

CONCURRENCE IN SENATE AMENDMENTS

AB 2849 (Mia Bonta)

As Amended August 17, 2022

Majority vote

SUMMARY

Enacts the Promote Ownership by Workers for Economic Recovery (POWER) Act that establishes a panel, within state government, to conduct a study regarding the creation of an Association of Cooperative Labor Contractors for the purpose of facilitating the growth of democratically run high-road cooperative labor contractors. Also requires the study to consider specified issues and to be complete and publicly available by June 30, 2024.

Senate Amendments

- 1) Delete the requirement that the Labor and Workforce Development Agency (LWDA) organize a corporation under the Nonprofit Mutual Benefit Corporation Law to function as a membership organization for cooperative labor contractors.
- 2) Require staff from the LWDA, or a subsidiary department thereof selected by the Secretary of Labor and Workforce Development, to assist the panel in its tasks.
- 3) Require that the panel consist of the all of the following members:
 - a) The secretary or the director of a subsidiary department, as specified.
 - b) The Director of the Governor's Office of Business and Economic Development.
 - c) An appointee of the Speaker of the Assembly.
 - d) An appointee of the President pro Tempore of the Senate.
 - e) A representative from the Future of Work Commission, as specified.
- 4) Permit the panel, in preparing the study, to retain outside experts on high-road jobs, worker cooperatives, business formation, and other pertinent topics.
- 5) Require the study to consider, at a minimum, how to do all of the following:
 - a) Advance the goals of the Future of Work Commission.
 - b) Incentivize the growth of the association and its members.
 - c) Promote tenets of democratic worker control, including, but not limited to, uniform hiring and ownership eligibility criteria, worker-owners working most hours worked, most voting ownership interest being held by worker-owners, most voting power being held by worker-owners, and worker-owners exercising their vote on a one-person, one-vote basis.
 - d) Ensure that the association's members offer high-road jobs, which include, but are not limited to, jobs with the right to organize and participate in labor organizations and jobs with minimum labor standards, as specified, a compensation ratio between the highest

and lowest paid employees, minimum health expenditures, minimum retirement expenditures, and protections for individuals formerly in the criminal justice system.

- 6) Require 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 the major sectors of the economy throughout the state.

COMMENTS

A 2021 report by the California Budget and Policy Center found that "workers in California's lowest-paying private-sector industries lost more than 100,000 jobs in December, while those in higher-paying industries gained jobs. Most layoffs occurred in the very low-paying leisure and hospitality industry, which largely includes jobs at restaurants. This new round of layoffs for California workers continued the uneven pattern of job losses that has occurred all throughout the recession." The report further found that "about three in five Latinx and Black households in California lost earnings during the pandemic as of late 2020."¹

Additionally, a joint report by Project Equity and the Democracy at Work Institute suggests that worker cooperatives may have a potential impact on reducing inequalities for low-wage workers.² This report further found that since the economic crash of 2008, there has been widespread reported dissatisfaction with prevailing economic models, which has driven interest in worker cooperatives. According to this report, "as cities across the United States rethink their approach to economic development, they are trying new strategies and tools to promote sustainability and inclusion. From city halls to community colleges to community development financial institutions, various municipal and regional actors are engaging with worker co-op development as a way to address growing income and wealth inequality."³

According to the Author

"Forming worker co-ops can be difficult due to complicated state and federal laws, tax laws, and access to capital. A typical worker owned co-op needs to have access to capital, and often requires multiple financial sources such as loans from banks, CDFIs, investors, members, or even community members. Additionally, there is no uniform cooperative code in the United States, and definitions and incorporation guidelines vary from state to state. The lack of understanding around co-ops has created material challenges for these entities. For example, worker co-ops in California have reported facing administrative struggles in obtaining loans, insurance, and other areas where an individual is asked to sign and unduly take on the liability that is in actuality spread across the worker-owners."

Arguments in Support

The California State Council of Service Employees International Union (SEIU), sponsor to the bill, states, "Worker co-ops operate across the world and across industries, both as for-profit and nonprofit enterprises. In contrast to the conditions many workers are facing today, worker co-ops

¹ Anderson, Alissa. *Low-Paid Workers and Their Families Take Another Blow as California Begins to Lose Jobs Again*. California Budget and Policy Center. February 2021.

² Abell, Hilary and Hoover. *The Cooperative Growth Ecosystem: Inclusive Economic Development in Action*. Project Equity and the Democracy at Work Institute. January 2016.

³ Ibid.

offer a worker-centered model that offers both a sustainable, long-term arrangement for workers, and accelerates their economic recovery. While the worker co-op model has been successful globally and in smaller operations in the United States, co-ops have not yet scaled up, largely due to a lack of access to capital and to expertise in navigating the complex tax and corporation laws associated with forming a co-op."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Senate Appropriations Committee, the Labor and Workforce Development Agency (LWDA) would likely incur a one-time cost in the hundreds of thousands of dollars to complete the study (General Fund).

VOTES:

ASM BANKING AND FINANCE: 9-3-0

YES: Grayson, Bauer-Kahan, Cervantes, Mike Fong, Gabriel, Petrie-Norris, Stone, Wicks, Wilson

NO: Chen, Choi, Nguyen

ASM LABOR AND EMPLOYMENT: 5-1-1

YES: Kalra, Flora, Jones-Sawyer, Reyes, Lee

NO: Seyarto

ABS, ABST OR NV: Ward

ASM APPROPRIATIONS: 12-4-0

YES: Holden, Bryan, Calderon, Carrillo, Mike Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Wilson

NO: Bigelow, Megan Dahle, Davies, Fong

ASSEMBLY FLOOR: 56-15-7

YES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Bloom, Boerner Horvath, Mia Bonta, Bryan, Calderon, Carrillo, Cervantes, Cooley, Cooper, Flora, Mike Fong, Friedman, Gabriel, Cristina Garcia, Eduardo Garcia, Gipson, Gray, Grayson, Haney, Holden, Irwin, Jones-Sawyer, Kalra, Lee, Levine, Low, Maienschein, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Stone, Ting, Villapudua, Ward, Akilah Weber, Wicks, Wilson, Wood, Rendon

NO: Bigelow, Choi, Cunningham, Megan Dahle, Davies, Fong, Gallagher, Kiley, Mathis, Nguyen, Patterson, Seyarto, Smith, Voepel, Waldron

ABS, ABST OR NV: Berman, Chen, Daly, Lackey, Mayes, O'Donnell, Valladares

UPDATED

VERSION: August 17, 2022

CONSULTANT: Martin Vindiola / L. & E. / (916) 319-2091

FN: 0003954