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Hacking the American Dream: Progressive Senators Go Big for Worker Ownership

Two common-sense pieces of federal support for employee business ownership on the table

by [Jessica Bonanno](#)



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"Employee ownership works," writes Bonanno. "It for the workers who get a direct share in the economy, for the companies whose performance is demonstrably improved by a workforce invested in their jobs, and for the communities that need jobs anchored locally."

The best-kept business model secret of our age is about to get the spotlight it has long deserved. It's employee ownership—a proven, common-sense pathway to reduce inequality, anchor jobs at home, and rebuild a strong and stable economy, using a vehicle that's as American as apple pie: making entrepreneurs out of regular, working folks.

Two progressive champions—Senators Bernie Sanders (I-Vt.) and Kirsten Gillibrand (D-NY)—are teaming up to put their weight [behind a pair of federal bills to make employee ownership more accessible](#). And—believe it or not—this is a policy idea that might actually have a chance, since prominent Republicans like Ronald Reagan have long favored employee ownership, which leverages firm structure, rather than social programs, to improve family economic outcomes. In an era of hunger for solutions to inequality, this may be an idea whose time has finally come.

Employee ownership works: for the workers who get a direct share in the economy, for the companies whose performance is demonstrably improved by a workforce invested in their jobs, and for the communities that need jobs anchored locally, in America, and not racing around the globe chasing the lowest wages. And crucially, it's a strategy for greater equality and shared prosperity with a proven track record: there are more than ten million employee owners in the United States today who work and own a stake in companies like Publix Supermarkets, Wawa Convenience Stores, or New Belgium Brewing. And while there are a wide range of social enterprise approaches being piloted in communities across the United States, none

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can match employee ownership for proven, scalable impact, with models that are nationally-vetted and that have been successfully deployed for decades.

The two bills introduced today by Sanders—the Worker Ownership, Readiness and Knowledge (WORK) Act and the U.S. Employee Ownership Bank Act—are critically important tools in the effort to scale employee ownership in the U.S.. (The initial research we carried out here at [The Democracy Collaborative](#), through our Fifty by Fifty Initiative, a collaborative partnership between leading employee ownership advocates like the [National Center for Employee Ownership](#), the [Democracy at Work Institute](#), the [ICA Group](#), and [Certified Employee-Owned](#), has suggested that a target of fifty million employee owners in the US workforce by 2050—or roughly 25% of the projected future workforce—is an attainable goal, if key barriers are addressed.)

Historically, adoption of employee ownership in the U.S. has been largely driven by powerful tax incentives, primarily at the federal level, that assist owners who want to sell their business to their employees and provide a range of game-changing tax deductions to companies operating under various employee ownership structures—like Employee Stock Ownership Plans (ESOPs) and worker cooperatives.

The two new bills introduced in the Senate would further incentivize uptake of this key strategy for broadening access to business ownership. First, the U.S. Employee Ownership Bank Act would establish an important source of public financing to help founders who want to sell their company to the employees who helped them build it. By providing loan guarantees or subordinated debt to help employees buy their workplaces—particularly when the owners try to move their jobs overseas—this legislation doesn't assume that the government can do everything, but instead encourages the creation of a smarter, more sustainable, and more cost effective public-private ecosystem of financial support for transitions to employee ownership. Such ecosystems of support for broad-based ownership are critical, as we highlighted in our report [Strategies For Financing the Inclusive Economy](#).

The second bill, the WORK Act, is another key piece of the puzzle. All the tax breaks and financing options in the world won't create a single employee-owned company if no one is aware of the option or doesn't have the technical capacity to make the transition happen. Indeed, our Fifty by Fifty [research](#) found that lack of awareness is one of the critical factors preventing employee ownership from scaling to its full potential. The Worker Ownership, Readiness and Knowledge (WORK) Act addresses this barrier head on, making grants available to local entities doing the necessary work of employee ownership education and training. We profiled one of the leading examples of this approach, the Ohio Employee Ownership Center, in our report [Educate and Empower: Tools For Building Community Wealth](#)—and found that this kind of education paired with technical assistance is not only incredibly effective but also highly cost-efficient.

Over the course of three decades, OEOC has helped over 90 companies convert to employee ownership, creating 15,000 employee-owners at an estimated cost of just \$772 a job. The recent success of a similar, smaller-scale initiative in NYC shows that this kind of public support for technical assistance is even more essential for [worker cooperative development](#), employee-owned startups, and employee buyouts of smaller shops. While larger, more established businesses can access the necessary financing and absorb the transaction costs of an ownership transition, launching new employee owned businesses or transitioning mom and pop shops to worker ownership requires a more robust ecosystem of technical support.

"A U.S. economy anchored in widespread employee ownership would represent a fundamentally different kind of economy, in which millions more families enjoy greater financial stability, increased income, and greater retirement security."

Here at the Democracy Collaborative, we've recognized with many others the incredible threat presented by the "[silver tsunami](#)": as the Baby Boomer generation prepares to retire, too many of the businesses they own lack a succession plan. Without plans for ownership transitions, businesses shutter, workers lose their jobs, and communities suffer. But Federal support for employee ownership can help turn this looming threat into an incredible opportunity to rebuild a strong U.S. economy where all can prosper. A U.S. economy anchored in widespread employee ownership would represent a fundamentally different kind of economy, in which millions more families enjoy greater financial stability, increased income, and greater retirement security.

Moreover, in times when Washington is unlikely to agree on much, employee ownership's proven track and record and demonstrated bipartisan appeal offers a chance to build towards a stronger and more just economy when many other avenues of transformative reform may prove blocked.

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