

MOTION

Wealth inequality is one of the defining issues of our time, nationally and in the City of Los Angeles. While Los Angeles has positioned itself as a leader in tackling inequality – for example, enacting one of the first \$15 minimum wages among major U.S. cities – it is also home to some of the wealthiest companies and individuals in the country and high levels of wage and asset inequality. Because many sectors in our local economy offer predominantly low wage jobs and limited economic mobility, the City must think outside the box in creating avenues for its low- and moderate-income workers to build and sustain wealth – lest they be pushed out of Los Angeles entirely.

At the same time, the City faces, like many other cities, an imminent “Silver Tsunami,” as members of the Baby Boomer generation begin to retire. One possible consequence of this demographic shift is the large-scale loss of small and independent enterprises, given the number of business owners in the Boomer generation who lack succession plans. Nationally, according to Project Equity, an estimated 2.9 million businesses with employees are owned by retiring Baby Boomers, employing roughly 32.1 million people. A wave of small business closures would not only lead to massive job losses, but also to corporate consolidation, with harmful consequences for the local economy. Studies show that locally owned businesses recirculate much more of their profits within the local economy, as compared to corporate chains.

To address wealth inequality and the coming Silver Tsunami, the City should begin to affirmatively promote employee-owned enterprises. Employee ownership enables workers to share in the profits they help generate for an enterprise, facilitating economic mobility and wealth creation among workers. In addition, a transition to employee ownership can serve as a viable succession strategy for small and independent businesses with retiring owners.

An abundance of evidence shows that workers in employee-owned firms have significantly higher wages, better benefits, more long-term asset creation, and more job stability than workers at firms with traditional ownership structures. A Harvard Business School study found that if 30 percent of every U.S. business were owned by its workers, the median household would see its net worth double from \$121,760 to \$230,076. The bottom 20 percent of households would see the largest gains, with their mean wealth increasing four-fold, from \$10,060 to \$40,000.

Enabling more employee ownership in our local business sector would disproportionately help groups that are marginalized in the current labor market: immigrants, Black Angelenos, people of color, women, and formerly incarcerated individuals. The Harvard study found that median wealth among Black households would increase from \$24,000 to \$106,000 if 30 percent of every U.S. business were owned by its workers. Another report, from the American Economics



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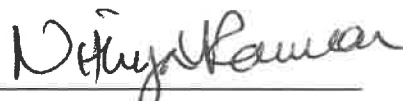
Association, found that formerly incarcerated individuals working in employee-owned firms were significantly less likely to be arrested, convicted, and incarcerated.

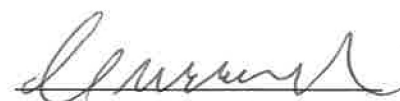
Given their clear benefits in terms of equity and economic inclusion, the City of Los Angeles should seek to facilitate the creation of more employee-owned enterprises, especially by enabling transitions to employee ownership for businesses operated by owners who will soon retire.

I THEREFORE MOVE that the City Council instruct the Economic and Workforce Development Department, with assistance from the City Administrative Officer, Chief Legislative Analyst, Office of Finance, Chief Procurement Officer, and other relevant City Departments to report back within 90 days on the following:

- Key insights and findings from pilot programs currently underway to promote employee ownership in Council District 9, County Supervisorial District 1, and the City of Long Beach;
- Specific recommendations for how these programs should inform the development of a City-wide approach to promoting employee ownership in Los Angeles; and
- Strategies for leveraging existing City programs and policies to promote and incentivize the creation of more employee-owned enterprises in Los Angeles, including through:
 - Inclusion of specific training modules on employee ownership in technical assistance provided to businesses through Business Source Centers, Jobs and Economic Development Incentive Zones, business incubators, and other City programs aimed at small businesses;
 - Establishment of a bid preference for employee-owned businesses in City contracting;
 - Creation of a registry of consumer-facing employee-owned businesses for use in City tourism and marketing materials;
 - Subsidizing of legal, technical and financial assistance to businesses seeking a transition to employee ownership; and
 - Creation of a revolving loan fund for the creation of employee-owned enterprises, modeled after a similar fund in Madison, Wisconsin.

PRESENTED BY:


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