10 Important Facts about EMPLOYEE OWNERSHIP

Employee ownership is:

1. **A legal structure that offers employees ownership in a company.**
The three main types of employee ownership that achieve benefits for employees and the community are Employee Stock Ownership Plans (ESOPs), worker cooperatives, and Employee Ownership Trusts (EOT).

2. **A way for more people to build financial security and prosperity.**
By giving more people a stake in the success of the business, employee ownership boosts multiple household financial metrics. For ESOPs (the type of employee ownership for which the most data exist), those increases include household net worth (92% higher), job tenure (53% higher) and median income from wages (33% higher). Sixty-five percent of co-op employee-owners report being confident they could access $2,000 within 30 days in case of an emergency in contrast to most Americans who could not absorb a $400 emergency.

3. **A no- or low-barrier onramp to business ownership.**
The source of funding for business conversions varies based on the type of employee ownership. For an ESOP, acquisition financing leverages the revenues of the business. ESOP and EOT employee-owners don't purchase their shares.

4. **Increased participation in leadership.**
Employee-owners elect trustees or boards of directors, depending on the form of employee ownership, strengthening the participatory culture and ensuring employees' voice in strategic decisions.

5. **An asset to the community.**
Nationally, ESOP businesses are 25% more likely to stay in business, four times less likely to lay off workers (even in the last recession and during the pandemic), have employees with 2.5 times greater retirement accounts, and showed 25% higher job growth over a 10-year period than comparable companies without an Employee Stock Ownership Plan.

6. **A good deal for sellers.**
Sellers who transition their companies to employee ownership will receive market value or equivalent or better value in the form of tax benefits combined with sale price.
And, thanks to legislation recently passed (unanimously!) by Washington State policymakers, new state tax credits and other incentives will soon be available for Washington businesses converting to employee ownership.

7. **A chance for potential employee-owners to build equity.**
Employee ownership offers material benefits for employee-owners whether they are early in working life or nearing retirement.
Better compensation, household net worth, job security, retirement assets, and a greater sense of investment in the business and their community.

8. **A way to add stability to the local economy.**
Employee-owned enterprises are more resilient which means greater stability for local economies, even in extreme situations such as the Great Recession or a global pandemic. Higher compensation and better benefits also mean greater economic security for local employee-owner residents.

9. **Proven to enhance civic engagement.**
Employee-owners tend to be more invested and involved in their communities. That means a greater variety of abilities, experiences and perspectives are part of community thinking, deciding, and doing. It's a recipe for belonging and thriving.

10. **A process that takes time and resources.**
Every business succession process takes effort and expense. Nonprofits like the planned Washington Center for Employee Ownership, Project Equity and others can help with critical steps in the process — from exploration, navigation through the sale, then support the employee-owners to deepen their ownership culture.

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[1] *National Center for Employee Ownership*
[2] *Democracy at Work Institute*
[3] *National Center for Employee Ownership*

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