

Commentary: Bill would help retiring business owners transfer ownership to workers

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By Rob Brown Special to the Press Herald

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NORTHPORT — In 1992, Susanne Ward and her husband, Patrick Reilley, founded Second Read Books and Coffee, Maine's first espresso bar-bookstore. Rockland's Main Street was a highly unlikely place for the two entrepreneurs to choose at that time, as the city was struggling with a collapsing fishing industry and many boarded-up storefronts downtown. But the community welcomed this new enterprise and it grew rapidly, adding a coffee roasting business, twice moving to larger locations and becoming Rock City Café and Coffee Roasters.

In 2010, as Rockland was becoming a vibrant national model of downtown rejuvenation, with Rock City as an anchor of that development, Susanne's husband succumbed to cancer, leaving her alone to manage the businesses they had founded.

ABOUT THE AUTHOR

Rob Brown of Northport is the director of Business Ownership Solutions at the nonprofit Cooperative Development Institute.

In the face of so much change, Susanne began thinking about her own retirement and wondering what would happen to the businesses. Many of her employees had been with her a long time. Some had been teenagers when they began working there and, after going away for college and other pursuits, came back to their hometown because they loved their work at Rock City and wanted to raise families.

To preserve the businesses she built, reward the employees who helped build them and ensure an adequate retirement income for herself, she decided the best bet was converting the businesses to a worker-owned cooperative. With several years of planning and assistance led by the Cooperative Development Institute, the Rock City Employee Cooperative now owns the businesses, and has become Maine's second largest worker cooperative.

Like Susanne, thousands of Maine business owners – employing tens of thousands of Mainers – will be looking to retire soon, and many do not know what to do with their business. This is perhaps the most challenging aspect of the impending baby boomer retirement wave.

This wave has already crashed upon Maine's shores. Maine has the oldest population of any state in the country. Over 32,000 of Maine's small businesses have employees, representing half of our state's workforce. Though 80 percent of these business owners say they want to retire within a decade, fewer than 20 percent of them have a documented succession plan.

They could try to sell their business, but only 20 percent of such listings ever sell. Maybe they hope their children will take it over, but only 15 percent of privately held companies are

successfully passed on to a second generation.

The default option is to liquidate and close, and the smaller and more rural the business, the more likely that outcome. This option shortchanges business owners and saps our communities of the jobs and economic activity the business provided. Maine, particularly our struggling rural communities, cannot afford that outcome.

As with Susanne Ward, employee ownership can often provide business owners the best chance to secure their retirement, while sustaining the jobs and economic activity our communities depend on. In fact, research shows that well-planned employee buyouts succeed about 80 percent of the time.

Maine has seen a modest rise in employee ownership (whether as employee stock ownership plans or worker cooperatives), but it is a drop in the bucket compared to the magnitude of the challenge. L.D. 1338, An Act to Create and Sustain Jobs through Development of Cooperative and Employee-Owned Businesses, would accelerate an effective response. It will help raise awareness of and incentivize this highly beneficial succession planning option and reduce the costs of financing the sale.

While the story of Rock City Employee Cooperative is inspiring, it's not as if a group of coffee roaster workers and café baristas had the means to buy these businesses without technical and financial support. By providing a modest incentive to sell a business to employees, L.D. 1338 would give thousands of workers just enough financial breathing room to close the deal.

Cooperative and employee ownership delivers material benefits to and improves the economic health of workers, families and communities. However, this ownership model is uniquely capable of providing much greater benefits. Employee ownership provides a sense of hope and control over one's future. It promotes self-reliance and entrepreneurship, and it does so through locally rooted, private-sector enterprises.

Sponsored by legislators from across the political spectrum, L.D. 1338 was unanimously backed by the Legislature's Taxation Committee. While this demonstration of support is encouraging, citizens across the state need to ask their legislators and the governor to help preserve businesses and jobs through employee ownership and support L.D. 1338.

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