center for City Solutions
National League of Cities
funk@nlc.org
• 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
Speakers

Shevanthi Daniel
Senior Program Director
Democracy at Work Institute

Zen Trenholm
SEED Program & Policy Manager
Democracy at Work Institute

Democracy at Work Institute
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

COVID-19 and racial inequities

Original image from University of Scranton Journal Fall 2016
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
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
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

CLEVELAND

MADISON

PHILADELPHIA
Cities addressing barriers to work

BOSTON  SAN FRANCISCO  NEW YORK
Cities addressing the small business closure crisis
Federal and State support

THE MAIN STREET EMPLOYEE OWNERSHIP ACT HAS PASSED!

MassCEO
Massachusetts Center for Employee Ownership
“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?
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 and Mechanics and Farmers Bank (1907), led by R. B. Fitzgerald and W. G. Pearson.
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
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

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!

Shevanthi Daniel- Rabkin
Senior Program Director
sdaniel@institute.coop

Zen Trenholm
SEED Program and Policy Manager
ztrenholm@institute.coop
“What’s Next? & Closing”

Kyle Funk
Program Specialist
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Center for City Solutions
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Upcoming Resources from DAWI & NLC

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