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USA passes new law to aid business transition to worker-ownership

The co-op sector has welcomed the new Main Street Employee Ownership Act

By [Anca Voinea](https://www.thenews.coop/author/anca/) 16 August 2018

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By [Anca Voinea](https://www.thenews.coop/author/anca/) (<https://www.thenews.coop/author/anca/>).

16 August 2018

Worker co-ops in the USA have welcomed the [Main Street Employee Ownership Act](https://www.govtrack.us/congress/bills/115/hr5236) (<https://www.govtrack.us/congress/bills/115/hr5236>), which improves access to capital and technical assistance for employee-owned businesses.

Signed into law on 13 August, it is the first act to focus on employee ownership in more than 20 years. Although it provides no extra public funding, it does fast-track loan dispersal to help companies finance their conversion to employee ownership.

It also directs the Small Business Administration (SBA) to make these loans more available to co-operatives; and to work with the country's network of 900 Small Business Development Centers (SBDCs) to provide transition-related technical training, executive education, and one-on-one consulting.

Related: [Why has the number of US worker co-ops suddenly doubled?](https://www.thenews.coop/130862/sector/worker-coops/caused-number-us-worker-co-ops-nearly-double/)

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The legislation received unanimous approval from the House Small Business Committee and was championed by two New York Democrats – Kirsten Gillibrand in the Senate and Nydia Velázquez in the House of Representatives.

Rep Velázquez said employee ownership conversion costs can exceed US\$80,000 (£63,000), adding: “This legislation fills an important gap, allowing many of these firms to transition to an employee-owned structure, keeping the businesses intact and retaining jobs in the local community.”

Sen Gillibrand, who proposed the act, added: “Employee-owned businesses have a strong track record of better pay and retirement benefits for workers and a commitment to creating local jobs.”

The law is particularly aimed at the baby boomer generation, with large numbers of business owners nearing retirement with no exit plan. It was introduced as an amendment to the National Defense Authorization Act, with small businesses providing a range of services for the Department of Defense, adding up to \$50bn (£39bn) in prime contract awards.

The apex body for US co-ops, NCBA Clusa (<http://www.ncba.coop>), said it was “thrilled” to see the act pass into law.



Senator Kirsten Gillibrand and congresswoman Nydia Velázquez with representatives from national and local groups who focus on supporting, organising, or developing worker co-ops (photo credit: office of Congresswoman Nydia Velázquez)

Doug O’Brien. “We stand ready to support local economic development through employee ownership.”

“Small businesses are at the heart of stable, sustainable communities and worker co-op conversions are a proven strategy to strengthen and preserve local businesses nationwide,” said president and chief executive

Charles Snyder, president and CEO of the [National Cooperative Bank](https://ncb.coop) (<https://ncb.coop>), said: “As a lender to co-operatives nationwide, we recognise the need for access to capital for employee and consumer-owned businesses. The act will help meet this need in important ways.”

Related: [Is employee ownership the business model of the future?](https://www.thenews.coop/119535/topic/business/employee-ownership-business-model-future/)
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Esteban Kelly, executive director of the US Federation of Worker Cooperatives ([USFWC](https://usworker.coop)) (<https://usworker.coop>), said: “This is an extraordinarily important opportunity for workers and businesses-owners in need of a strong succession strategy.

“This legislation is a milestone for our work in advancing worker-owned and worker-managed co-operative businesses. We believe that broader awareness of employee ownership will be game-changing for America’s small business community.”

He added: “I believe we’re at the beginning of an important trend in the growth of worker ownership. Worker co-ops are becoming a mainstream part of the US economy, and we look forward to working with the SBA and SBDCs across the country to bring resources to the worker co-operative movement.”

The SBA is also expected to report on its lending and outreach to employee-owned businesses.

“I am proud to join forces with Sen Gillibrand to advance this important legislation to make it more affordable for local businesses to adopt an employee-owned structure, creating retirement opportunities for more entrepreneurs, while financially empowering employees with a stake in their workplace,” said Rep Velázquez.



Esteban Kelly, executive director of USFWC

USFWC [will be running a webina](https://usworker.coop/events/event/webinar-a-historic-moment-celebrating-the-passage-of-the-main-street-employee-ownership-act) (<https://usworker.coop/events/event/webinar-a-historic-moment-celebrating-the-passage-of-the-main-street-employee-ownership-act>)r
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[the-main-street-employee-ownership-act/](#)) that will cover the elements of the Main Street Employee Ownership Act, as well as what is next in bringing this act from law into action.



[Anca Voinea \(https://www.thenews.coop/author/anca/\)](https://www.thenews.coop/author/anca/)

Anca focuses on international news – and with French, Spanish and Romanian languages under her belt, this is an important area of growth for the news. In addition to writing general news, Anca's specialisms include politics and sport.

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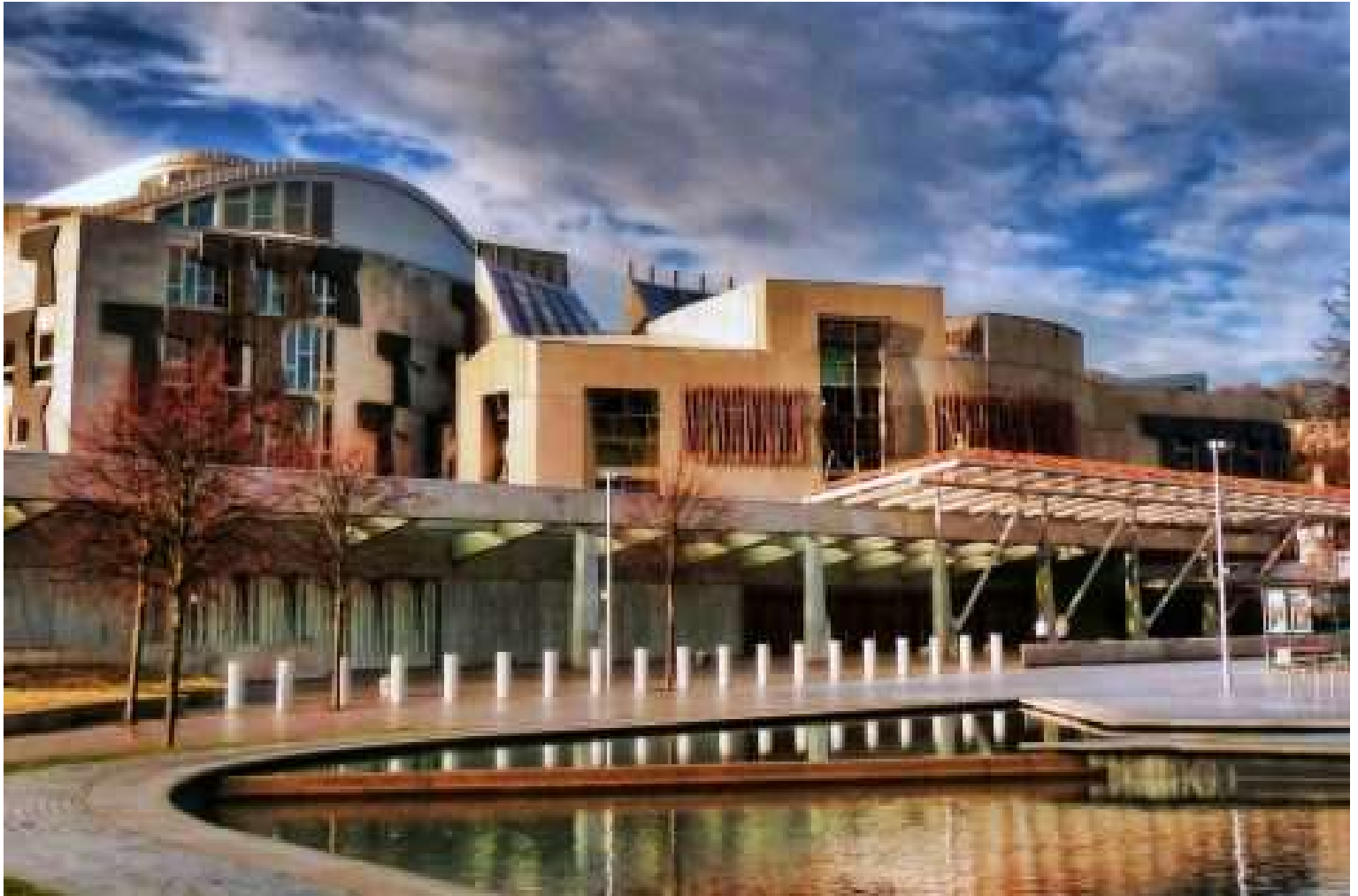
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