

CASE STUDY:

HOW INNOVATORS ARE APPROACHING INDEPENDENT REVENUE GENERATION



Summary

As workers continue to bear the brunt of U.S. labor market trends – including the proliferation of low-paid contract or “gig” work¹, rising wage inequality², and decreased participation in labor unions³– massive instability for workers continues. Everyday, worker innovators across the country are pursuing solutions to the most critical challenges faced by workers. Too often, they do not have access or face restrictions when it comes to traditional funding sources, like venture capital, that may help their ideas get off the ground. While philanthropy provides some level of needed support for these innovators, in the long-run, sustainable sources of revenue outside of philanthropy are needed to help these ideas succeed.

To address this issue, many innovators are exploring independent revenue generation (IRG) in order to diversify their funding streams. Independent Revenue Generation is defined in a variety of ways. For the purposes of this case study, IRG is defined as any method innovators use to raise funds outside of institutional philanthropic dollars.

Since its inception, The Workers Lab has been investing in worker-centered innovations, giving them a chance to succeed and flourish. As these innovations scale, opportunities exist for these groups to have a transformative effect on our society, economy, culture, and politics. To learn more about how innovators are implementing IRG, The Workers Lab commissioned a study by independent researchers, Christina Garcia Consulting, to inform the field. As part of this study, researchers reviewed The Workers Lab’s Innovation Fund grant applications and conducted in-depth interviews with eleven innovators⁴ pursuing various approaches to IRG.

We found that innovators bring an entrepreneur's mindset and view to their business models and center the workers as they evaluate and develop their revenue models. For them, the primary purpose for an IRG approach is to achieve positive impacts on workers. Independent Revenue Generation allows the innovators to finance and scale their innovations, pay worker and owner wages and dividends, provide worker and owner benefits, and invest in traditional worker organizing and advocacy efforts.

From our research, several key findings emerged:

1.

Building a model for IRG takes time and planning to develop, and it is important to center workers in developing new models while being flexible enough to respond to changing conditions and new opportunities.

2.

Many of the innovators face challenges competing in an economy that systematically undervalues workers, especially as they price their services and raise investment capital.

3.

Government grants and contracts are another alternative to philanthropic funding that can provide a source of revenue. Accessing this type of funding often requires being able to demonstrate direct value to relevant stakeholders and constituents.

4.

While these projects alone will not be enough to create a larger economy that centers workers, they can help leverage organized political power and provide new scalable models necessary to start making these changes.

5.

Over the long-run, government and philanthropy still have a role to play in providing vulnerable workers with the additional services and support they need to stay employed.

This report provides more detail about these findings in order to inform other innovators interested in pursuing approaches to IRG and funding partners seeking to support this work.

¹ *The State of Gig Work in 2021*

² *State of Working America Wages 2019*

³ *Number of workers represented by a union declined in 2021, showing why we must reform our broken labor law*

⁴ *See the appendix for more detail about these innovators.*

What types of IRG are innovators pursuing?

To learn more about innovator approaches to IRG, researchers reviewed all of the proposals to The Workers Lab's Innovation Fund since the Fall of 2019 that described having plans to pursue some type of IRG. Of those 88 applications, 48 included descriptions of these revenue models. These approaches fell roughly into six categories:

31%

15 INNOVATORS

Traditional sales of goods and services

including clothing, prepared meals, construction, restaurant booking, rideshare services, telecommunication services, legal services, and fees for referrals, and job placements

23%

11 INNOVATORS

Training and certification

for workers (construction, firefighting, restaurant and food safety), employers (supporting survivors of trauma), and organizations (starting a cooperative or microenterprise)

19%

9 INNOVATORS

Licensing and subscriptions

of software platforms for case management, financial services, workforce development, child care matching services, digital organizing tools, rideshare driver data analysis, and AI training simulation

17%

8 INNOVATORS

Public grants and contracts

for workforce training, firefighting services, healthcare, data analysis, and legal aid services

17%

8 INNOVATORS

Employer and union contracts

for referral services, construction labor, equity and inclusion consulting, and worker training and benefits

10%

5 INNOVATORS

Membership dues

for intermediary or political organizations that in turn provide technical assistance, organizing tools, and capacity building support



Some examples of each category are highlighted in the table below.

<p>TRADITIONAL SALES OF GOODS AND SERVICES</p>	<ul style="list-style-type: none"> • Laal NYC started a worker-owned garment factory in the Bronx to employ Bangladeshi women for empowerment and revitalization. • Social Good Fund subsidizes its pro bono legal work to low-income immigrants with fees charged to higher-income immigrants.
<p>TRAINING AND CERTIFICATION</p>	<ul style="list-style-type: none"> • Bay Area Hybrid College Initiative earns modest tuition fees providing students with rigorous, low-cost and job-relevant BA degrees. • FreeFrom charges employers for trauma-informed training and technical assistance on how to implement a survivor leave policy.
<p>LICENSING AND SUBSCRIPTIONS</p>	<ul style="list-style-type: none"> • Leap Fund plans to license its financial calculator to employers. The calculator helps low-wage workers negotiate benefits cliffs as their income increases. • Union Base generates subscription revenue from an education publication and a suite of digital organizing tools.
<p>PUBLIC GRANTS OR CONTRACTS</p>	<ul style="list-style-type: none"> • Forestry and Fire Recruitment Program receives public funding for worker training and firefighting and prevention services. • Warehouse Workers Resource Center is pursuing public funding for its high-road employer training.
<p>EMPLOYER AND UNION CONTRACTS</p>	<ul style="list-style-type: none"> • Carina receives revenue from both unions and the public sector to develop and operate a platform that connects care workers with families in need. • Center for Economic Inclusion consults with employers who want to drive better business results through greater racial equity and worker financial security.
<p>MEMBERSHIP DUES</p>	<ul style="list-style-type: none"> • Working Washington is a membership organization for groups working to raise wages, improve labor standards and decrease income inequality. • Allied Media Projects will charge membership fees to anchor organizations bringing wireless network into disconnected and vulnerable neighborhoods.

What are we learning from IRG innovators?

To learn more about IRG in worker-centered models, researchers conducted in-depth interviews with eleven of these innovators to understand their approaches and some of the lessons they have learned in the process. These 11 innovators (described in more detail in the appendix) represent many different organizational structures and models for generating independent revenue:

5 WORKER COOPERATIVES



Worker Cooperatives (**ChiFresh Kitchen, City Roots, Drivers Cooperative, Drivers Seat, and People's Choice Communications**) most of which provide traditional goods and services, including prepared meals/catering, construction, rideshare, and telecommunications services.

3 NONPROFIT ORGANIZATIONS



Nonprofits (**Emerging Builders, Forestry and Fire Recruitment Program, and Open Door Legal**), pursuing IRG strategies to cultivate more sustainable revenue streams, including public-sector grants and contracts for worker training, firefighting, and legal aid services.

3 FOR-PROFIT GROUPS



For-profits (**Wiggle Room, Certification Associates, and Steady**), providing business management software for the Family Child Care industry, on-site monitoring in construction, and a service to streamline unemployment benefits, respectively.

The lessons generated from these conversations are described below.

Building a model for IRG takes time and planning to develop, and it is important to center workers in developing a new model while being flexible enough to respond to changing conditions and new opportunities.

Many of the innovators stressed the importance of centering the needs of workers in building their models, and some involved workers as key partners in the development process:

Steady

A platform that streamlines unemployment benefits for non-standard/gig workers, facilitated an in-depth process with workers from the Philadelphia Drivers Union and Gig Workers Rising. In partnership with these workers and The Workers Lab, it used Google's Design Sprint methodology to gather input, test, and validate its platform.⁵

Wiggle Room

Created a platform that helps family child care providers streamline their business operations and connect with new families through a centralized booking system. They conducted hundreds of interviews with both providers and parents to better understand their needs along with existing failures and inefficiencies in the system in order to develop a platform to better serve both sets of stakeholders.

The Drivers Cooperative

The Drivers Cooperative, a ride-hailing worker-owned business providing a high-road alternative to major rideshare platforms, developed its platform with the help of a drivers advisory board. It also collects continual feedback from drivers, including a Net Promoter Score, that gives the business a better sense of how happy drivers are with the service.

Like any business, successful innovators need to be flexible and ready to pivot when the right opportunity comes along. Innovators provided many examples, especially true this last year during the pandemic:

People's Choice Communications

A cooperative providing low-cost internet services to families in public housing, was able to secure funding at the beginning of the pandemic to provide internet services to a large family housing project in the Bronx so the school age children living there could access on-line school.

ChiFresh Kitchen

A cooperative providing catering and prepared meals, was in the process of starting its business when the COVID-19 hit. While this created some initial logistical challenges, they were able to secure funding to provide emergency meals to families out of work due to the pandemic. This initial funding helped them grow their operations and now they have approximately five times that initial revenue in existing contracts and have purchased a building in order to expand its operations even further.

City Roots

A cooperative providing back-office support for developers, lost work at the beginning of the pandemic as construction projects had to temporarily shut down. As a result, they explored other opportunities for cooperative businesses, including providing general labor to public-sector construction projects.



⁵ For more information, see "Unemployment Benefits for Gig Workers: Our Design Sprint Progress Report."

Many of the innovators face challenges competing in an economy that systematically undervalues workers, especially as they price their services and raise investment capital.

Providing living wages and benefits to workers while being competitive on price is difficult for some of the innovators. For example, **City Roots** is competing for construction jobs with non-union businesses, and as a result cannot pay workers union-level wages and still secure contracts:

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That leaves you with [wages in the] \$20 to \$22 an hour range, if you're lucky for the worker. So we're looking at what other value proposition we can give to the developer to bump that rate up closer to 45 bucks an hour.

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In the long-run, City Roots believes this value proposition exists for large public-sector projects where developers have incentives to use local workers and can access workforce development funding in the process. **ChiFresh Kitchen** has faced similar challenges around worker compensation:

“

It's hard to get a thriving wage with the margins in food preparation.

”

The cooperative is currently looking into other business opportunities that can provide better wages to worker-owners.

In addition to the challenge of providing living wages, many mainstream investors perceive cooperatives and social enterprises as riskier than other start-ups, making it difficult to raise the upfront capital that innovators need to build their businesses.

As one innovator said, *“People think of co-operatives differently than normal corporations; they kind of think that they are some kind of bootstrap nonprofit that's not going to work, but you have to get over that skepticism and that stigma to be able to fund these enterprises.”*

Another said, *“The proof points required for something like this have just been so, so, so much higher than any other business I've been a part of.”*

This creates real challenges in terms of competing in the sector,

“

If you look at our fundraising to date and you think about it as a brand new nonprofit, we're looking pretty good. But if you look at it as a technology startup in the market as a whole, we're really struggling. And that has really concrete implications in terms of our ability to keep up, much less dominate the market.

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Government grants and contracts are another alternative to philanthropic funding that can provide independent sources of revenue. Accessing this type of funding often requires being able to demonstrate value to relevant stakeholders and constituents.

Many of the innovators that were interviewed were able to access significant public funding from government sources, including school boards, local and state health and workforce agencies, and the California Department of Forestry and Fire Protection. For some innovators (Emerging Builders and Forestry and Fire Program), government grants will help them scale their model thus creating more opportunities for earned revenue. Others (Open Door Legal) plan to use government funding as a long-term, stable source of funding.

Emerging Builders

Creates career opportunities in the construction trades for foster youth, women, Black, and other workers of color in Kansas City, Kansas. Its apprenticeship model includes soft skills, leadership training and mental health support in addition to paid, on-the-job training. The organization receives money for this training from the local school district for the youth served by the program and additional funding from the state of Kansas. In addition to public funding sources, Emerging Builders is exploring other options for earned revenue including charging for placement services, which would include transportation and support to help workers stay on the job, and possible construction projects where the organization would serve as the general contractor and share in the profits from that work.

The Forestry and Fire Program

(FFRP) was founded in California by formerly incarcerated people to help people who have worked in California's Fire Camps to transition into firefighting jobs after leaving prison. Over half of their funding comes from government funding - primarily from the state of California - including grants to provide training to workers and contracts for firefighting and fire prevention services. Forestry and Fire Recruitment Program's long-term plan is to earn a significant proportion of its funding through earned revenue providing firefighting and prevention services through contracts with government and private landowners.

Open Door Legal

provides universal access to civil legal representation to indigent clients in San Francisco in all areas of law, including those who are victims of wage theft and other employer abuses. The organization has been able to scale up quickly by tapping into local government funding. Initially, they started work in one zip code and expanded to three districts. By developing relationships with the Supervisors representing these districts, they were able to build support for their work, which translated into ongoing funding from the city to continue to expand its services. Open Door Legal has also focused on generating long-term support from individual donors, which is generally a more stable source of funding than philanthropy. The organization's budget has increased from \$35,000 to \$3.5 million in less than eight years - half of which is government funding, a quarter from individual donations and a quarter from philanthropic sources. Their success in building stable and growing revenue relies on good storytelling (why their services matter) and demonstrating success (including the deterrent effect they have on other employers, landlords, etc. that would otherwise engage in abusive behavior).

While these projects alone will not be enough to create a larger economy that centers workers, they can help leverage organized political power and provide new scalable models necessary to start making these changes.

As these projects grow, greater engagement with workers will provide opportunities for larger systemic changes. As one innovator said,

“

From a power building perspective, we want people to socialize the idea that they are one among many, that individually they have their own power and together they have more power to make bigger changes.

”

🛡️ The Drivers Cooperative

Has grown quickly because its drivers know that they can make more money per ride, and as a result, they provide more reliable service to customers. This virtuous cycle creates the potential for The Drivers Cooperative to be a serious competitor to major ride-hailing platforms, thus providing a high-road model that can be replicated in other places. The cooperative model gives drivers a real stake in the industry and more power as a collective. For example, the cooperative was able to work with a credit union to help drivers finance their cars at lower rates. One driver, for example, had his monthly payment go from \$1,900 to \$500, which had a huge impact on his quality of life.

🛡️ Certification Associates

Is an accredited monitoring entity in Central Texas that provides independent, third-party monitoring to developers in the construction industry who commit to participating in the Better Builder® Program. The Better Builder® Program was started by the Workers Defense Project (WDP) and their construction worker members with the goal of building political and economic power for construction workers in a scalable way by setting higher wage and safety standards on construction projects. Some of these standards include: living wages, providing Workers Compensation insurance, OSHA safety training and following safety standards and laws. The most critical of the standards is independent on-site monitoring to ensure that the wage and safety standards are met. Certification Associates was the first monitoring entity WDP accredited to do on-site monitoring on Better Builder® sites. To date, the Better Builder® Program has impacted the lives of over 38,000 construction workers in Central Texas. The program is also expanding to other big cities in Texas including Houston and Dallas.

🛡️ Drivers Seat

Creates opportunities to use data to better advocate for worker-friendly policies and safety net programs. The data that Drivers Seat is collecting from drivers can be aggregated to help advocate for better policy and provide a counter-narrative against arguments the large ride-hailing platforms often use to fight government efforts to provide more job security and benefits to drivers. Similarly, Steady plans to expand its platform to include other public benefits and use its aggregated data to expose holes in the safety net for gig workers.

Over the long-run, government and philanthropy have a role to play in providing vulnerable workers with the additional services and supports that they need to stay employed.

For example, **Emerging Builders** works with former foster youth who need extra support to make the transition to a stable job. With government and philanthropic resources, the program provides leadership and life skills training, cognitive behavioral therapy, and support groups that are informed by trauma-based approaches. Similarly, **ChiFresh Kitchen** provides extra support for its workers who are largely women leaving the criminal justice system and often reuniting with their children. Because these supports can be resourced with other government and philanthropic dollars, these organizations realize that they should continue to cultivate other sources of funding for this work.

And the work continues...

The Workers Lab is excited to see the diversity in IRG approaches and learn more about how our innovators think about and frame their business models and revenue strategies in a way that de-centers and reduces their dependence on institutional philanthropy and positively impacts workers. We will continue to partner closely with innovators to track and support their worker-centered efforts to demonstrate the possibilities of revenue approaches and economic models that distribute wealth and wellness to workers equitably.

Appendix: Innovator Models and Approaches

CHIFRESH KITCHEN	CHICAGO, IL	Provides independent, third-party monitoring to developers in the construction industry who commit to participating in the Better Builder® Program.	Developers or Project owners pay a fee for monitoring services.
CERTIFICATION ASSOCIATES	CENTRAL TEXAS	Provides Better Builder certification for high-road employers in the construction sector.	Primary revenue will come from developer fees.
CITY ROOTS	NYC, NY	Cooperative business that provides shared back-office support for residential construction.	City Roots charges a fee for its back-office support depending on the size of the project. It is also exploring opportunities to compete for commercial construction projects.
DRIVERS COOPERATIVE	NYC, NY	A cooperative business for ride-share drivers. It has created a tech platform for ride share that gives drivers a higher share of the fare.	Drivers Cooperative takes a percentage of each fare, though much smaller share than its larger competitors (i.e. Uber and Lyft).
DRIVERS SEAT	NATIONAL	A tech platform that gives drivers more control over their data in order to maximize their revenue.	Drivers Seat plans to aggregate and sell driver data to corporations and use it to run analysis for public-sector clients as a way to impact public policy.
EMERGING BUILDERS	ST LOUIS, MO	Provides training and job placement in the construction trades, mostly to youth of color.	It receives public funding for its training programs and is exploring construction contracts and other investment opportunities.

Appendix: Continued

FORESTRY AND FIRE RECRUITMENT PROGRAM	CALIFORNIA	Provides training and job placement people leaving prison for jobs in fire-fighting and prevention.	It receives state and local government contracts for workforce training and firefighting and prevention.
OPEN DOOR LEGAL	SAN FRANCISCO, CA	Provides free legal services to low-income residents, including wage theft and housing disputes.	Around half of its funding comes from the City and County of San Francisco.
PEOPLE'S CHOICE COMMUNICATIONS	NYC, NY	Provides low-cost internet services to public and other affordable housing projects in NYC.	Monthly fees will be charged to consumers, with a discount to the residents who become part of the cooperative.
STEADY	NATIONAL	A tech platform that streamlines delivery of unemployment benefits to non-standard (gig) workers.	States using the platform will be charged a start-up fee, and workers will be charged a small fee for submitting a claim.
WIGGLE ROOM	NYC, NY	Tech platform to connect childcare providers with families in need of care.	Revenue will come from a small subscription fee charged to child care providers.



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