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## California's Proposed Worker Co-Op Model for the Gig Economy

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### Series 2, 10 in 10: Issue 2

In response to the rise in app-based gig economy work and the passage of California's Proposition 22, the California General Assembly is considering the Cooperative Economy Act, which aims to introduce a worker cooperative model into the gig economy. This model would permit workers to group together in jointly-owned organizations, or worker cooperatives, that provide staffing services to gig companies. Workers for the worker cooperatives would be designated as W-2 employees of the cooperative.

Under the proposed bill, the California Labor Commissioner would be required to create and help maintain a nonprofit mutual benefit corporation operating under the name of "Federation of California Worker Cooperatives" (Federation). After the Governor of California appoints the Federation's initial board of directors, the current intent is for the State to have no further involvement in the governance of the Federation.

Membership in the Federation would be restricted to worker cooperatives that comply with the following:

- Uniform hiring and ownership eligibility criteria;
- At least 51% of the workers (natural persons contributing to a worker cooperative) are worker-owners (a worker that holds an ownership interest in a worker cooperative);
- A majority of the voting ownership interest is held by worker-owners;
- A majority of voting power is held by worker-owners; and
- The majority of earnings is distributed based on the quantity or value of work performed rather than ownership interest.

The Federation would be required to:

- Set labor policies for its members, including for hiring, firing, promotion, discipline, compensation, and assignment of work; and
- Provide all management to its members.



Under federal law, the Federation would be deemed the employer of the management professionals (an employee of the Federation that provides management services to members of the Federation) and each cooperative's workers and worker-owners. Under state law, workers and worker-owners would be employees of the Federation and the applicable cooperative. A cooperative would be prohibited from directly employing its own management professionals.

If passed, AB 1319 could fundamentally alter the relationship between workers and gig companies. Although the text of the proposed bill is currently silent as to the precise interaction, the Federation would essentially act as the broker or staffing firm between gig companies and workers. It is currently unclear whether the bill will move out of committee this year, but we will continue to monitor and advise on any developments. Ultimately, companies relying on a contingent workforce should keep a close eye on AB 1319 as its passage could have immediate and lasting effects on business models outside of the gig economy.

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