PRIVATE EQUITY PROFITS FROM DISASTER

at the Expense of Workers, Communities, and Climate

AUGUST 2023

PRIVATE EQUITY STAKEHOLDER PROJECT

RESILIENCE FORCE

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Executive Summary

As climate change accelerates and impacts more communities around the world, the need for skilled labor in the disaster restoration industry grows. Increasingly, private equity firms seeking high returns for themselves have come to dominate the disaster recovery sector, reducing workplace standards, overcharging communities and exploiting disasters to extract fees and profits without regard to the workers and communities harmed by their practices.

These high-risk disaster restoration companies entice workers to leave their homes for weeks and months at a time to rebuild communities, often spending long days and nights cleaning up disasters, forced to live together in poor housing. Many of these employers refuse to pay living wages and offer few to no benefits. They often send workers into dangerous, toxic messes with insufficient training, inadequate protective gear and poor staffing levels and then refuse to pay workers what was promised. The companies set up elaborate schemes – franchises, subcontractors, temporary positions and other structures – that make it hard for workers to hold the employers accountable for wage theft, health and safety issues, and related problems. The purpose of this report is to document how private equity companies contribute to climate disasters, profiting from disaster cleanup while harming workers, taxpayers and communities. To be sure, not every company engages in these practices. Some employers are committed to restoring communities, treating workers fairly and being responsible. However, there are far too many examples of exploitation and irresponsible corporate practices to remain silent.

Historically, the disaster restoration industry has been made up of smaller, independent businesses handling local projects. After the massive efforts required post-Hurricane Katrina and the increasing frequency and magnitude of climate disasters, private equity firms saw an opportunity to consolidate the market by buying up smaller companies. In a 2017 piece on now private equity-owned disaster restoration company Belfor, **Forbes explained** why bigger companies benefit from this model: "[Belfor's] competition is fragmented: mostly local cleanup crews in any given market, who lack Belfor's experience and scale. Hence, when insurance companies or multinationals like Wal-Mart or General Electric have a big mess on their hands, Belfor tends to get the first call."[1] In 2018, the last year of publicly released financial data from Belfor before it was acquired by private equity firm American Securities, the company reported $1.95 billion in revenue.[2]

There are no conclusive numbers on how much the disaster restoration industry is worth; several companies claim the industry is valued at $210 billion, but have no sources backing that number.[3] What is clear, however, is that private equity firms are taking an increased interest in the sector as climate-related disasters become more frequent and severe. Private equity firms that own these companies should be responsible for making sure worker needs are met, says Saket Soni, founder and director of Resilience Force: "We must ensure that these companies and their private equity backers who profit from disaster, pay and protect the resilience workers who are essential to helping communities adapt and recover." Workers are employed (directly or indirectly through subcontractors) at the following private-equity owned companies:

PRIVATE EQUITY-OWNED RESTORATION COMPANIES

COMPANY	OTHER NAMES	PE FIRM OWNER	LAST SALE	REGIONS	FOSSIL FUEL?
BluSky Restoration Contractors		Partners Group, Kohlberg & Company	10/13/2021	40+ states	Y
ServiceMaster	Two Men and a Truck, Aftermath	Roark Capital, ATP Private Equity Partners	10/01/2020	50 states, 10 countries	Y
ATI Restoration	Venturi Restoration, Restoration Holdings, Response Team 1	TSG Consumer	8/4/2020	CA, AZ, CO, TX, DE, FL, GA, KY, MA, IL, PA, TN, NV, WA	N
FRSTeam		Incline Equity Partners, MidOcean Partners	6/11/2020	31 states, Canada	N
Restoration 1		MPK Equity Partners	4/24/2020	43 states	N
Cotton Holdings Inc	Cotton Commercial, OneLodge, Stellar Commercial Roofing, Full Circle Restoration, Advance Catastrophe Technologies (ACT), Target Solutions	Sun Capital Partners	1/7/2020	50 states, Canada, Mexico, Puerto Rico	N
Blackmon Mooring (BMS)		AEA Investors	9/30/2019	GA, NC, TX, MA, SC, IL, PA, CA, FL, NY, NJ, TN, OK, AZ, MI, MD	N
American Restoration	Utah Disaster Kleenup, Calvary Construction, A&J Property Restoration	Soundcore Capital Partners	5/19/2019	UT, ID, TX, WA, OR, WI, NM, GA, IL, AK	N

COMPANY	OTHER NAMES	PE FIRM OWNER	LAST SALE	REGIONS	FOSSIL FUEL?
BELFOR Holdings		American Securities	4/6/2019	39 states	Y
ServPro		Blackstone	3/26/2019	50 states, DC, Canada	Y
North American Roofing		Harris Preston & Partners, Silver Oak Services Partners	11/21/2018	50 states, Puerto Rico, US Virgin Islands	N
Blue Team		Palm Beach Capital	10/17/2018	50 states	N
RESCON Restoration and Construction	South River Restoration	SIER Capital Partners, PNC Mezzanine Capital	11/9/2017	GA, FL, MA, RI, CT, NH, MD	N
The Lemoine Company	Workforce Group, DCMC Partners	Bernhard Capital Partners	5/19/2019	AL, LA, TX, VA, Puerto Rico	Y

Multiple private equity-owned restoration companies belong to the Restoration Industry Association. The organization hosts networking events, training courses, and releases position statements on relevant policy issues. RIA's 2022-2023 **board of directors** has three representatives from private equity-owned companies: Matthew Preston of Servpro is a director at large; the Secretary is Warner Cruz of BluSky Restoration; the Vice President is ATI Restoration's Jeff Moore.[4]

In 2021, ATI Restoration made a **$30,000 contribution** to the RIA Advocacy and Government Affairs Committee (AGA), the arm of RIA that advocates for its members and the industry as a whole.[5] RIA saw a **165% increase** in net operating revenue in 2021, indicating growing interest in building an influential bloc within the industry.[6] The AGA raised funds from companies in the industry with the goal of hiring a "Restoration Advocate" and eventually a team of lobbyists. Though the association has not reported any lobbying to the federal government,[7] it has engaged in various advocacy efforts; for example, RIA released a statement with other organizations requesting that government officials recognize restoration companies as essential businesses in 2020.[8]

According to a **2022 State of the Industry Report**, restoration companies are having trouble finding enough workers for jobs.[9] In addition to the thousands of workers that lost their lives due to Covid-19, many more are unable to return to work due to injury or illness – Richard Johnson from the Urban Institute **estimated** that 1.9 million jobs in the US were unfulfilled due to Covid as of January 2022.[10] While companies struggle to find workers with the skills required for the hard work of restoration, restoration companies, particularly those owned by private equity firms, should also prioritize protecting and retaining its existing workforce by providing:

- A living wage, with overtime pay
- Access to high quality medical care for the duration of the job
- Appropriate employee and management training
- Personal protective equipment and safe working conditions

This report explores the ways that private equity-owned companies in the disaster restoration industry have affected workers, communities, and the environment.

From January 2020 through June 2023, private equity firms acquired 72 companies that specialize in disaster restoration.[84] Private equity acquisitions in the sector have increased year over year, with 13 acquisitions in 2020, 20 acquisitions in 2021, 25 acquisitions in 2022, and 14 acquisitions in the first half of 2023 (on pace to be 28 for the year).

More than 80 percent of these acquisitions have taken the form of add-ons, in which an existing private equity-owned company acquires small businesses to grow an existing brand. TSG Consumer's ATI Restoration led the add-on trend with 11 acquisitions in the 3.5 year period. Blackmon Mooring and BluSky Restoration each made 10 acquisitions, rounding out the fastest-growing companies.

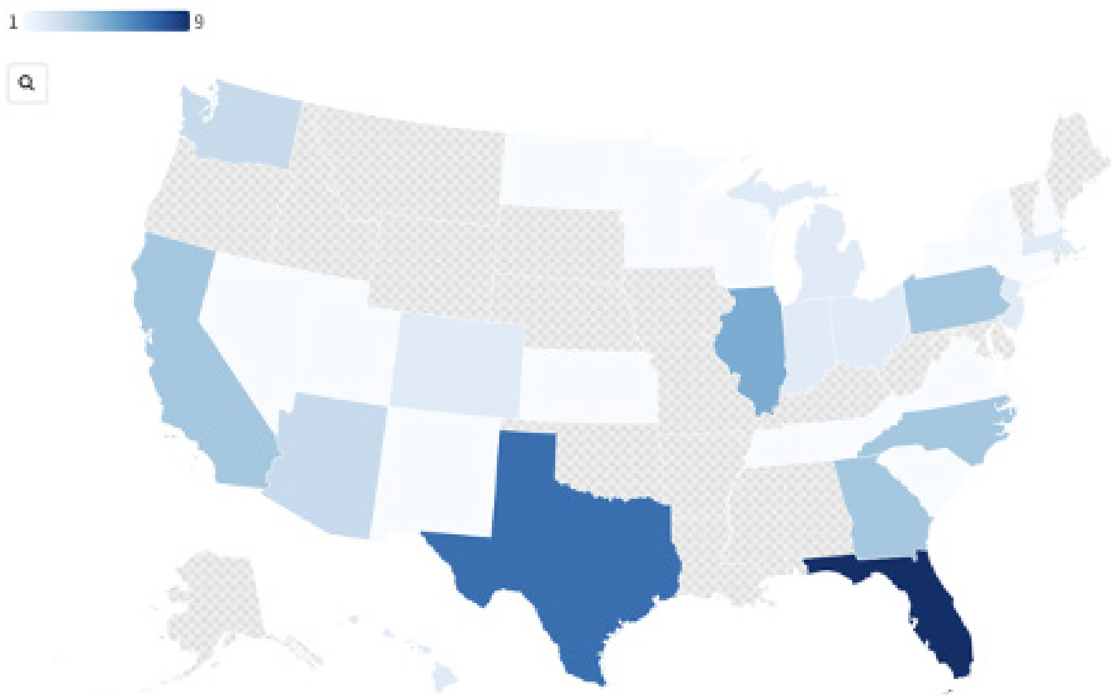
Florida (9), Texas (7), and Illinois (5) saw the most acquisitions from January 2020 to June 2023, but acquisitions in a total of 28 states shows private equity firms' national interest in the sector.

YEAR	ACQUISITIONS	ADD-ONS	% ADD-ONS
2020	13	10	77%
2021	20	13	65%
2022	25	24	96%
2023*	14	13	93%

**Data is from January 1, 2023 through June 30, 2023.*

PARENT COMPANY	PE FIRM	ACQUISITIONS
ATI Restoration	TSG Consumer	11
Blackmon Mooring	AEA Investors	10
BluSky	HarbourVest Partners, Kohlberg & Company, Partners Group, Dominus Capital	10
Highground	Trivest Partners	6
Cotton Holdings	Sun Capital Partners	4
Fleet Response The Pacific Northwest	Trinity Hunt Partners	4
Watterson	Highview Capital	4
National Mitigation & Restoration	White Wolf Capital	3

DISASTER RECOVERY ACQUISITIONS BY STATE (JANUARY 2020 - JUNE 2023)



*Data from Pitchbook. For more information, **see this visualization** on Flourish.*

Climate Impacts

Some private equity firms that own companies in the disaster restoration industry are also contributing to climate disaster by owning dirty fossil fuel companies — and are profiting from the creating the climate crisis even as they profit from cleaning up after climate disasters.

At times, disaster restoration companies themselves directly control fossil fuel investments. For example, The Lemoine Company, a disaster restoration corporation headquartered in Louisiana and owned by private equity firm Bernhard Capital Partners, is **registered as the manager** of Lemoine Pipeline Services.[11] More often, private equity firms have invested heavily in fossil fuel assets like exploration and production companies, pipelines, and coal and gas-fired power plants that contribute to climate disaster while also profiting from separate investments in the expanding disaster restoration industry. Though many firms profit from both sides of disaster, private equity giant Blackstone is perhaps the largest and most well-known firm engaged in this practice.

Case Study: Blackstone's Oil and Gas Investments

Blackstone scored a 'D' grade on Private Equity Stakeholder Project's September **2022 Climate Risks Scorecard**, coming in as the largest carbon emitter out of the eight private equity firms surveyed: "Blackstone backs 21 energy companies, with 52 percent (11 portfolio companies) of them fossil fuel based… In 2020, Blackstone's power plants produced 18.1 million metric tons of carbon dioxide emissions into the atmosphere – more than any other private equity firm listed on the scorecard – and equivalent to the annual emissions of nearly 4 million gas-powered vehicles."[12]

Environmental Protection Agency (EPA) **data shows** that power plants are "the largest stationary source of U.S. greenhouse gas emissions."[13] One of the largest coal pollution emitters in the country is the General James Gavin Power Plant in Ohio. In partnership with private equity firm ArcLight Capital Holdings, Blackstone created Lightstone Generation LLC and acquired the Gavin coal plant along with three natural-gas plants in 2017. According to a 2022 **report from Americans for Financial Reform**, the Gavin coal plant had the most potential public health impacts of any private equity-owned plant in the report, with 244 deaths, 96 heart attacks, and 2,373 asthma attacks potentially caused by pollution from the plant.[14] Beyond impacts to worker and community health, the dangerous effects of the plant can actually cause companies to lose money – the 11,750 work-loss days at Gavin cost companies more than $2.3 million.[15]

In November 2022, the EPA **ordered** the Gavin Power Plant to stop disposing of toxic coal ash that could potentially end up leaking into local bodies of water.[16] The order came after the power plant requested to extend the deadline for coal ash disposal, resulting in the EPA issuing the first ever denial of such a request. In announcing the order, EPA administrator Michael Regan **said:** "For too long, communities already disproportionately impacted by high levels of pollution have been burdened by improper coal ash disposal. Today's action reaffirms that surface impoundments or landfills cannot be closed with coal ash in contact with groundwater, ensuring safe water resources for these communities while protecting public health and ensuring a reliable supply of electricity."[17]

In October 2021, the Institute for Energy Economics and Financial Analysis (IEEFA) **warned** that "pension funds investing indirectly in Ohio's Gavin coal plant are at risk as financial, environmental disadvantages mount."[18] In addition to the continued risk to natural and human health as a result of the plant's pollution, the warning noted financial risks from the company's high levels of debt that may be difficult to refinance due to "the banking industry's turn away from the fossil fuel sector." Indeed, Blackstone and Arclight negotiated to extend the debt maturity of the "struggling" Gavin plant's parent company in 2022, and refinanced the $1.7 billion term loan that was set to mature in January 2024 after offering sweeteners to entice lenders, **according to the *Wall Street Journal***.[19]

Blackstone has **committed** to decarbonization targets for existing assets and has placed restrictions on future investments.[20] Though Blackstone said it will not make new investments in oil and gas exploration and production (upstream) in its buyout and credit strategies, it will maintain its current fossil fuel investments.[21] Furthermore, it will continue to make future investments in companies that transport oil and gas (midstream assets like pipelines) or those that turn fuel into other products (downstream). Blackstone's **head of ESG insisted** that the company is focused on gradual decarbonization rather than divestment.[22] Unfortunately, Blackstone's slow-moving strategy leaves one of the most toxic polluters in the United States in its portfolio, extending its contribution to climate disasters – Blackstone has not announced retirement or transition plans for its largest coal-fired power plants like Gavin.

Gavin is not Blackstone's only dirty asset – two other Blackstone investments, the Rover Pipeline and Tallgrass Energy, made PESP's February 2022 **Dirty Dozen report**.[23] Blackstone, ArcLight Capital, and their investors have made millions of dollars from these investments, including a **$375 million dividend** in 2018.[24] Investors with Blackstone and other private-equity firms that own fossil-fuel assets should carefully consider how these investments align with the following climate demands for private equity:

1. Align with science-based climate targets to limit global warming to 1.5C
2. Disclose fossil fuel exposure, emissions, and impacts
3. Report a portfolio-wide energy transition plan
4. Integrate climate and environmental justice
5. Provide transparency on political spending and climate lobbying

Impacts on the Growing Climate Resilience Workforce

The difficult work of rebuilding communities after disaster is largely done by immigrants, currently and formerly incarcerated people, and US-born people of color, groups that have a long history of facing discrimination and neglect at work. These workers, sometimes referred to as resilience workers, enter a very dangerous industry – in 2020, more than **1 in 5 worker deaths** were in the construction industry.[25] Beyond this, workers face wage theft and health and safety concerns with little accountability on the part of top contractors or subcontractors.

Wage Theft

Wage theft is notoriously hard to prove across industries but particularly in construction, where many jobs are only temporary, work is structured through confusing layers of subcontractors, and workers rarely get a contract with the rate they were promised in writing. Wage theft can take a variety of different forms – paying workers later than scheduled, withholding overtime pay, and falling below minimum wage requirements are all ways that workers suffer from wage theft. A 2020 study by the Midwest Economic Development Institute found that **18 percent of construction workers** in Illinois, Wisconsin, or Minnesota have experienced wage theft.[26] While this most directly impacts workers and their families, the study also showed how wage theft leads to extreme costs for contractors and taxpayers, with states losing millions of dollars in state tax revenues each year due to payroll fraud.

Many workers in reconstruction are immigrants, with some being undocumented. When such workers complain about their unpaid wages or overtime, subcontractors and contractors sometimes respond with insidious threats to expose their precarious immigration status and make reports to local law enforcement or to the U.S. Immigration and Customs Enforcement agency. In many parts of the United States, due to close cooperation between local law enforcement and ICE, a call to local law enforcement is tantamount to a call to ICE.

This section explores wage theft at three private equity-owned disaster restoration companies: Cotton Holdings, BluSky Restoration, and Servpro.

Cotton Holdings

After Hurricane Irma made landfall in 2017, Cotton Holdings (doing business as Cotton Commercial) hired over 50 workers to rebuild two luxury hotels in the Florida Keys. Cotton used temp agency Superior Staffing & Payroll Services (SPSS) to find workers for the project, and workers expected to be paid by SPSS. Though the workers completed the cleanup they were hired to do, they alleged that the staffing firm hired by Cotton withheld the full pay workers were due – in some cases, workers were only paid for one out of five weeks of work, and several workers received checks that bounced. When workers complained, workers alleged, the temp agency allegedly threatened them with deportation.[27]

When efforts to get their wages from SPSS were not successful, workers turned to Cotton for answers. After two years and little progress, workers decided to pursue legal action. With the support of Resilience Force, an organization dedicated to advocating for workers in the disaster restoration sector, 18 workers sued Cotton and SPSS for failure to pay minimum wage and overtime under the Fair Labor Standards Act. In 2020, workers **won a $50,000 settlement** to be paid by Cotton, "which constitutes backpay, liquidated damages, and damages for retaliating against workers who complained."[28] In February 2021, the court issued a judgment against SPSS and other defendants, ordering them to pay an additional $233,000.[29]

Blusky Restoration

In Cedar Rapids, Iowa, a group of workers from Houston cleaning up damage caused by the August 2020 derecho **walked off the job**, stating that they had endured weeks of receiving less than they were owed.[30] Community partners such as the Center for Worker Justice supported the workers, joining them in protest and writing a **demand letter**[31] to the company and a **memo**[32] detailing workers' allegations and attempts to engage with the company. Following pressure from workers and the community, the company agreed to pay the $30,000 workers were owed. Hector Contreros, one of the nine workers that traveled to Iowa from Texas for the job, **encouraged other workers** to come together and speak up: "We aren't just workers, we are brothers, heads of our households. We are people with feelings, we have responsibilities, we are human beings. If there are other workers … don't be afraid to raise your voice so that they don't get away with (not paying you)."[33]

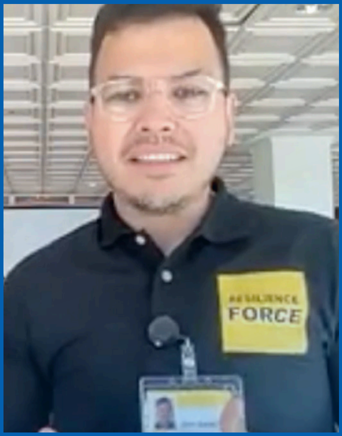
BluSky workers have alleged wage theft in other states as well. Workers hired for jobs in Minnesota and Illinois filed a lawsuit against BluSky alleging missing wages and lack of overtime pay, violations of federal and state Fair Labor Standards Acts.[34] Though the case is still ongoing, the docket shows that settlement proceedings began in September 2022 and the parties reached agreement as to a portion of the case.[35]

Servpro

In November 2019, a SERVPRO franchisee in Boynton Beach, Florida paid more than $200,000 in back wages to nearly 150 employees following an investigation by the US Department of Labor into charges the company failed to pay federally mandated overtime pay.[36] The employer paid "straight-time" rates, in cash, for all of the hours worked to employees who worked more than 40 hours in their work weeks. "Additional violations occurred when the employer automatically deducted time from some employees' timecards for meal breaks, even when they worked through their breaks," said a news release from the Department of Labor (DOL). The DOL also found that the company did not adequately maintain payroll records, violating record-keeping laws.[37]

One worker has repeatedly spoken to Blackstone investors about his experience with wage theft while working for one of Servpro's contractors:

Hello, my name is Joél Salazar and I worked at Royal Services, a subcontractor with a SERVPRO franchise. I am also an organizer with Resilience Force, a disaster relief worker advocacy organization. I want to make you aware of the poor treatment of workers by SERVPRO, a Blackstone company.



I worked for Royal Services, a SERVPRO of Greater Boulder subcontractor, from January 3 to February 3, 2022, to help with the recent wildfires in Colorado. I was offered the job in Panama City, Florida and was traveling to Colorado the next day. I am an experienced disaster relief worker and have been in the industry since 2016.

The company said it would reimburse me for my travel from Florida to Colorado, and for my travel time to get to Colorado. When I asked the supervisors about the reimbursement, they said I didn't have the proper paperwork to collect. In the end, I paid to get myself to Colorado.

In Florida the company said we would be working at least 40 hours a week and would be paid weekly. When I got to Colorado, I was only getting 20 hours a week in the beginning. And when staff would work over 40 hours a week, we did not receive overtime pay – just straight pay.

When we reached our first payday the company changed up the plan and said we will get paid every two weeks. We got a lot of excuses why workers had to wait for our pay.

The company provided workers with a Visa card they used for our wages and a $35 per diem. When the Servpro franchise stopped deploying the Florida workers I told the company I needed to look for other work and was going back to Florida. They cut off my access to the Visa card which had a lot of money on it. I am currently trying to get them to give me access to this card, so I have access to the money I earned. The company is stealing from me. I called a few days ago to get my money and no one answered.

I have not received my final paycheck. I feel SERVPRO franchises and their subcontractors are taking advantage of some workers because we are immigrants. They think they can treat us this way.

Investors, I'm calling to ask you to consider worker safety at the companies you invest in, especially the private equity firms you rely on for profits. Trustees, I am asking you to please encourage Blackstone to meet with Resilience Force and disaster relief SERVPRO workers so we can improve working conditions, and please reconsider future investments with Blackstone until disaster relief workers are treated with dignity.

Thank you for your time,
Joél Salazar
April 2022

Health and Safety

Workers in the restoration industry face dangerous working conditions when clearing debris and making repairs after a disaster. Unfortunately, workers face additional health and safety risks when employers do not take the necessary precautions to protect employees. From January 2015 to January 2022, the Federal Occupational Safety and Health Administration (OSHA) identified 194 violations at private-equity owned companies and their franchises for failing to protect workers. Federal OSHA is relatively small and therefore does not capture all potential violations at a site or company – OSHA **estimates** that it only has "about one compliance officer for every 70,000 workers."[38] The following data therefore likely represents only a fraction of health and safety issues at disaster restoration sites.

OSHA **defines** four types of violations:

- **Serious violations** occur when "there is a substantial probability that death or serious physical harm could result from a condition which exists, or from one or more practices, means, methods, operations, or processes which have been adopted or are in use."

- **Other-than-serious violations** occur when "the accident/incident or illness that would be most likely to result from a hazardous condition would probably not cause death or serious physical harm, but would have a direct and immediate relationship to the safety and health of employees."

- **Willful violations** occur "where an employer has demonstrated either an intentional disregard for the requirements of the Act or a plain indifference to employee safety and health." OSHA must be able to prove that the employer moved with intent or negligence.

- **Repeat violations** occur when an "employer has been cited previously for the same or a substantially similar condition or hazard." Businesses that operate as franchises can more easily avoid repeat violations, as each franchise is considered a different employer.[39]

Most violations at private equity-owned restoration companies fell into the serious category (95), followed by other-than serious (91), repeat (6), and willful (2). This section explores some specific violations and the broader trends behind them. The following graphs show the number of violations by company followed by an example of the types of violations identified at a single company.

OSHA VIOLATIONS AT PRIVATE EQUITY-OWNED RESTORATION COMPANIES
JANUARY 2015 TO JANUARY 2022

64
ServiceMaster

51
Servpro

42
Belfor

15
Response Team 1 (Venturi)

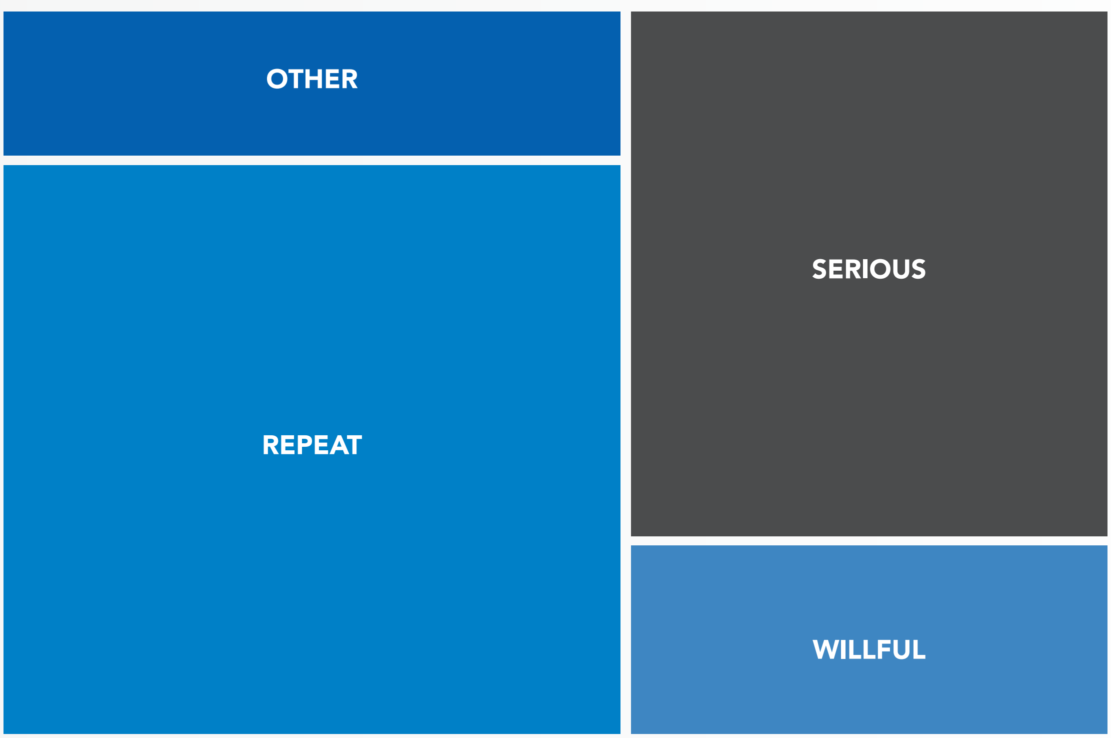
9
Cotton Holdings

5
Blackmon Mooring (BMS)

5
BluSky

3
ATI Restoration

Cotton Commercial



For an interactive version of this chart (with other companies), go to:
https://public.flourish.studio/visualisation/12423748/

INJURIES FROM VIOLATIONS

PARENT COMPANY	INJURY	VIOLATION OPEN DATE	VIOLATION
Belfor	Amputation	January 2022	Tools not maintained in a safe condition[47]
Service Master	Fall	May 2021	Lack of scaffold protection[48]
Belfor	Fall	October 2019	9-foot fall hazard[49]
Servpro	Leg fracture	August 2018	Aisle and passageways not kept clear[50]
Cotton Holdings	Fall	January 2015	12-foot fall hazard; lack of protection[51]

Dangerous Substances

OSHA has found serious violations related to exposure to dangerous substances at several private-equity owned restoration companies across the country, with asbestos identified most frequently (28 violations). In fact, the most frequently occurring violations at private equity-owned companies were violations related to asbestos and respiratory protection (27 violations). In 2018, OSHA fined **Belfor** after finding that 258 workers in Kansas were exposed to asbestos.[40] That same year, OSHA fined **Cotton Commercial**[41] in Texas for failing to provide **respirators**[42], **warning signs**[43], and **labels**[44] where workers could be exposed to asbestos.

Beyond being dangerous to the employees, asbestos exposure can affect communities that used restored buildings. In Massachusetts, a SERVPRO franchise earlier this year **settled claims** by the Massachusetts Attorney General that its restoration work at an elementary school led to asbestos contamination, forcing the school to close for the remainder of the year and forcing the relocation of all students. From the **Massachusetts AG**:

> *"The AG's complaint alleges that SERVPRO failed to recognize that the ceiling tiles contained asbestos, even though school documentation, which is required by federal law and was available to SERVPRO for review, stated that the tiles contained asbestos and required special handling. Instead, during a winter school vacation, the company allegedly broke the tiles into pieces and removed them from several classrooms, hallways, and stairwells without using legally-required safety measures. The company also allegedly dropped some of the tiles out of a second-floor classroom into a dumpster, which contaminated both floors of the school with asbestos fibers."*[45]

The SERVPRO franchise working at the school was not certified to remove asbestos. In the settlement, the SERVPRO franchise agreed to pay $67,400 in civil penalties for violating the Massachusetts Clean Air Act and committed to having at least one employee on each of its worksites to have completed training to improve awareness of asbestos risks.[46]

Though asbestos is the material most likely to cause health and safety issues according to the OSHA data, other dangerous substances include lead and bloodborne pathogens.

Falls and Other Injuries

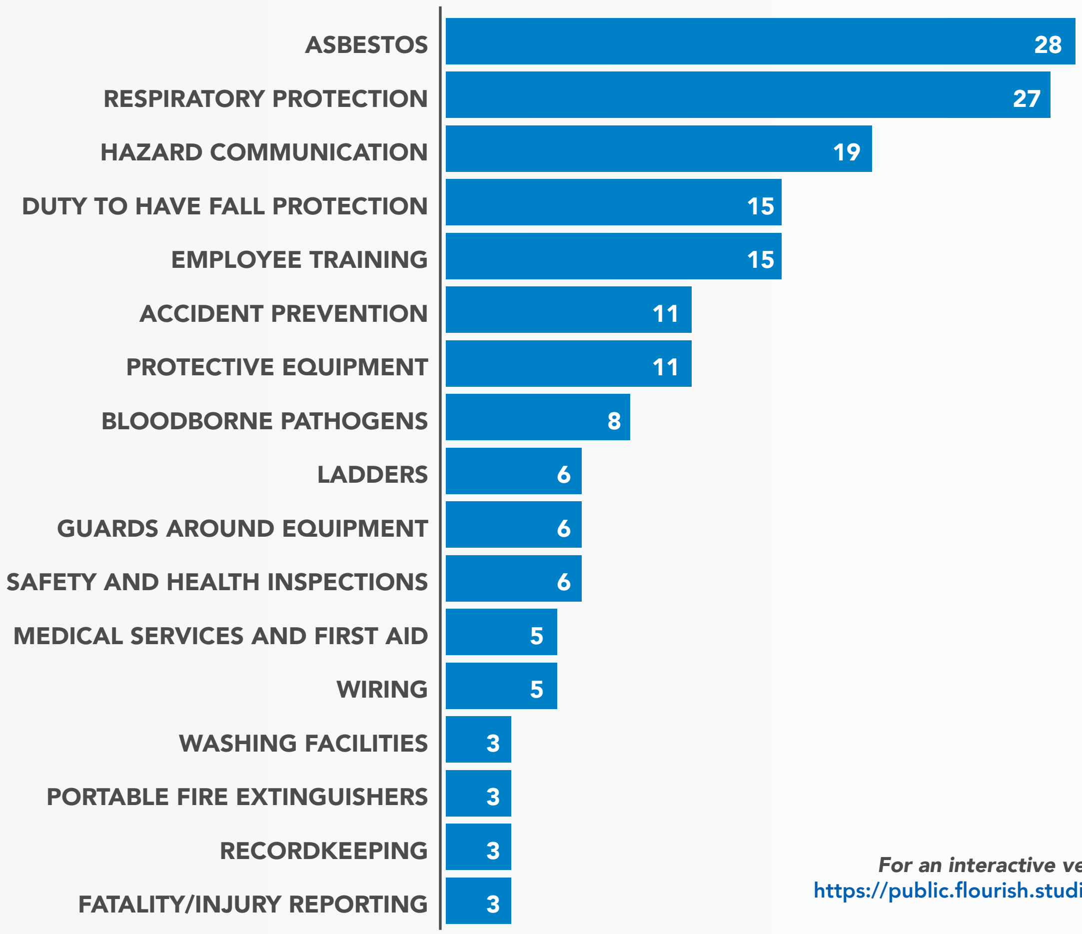
After asbestos and respiratory protection, "hazard communication" and "duty to have fall protection" were the third and fourth-most cited OSHA violation at private-equity owned restoration companies. In 2020, more than one third of construction-related deaths were **caused by falls**.[52] In an inherently dangerous work environment, employers should take extra caution to offer all possible protections to direct and indirect employees at a site.

Beyond a duty to manage fall risks, employers must make sure that tools are secure and well-maintained. When a Belfor employee in Maine suffered an amputation on the job in January 2022, OSHA found the company **in violation**[53] of a standard **requiring that** "all hand and power tools and similar equipment shall be maintained in a safe condition."[54] In addition to violations for failing to properly guard equipment, employers often also failed to provide adequate personal protective equipment to workers, leaving them vulnerable to injury.

In 2015, a subcontracted worker at a Cotton Commercial site **was hospitalized** after falling 12 feet through a roof.[55] The company waited three days to report the incident, and OSHA found that the company did not provide protective equipment, despite the worker's request. OSHA **identified 7 violations** – two serious, one willful, and four repeat – totaling $636,736 in fines.[56] The agency issued the maximum penalty for these violations, with the then-Assistant Secretary of Labor for OSHA David Michaels **making the message clear**: "Employers must report hospitalization, amputation and fatalities to us. When we see cases like this, when employers know what the criteria are and fail to report them, we will issue the maximum penalty."[57] OSHA fined the subcontractor, Gardia Construction LLC, just $4,900, suggesting that the agency believed that the top contractor bears the most responsibility.

OSHA has also issued penalties against **ATI Restoration**[58] and **Servpro**[59] for failing to correctly report fatalities or injuries. Furthermore, several companies neglected duties related to hazard communication, employee training, and accident prevention programs. If indeed the industry needs more skilled workers, companies should ensure that the workers they hire are prepared for the job through comprehensive, accessible training.

OSHA VIOLATIONS AT PRIVATE EQUITY-OWNED RESTORATION COMPANIES JANUARY 2015 TO JANUARY 2022



For an interactive version of this graph, go to:
https://public.flourish.studio/visualisation/11578128/

Covid-19

In the first few months of the Covid-19 pandemic, many workers were sent home at least temporarily while companies and governments implemented mitigation measures. Disasters did not stop, however, and workers continued to show up for communities in need. A report from the *Des Moines Register* covering BluSky wage theft claims in Iowa gives an example of **inadequate and dangerous** living conditions in 2020: "When the nine workers arrived in Iowa on Oct. 16, Contreros said they were put up in a two-bedroom apartment that had been damaged by the derecho. The walls and ceilings were covered in plastic. With no insulation or siding on the exterior, the wind easily found its way into the apartment. All nine men shared the two-bedroom unit and slept on air mattresses."[60]

Servpro also faced scrutiny after a **Covid-19 outbreak** at a Michigan worksite in spring 2020.[61] The workers, who traveled from as far as Florida and Texas to work at the site, told a reporter from *The New Yorker* that "they had not been tested for Covid and were not made to wear a mask… They were taken to a local hotel, where they learned that they'd be sleeping four to a room, two to a bed."[62] One of the workers' lawyers **explained** the severe medical issues and associated financial costs for those who contracted the virus: "We have two folks who were put on ventilators, and one who has over $300,000 in medical bills. Folks did have very real costs that they were paying for through medical care and testing. And they do want to be paid back for what they have been put through because of what these defendants did."[63] In a lawsuit, workers alleged that that the Servpro franchise, the Servpro franchisor in Tennessee, subcontractor Wallace, Rush and Schmidt and Servpro subcontractor BTN Services failed to provide protective equipment and adequate, socially-distanced housing. The judge dismissed the Servpro franchisor in Tennessee,[64] allowing the company to avoid direct legal responsibility and leaving the franchisees to take the heat. As of December 2022, the lawsuit is still pending.

Though these conditions should be condemned at any time, the close quarters were especially troubling in a pandemic when vaccines were not yet available. These arrangements threaten the health of the workers, their families, and the communities in which they live and work.

Community Impacts

Off-site Injuries and Fatalities

In August 2016, a Wallace, Rush, Schmidt Inc. (WRS) recruiter selected a group of recovery workers to respond to floods in Baton Rouge, Louisiana. The Times-Picayune/New Orleans Advocate reported that workers were to be turned over to the supervision of a Servpro franchise for flood recovery work in and around Baton Rouge.[65] WRS put the workers on a "party bus" and one of the resilience workers, an undocumented Honduran immigrant, drove the bus.[66] The resilience worker had experience driving commercial vehicles for many years but did not hold a commercial driver's license and had not driven this type of bus before.[67]

The bus encountered an accident in La Place, Louisiana, to which firefighters had already responded. Tragically, the bus crashed into the accident and hit the end of a fire truck, which resulted in three firefighters being knocked off the bridge and into the water. One of those firefighters later died from his injuries.[68] The bus also hit three other cars, resulting in the deaths of two workers who were also on their way from Mississippi to respond to the flooding.[69] Nearly 40 people were injured in the crash.[70]

Though the workers claimed that they were told they would be working for Servpro, and Servpro admitted working with WRS in the past,[71] Servpro defended itself in the press by saying the workers "were not employees or temporary contract workers of any Servpro franchise." Servpro spokesperson Kim Brooks said, "We truly don't know where those individuals were going to. We wouldn't know if they were going to a job site of ours until they got there and that would only be after they went through all the proper checks to make sure they are in compliance with immigration laws."[72] She also claimed "there is no way to tell" whether the workers on the bus were intended for employment by Servpro.[73]

The worker assigned to drive the bus without proper training was charged criminally with negligent homicide, negligent injuring, reckless operation and driving without a license and other charges and sentenced to 15 years in

prison[74] despite having no criminal record.[75] Furthermore, the driver may **face deportation** as authorities issued an immigration detainer.[76]

As a result of the crash, several workers and families filed lawsuits against WRS and the company **WRS hired**[77] to provide the bus, Kristina's Transportation – at least one of these lawsuits resulted in a **$3 million settlement**[78]. Despite the WRS bankruptcy proceedings and the multimillion-dollar settlement from this case, Servpro franchises continued to work with WRS until at least 2020.[79] This is just one example of how current practices within the industry exploit worker vulnerability and create dangerous conditions even outside of the workplace.

Price Gouging

In 2019, North Carolina Attorney General Josh Stein launched an investigation into Servpro for price gouging. The Attorney General alleged that an Idaho-based Servpro franchise operating in North Carolina after Hurricane Florence was overcharging residents for restoration work, violating the state's Unfair and Deceptive Trade Practices Act. In August 2020, the franchise **settled the price gouging claims** for $100,000.[80] Attorney General Stein celebrated the "settlement that prevents this company from imposing any further financial harm to hardworking North Carolinians who were trying to repair their homes after Hurricane Florence."[81]

Price gouging after disaster adds another layer of financial stress during a time that is already riddled with grief and anxiety. Companies in the restoration industry should not turn to overcharging home and business owners to make more money – profit-making cannot be the top priority when rebuilding communities.

Legislative Action

In January 2022, US Representative Pramila Jayapal and 30 other lawmakers introduced the **Climate Resilience Workforce Act**. The bill supports "the skilled, equitable, and necessary workforce that America needs to achieve climate resilience" by:

- Creating millions of climate resilience jobs through grants to states, counties, cities, tribal governments, labor organizations, and community-based nonprofit organizations

- Removing barriers to employment in climate resilience jobs based on immigration status and prior involvement with the criminal justice system by providing a roadmap to citizenship for workers employed in climate resilience sectors or in workforce training programs and prohibiting employers from inquiring about criminal history before an offer has been made

- Funding existing workforce development programs and creating new ones through grants that train workers for employment within climate resilience sectors, with a priority for pre-apprenticeship and apprenticeship programs

- Investing in the development of regional, state, local and community-based climate resilience action plans

- Creating an Office of Climate Resilience within the White House[82]

State level interventions are also critical for workers in this industry. For example, states can enact state-level versions of the Climate Resilience Workforce Act. A **report by Resilience Force and The New Florida Majority** recommends that Florida create a department of labor, ensure comprehensive disaster-related worker protections, increase oversight and regulations of disaster restoration companies, and build a just transition plan.[83] Other states, particularly Gulf and Western US states increasingly facing disasters, could take similar steps.

What Should Private Equity Firms Do?

Private equity firms are ultimately responsible for what happens at the companies they own, and firms should use their power as owners to create a safer and more just industry for the workers that make recovery possible. As shown in this report, workers often have few options for recourse when experiencing wage theft or health and safety issues. To improve the lives of workers and protect the workforce needed to sustain their investments, private equity firms should work to improve oversight and accountability within the labor supply chain by setting clearer labor standards for its companies.

Private equity firms should do the following:

- Fund and publicize complaint lines for workers
- Establish and pay for robust monitoring/audting programs
- Increase number of workers directly employed by the company
- Direct companies to develop responsible contractor policies
- Ensure that subcontractors conduct background checks and provide mandatory proof of worker's compensation and employee status
- Agree to cover subcontractor malfeasance
- Require subcontractors purchase wage bonds and other forms on insurance to cover wage theft and other claims
- Support workers exercising their freedom to join a union rather than wasting company resources on disinformation and harassment of union advocates

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Appendix: Blackstone Investments in Fossil Fuels

COMPANY NAME	ENERGY TYPE	YEAR ACQUIRED	PRODUCTION	HQ
Beacon Offshore Energy	Upstream	2016	NA	Houston, TX
EagleClaw Midstream Ventures	Midstream	2017	375 miles of natural gas gathering pipelines and 320 million cubic feet per day (MMcf/d) of processing capacity with an additional 400 MMcf/d under construction	Midland, TX
Falcon Minerals (Osprey Energy + Royal Resources)	Upstream	2018	251,000 gross unit mineral acres. Net production approaching 7,000 boe per day from new wells coming on line. Net production for 2018 is expected to be approximately 6,352 boe per day.	New York, NY
Grand Prix NGL Pipeline	Midstream	2017	NA	Houston, TX
Kindle Energy (combining Lightstone Generation/American Electric Power, Direct Energy, Optim Energy assets)	Energy Generation; Coal (Downstream)	2014	6.5 GigaWatts of generation	Princeton, NJ

COMPANY NAME	ENERGY TYPE	YEAR ACQUIRED	PRODUCTION	HQ
Olympus Energy (fka Huntley & Huntley Petroleum & Natural Gas Exploration)	Upstream	2012	100,000 Operated Net Acres	Canonsburg, PA
Ridgeback Resources	Upstream	2016	4.5 mmbbls/sec	Calgary, Alberta
Rijnmond Energie	Energy Generation; Gas	2016	810 MW facility	Rotterdam, Netherlands
Rover Pipeline	Midstream	2017	700+ mile pipeline expected to carry 3.25 billion cubic feet of natural gas a day	Dallas, TX
Tallgrass Energy	Midstream	2019	NA	Leawood, KS
Targa Badlands	Midstream	2019	480 miles of crude oil gathering pipelines, 125,000 barrels of operational crude oil storage, approx 260 miles of natural gas gathering pipelines. The Little Missouri natural gas processing plant with a current gross processing capacity of approx 90 million cubic feet per day ("MMcf/d").	Houston, TX

PRIVATE EQUITY
STAKEHOLDER
PROJECT

RESILIENCE
FORCE

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