Job Quality In Practice Webinar Series

Increasing Equity in a Post-Pandemic Economy: The Potential for Growing Worker Ownership

The Aspen Institute Economic Opportunities Program

Joyce Klein

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Job Quality in Practice

With support from Prudential Financial, we are engaged in an effort to encourage the development of job quality practices that promote access to economic opportunity. We are providing actionable tools and guidance to support leaders across geographies and fields to engage in practical action to improve jobs in their local communities and connect to a growing national conversation.

Job Quality in Practice

Webinars

1. Assessing Job Quality and Equity in Your Local Labor Market: A Closer Look at Race, Gender, and Place
2. To Boost Job Quality, Money Matters: Practical Tools for Engaging Investors and Lenders Toward Change
3. How Can Workforce Leaders Boost Job Quality?
4. Job Quality in the Age of COVID-19: Strengthening Frontline Management and Supporting Workers
5. Worker Voice as an Essential Element of Job Quality: Tools for Business and Advocates
6. **Promoting Worker Ownership and Improving Job Quality**

Job Quality Tools Library

as.pn/jobqualitytools

Project Overview

as.pn/jobqualitypractice

More discussions to come!

Join our mailing list for upcoming webinars and announcements

as.pn/eopmail

Using Zoom

Audio: Attendees are muted. Listen through your computer or phone.

Questions: Submit questions via the **Q&A** box (bottom of your screen) or view/upvote questions from other guests. We will respond to questions at the end.

Video: This webinar is being recorded. All attendees will receive a link via email when the recording is available.

Captioning: Click the **Closed Caption** button to enable live captioning.

Technical difficulties? Contact us through the **Chat** box (bottom of your screen) or email eop.program@aspeninst.org

Agenda

Welcome

Joyce Klein, The Aspen Institute Economic Opportunities Program

Using Zoom

Job Quality in Practice

Speaker Presentations

Joseph Blasi, Rutgers University

Alison Lingane, Project Equity

Tomás Durán, Concerned Capital

Q&A

Speakers

Joseph Blasi

J. Robert Beyster Distinguished Professor, School of Management and Labor Relations, Rutgers University

Alison Lingane

Co-founder, Project Equity

Job Quality Fellow, The Aspen Institute

Tomás Durán

President, Concerned Capital

Job Quality Fellow, The Aspen Institute

Joseph Blasi

J. Robert Beyster Distinguished Professor, School of Management and Labor Relations, Rutgers University

Employee Share Ownership

May 19, 2020 Aspen Institute Webinar
Economic Opportunities Program

Joseph Blasi, J. Robert Beyster Distinguished Professor and Director
Institute for the Study of Employee Ownership and Profit Sharing
Rutgers University School of Management and Labor Relations

Rutgers Univesity

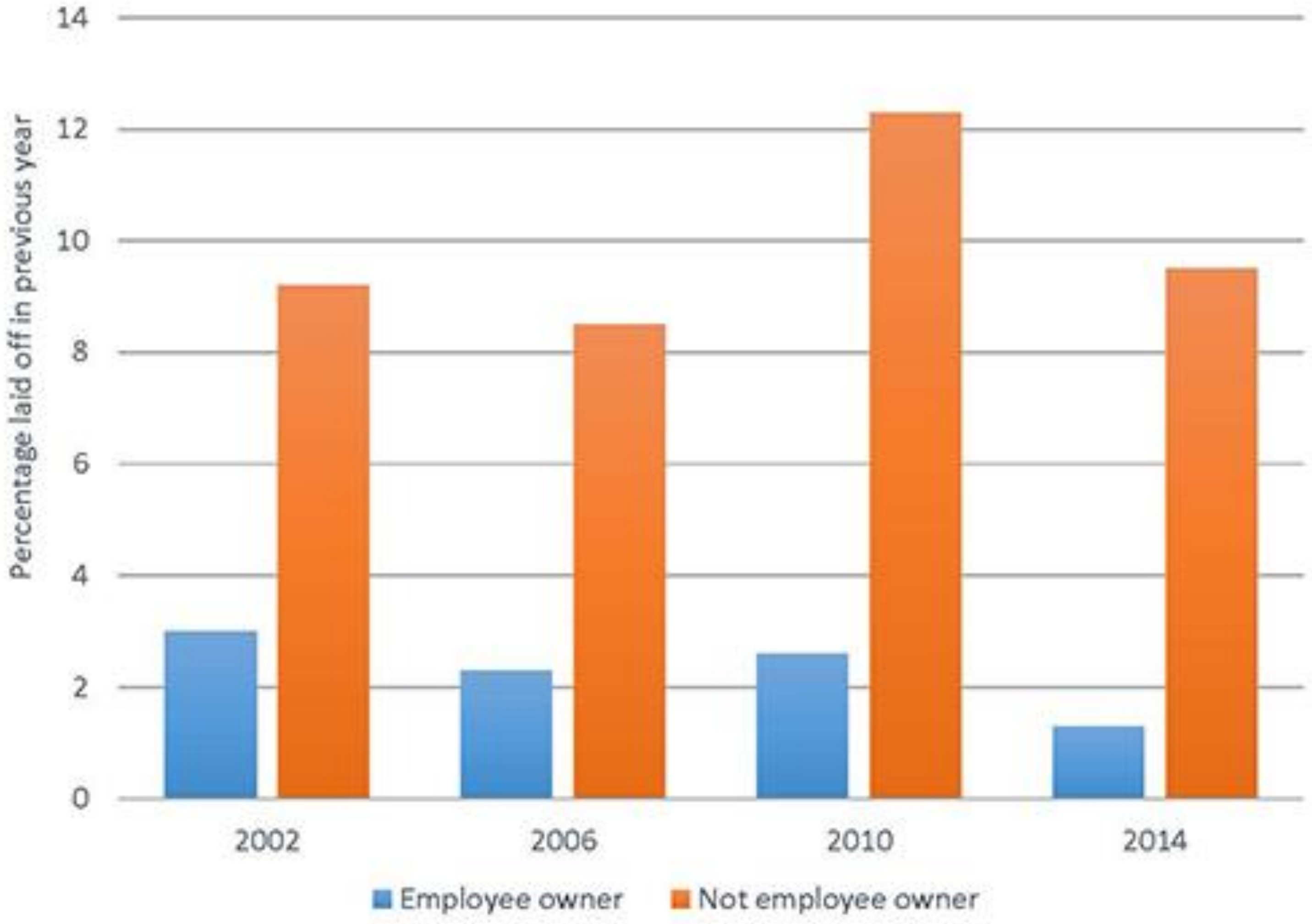
Employee Share Ownership in the Wider Economy

- 20% of all adult workers have access to employee share ownership at their workplace
- Among the most common types are the Employee Stock Ownership Plan (ESOP), equity compensation plans, and the growing phenomenon of worker cooperatives
- ESOPs currently cover about 11 million employees in just over 6,000 companies with the total value of employee shares ownership — before the crisis— of $1.4 trillion with employee owned assets per employee of $130,000
- Recent approaches to employee ownership emphasize two positive features for modest income workers: first, the chance to build some capital and wealth in addition to fair wages; and second, the opportunity to more fully participate in the workplace where you work.

Employee Ownership in Downturns

- There has been quite a lot of research on employee ownership in downturns forced on ESOPs.
- In a population study of all ESOP **companies** founded in 1988-1994 using Dun & Bradstreet data to compare ESOP companies with similar non-ESOP companies, we found that by 1999 the ESOP firms were more likely to survive and less likely to go bankrupt.
- By coincidence, this was the period just preceding the early 2000s recession. In the Dun & Bradstreet study, the ESOP companies compared to the non-ESOP companies were more likely to maintain their employment with an almost **+1% change** over the period compared to a **-3.3% reduction** by the non-ESOP firms.
- Using the General Social Survey of **individual employees** , we found that only 1.5% of adult workers with employee share ownership reported being laid off in 2013 versus 9.5% without employee share ownership. This trend held true for 2009 and 2017.
- Just recently, Professors Fidan Ana Kurtulus and Doug Kruse, in a W.E. Upjohn Employment Research Institute study, looked at the last two recessions, 1999-2011, only at stock market companies **with and without employee share ownership** and re-discovered greater employment stability and lower layoffs among the employee owners, as the next chart shows.

Layoffs and Employee Ownership



Employee Share Ownership and Job Quality

- A three-year WK Kellogg Foundation-Rutgers University study found that employee share ownership had the potential for significant increases in wealth for modest income workers, especially, women and minorities. The team interviewed mainly African-American workers nationally in ESOPs.

- Data from the 2014 and 2018 General Social Survey indicates ESOP workers have significantly more defined benefit pension plans, profit sharing, gain sharing, employee involvement teams, training, performance-based pay over 10% of salary in addition to the ESOP, along with a second diversified retirement plan —usually a 401k plan— in addition to the ESOP. We will learn more in the Ford Foundation-Rutgers study on job quality that my colleague Dr. Adria Scharf, Beyster Fellow at Rutgers is now leading.

Employee Share Ownership and the Pandemic

- It is still too early to know whether the repeatedly confirmed employment stability of ESOPs will hold during the pandemic.
- Rutgers is now designing a study to compare 1000 ESOP small business firms to1000 non-ESOP small business firms in terms of employment stability, access to Federal aid, and HR practices.
- We do know that after robust economic growth most closely-held ESOPs firms received a last quarter 2019 valuation of their stock that was likely the highest it has ever been. The next valuation is likely to be lower although closely-held ESOP firms are not AS exposed to the public stock markets.

Alison Lingane

Co-founder, Project Equity

Job Quality Fellow, The Aspen Institute

RECOLOGY

Under our Recology Recovers policy, *we will still pay employees' full salary during the shelter-in-place time period even if we don't have enough work for everyone, and we continue their health benefits.* We recognize that this is a unique time and we want to support our employee-owners to the fullest extent possible.

Recology, based in San Francisco, provides waste management services in California, Oregon and Washington and has over 3,800 employee-owners

THE CASE FOR EMPLOYEE OWNERSHIP

Why philanthropy and government should invest in this powerful business model

Download: www.project-equity.org/WhitePaper

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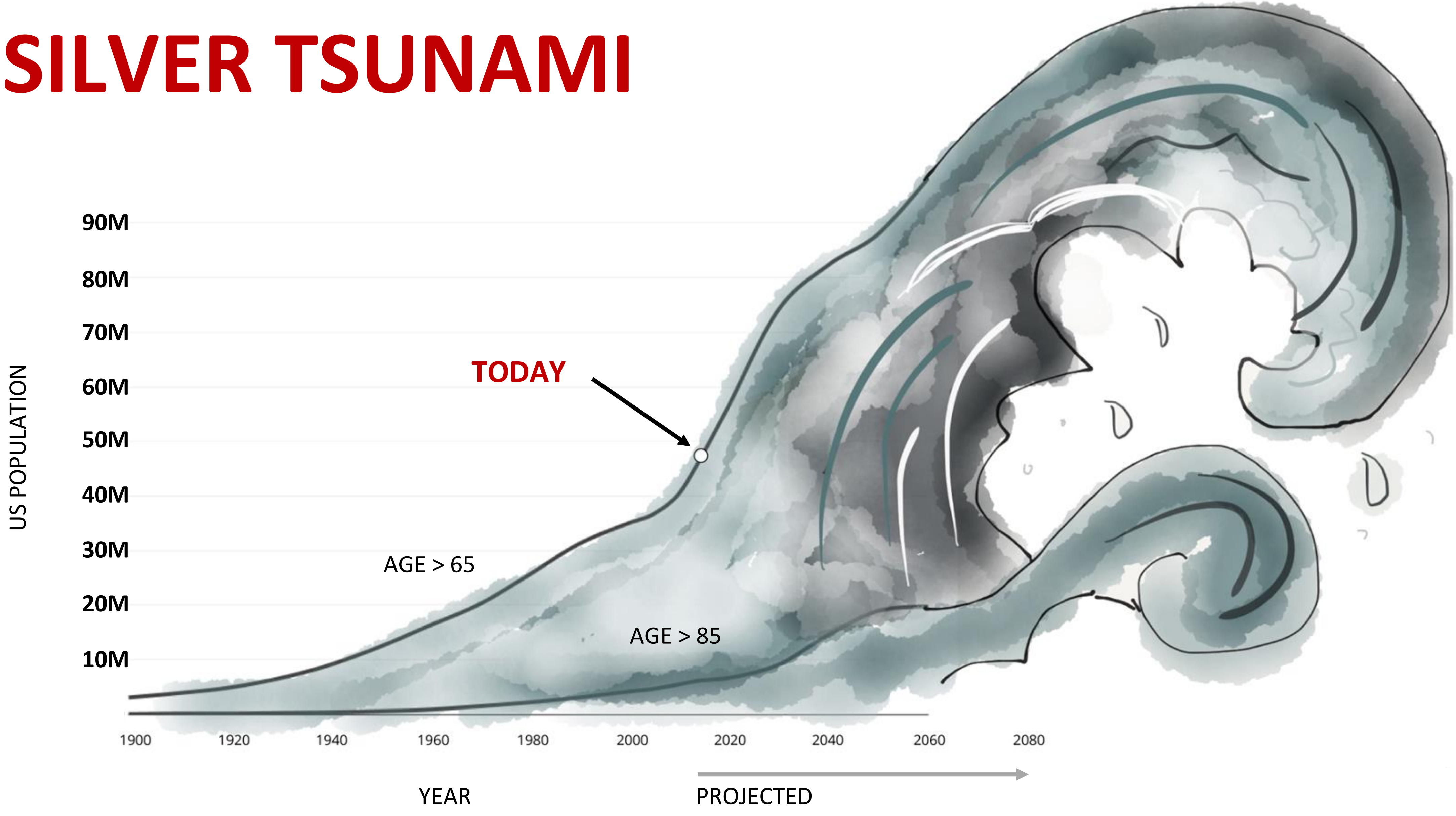
SILVER TSUNAMI



Original image from University of Scranton Journal Fall 2016
Data source: Older Americans 2016 Key Indicators of Well Being, agingstats.gov

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Businesses need to weather the crisis and retool. Can we incentivize employee ownership by helping them do so?

Business continuity & retooling TA + loan

Employee ownership TA + financing

Business continuity loans can be forgiven by transitioning to employee ownership

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HOW GOVERNMENT SHOULD INVEST IN THIS POWERFUL BUSINESS MODEL

Developing a policy agenda with allies in our field

FEDERAL

- Provide funding to states to educate business owners about employee ownership
- Build on the PPP forgivable loan program to roll out additional crisis financing for companies that transition to EO
- Permanently remove SBA loan barriers for EO transitions

STATE

- Put federal education $ to work through EO service providers AND require education by state-funded business service providers
- Tap state loan guarantee programs for forgivable business continuity loans to companies that transition to EO
- Waive capital gains tax for EO transitions

LOCAL

- Less able to invest
- Serve as connectors and EO "candidate spotters"
- Think creatively about utilizing the Federal Reserve's new Municipal Liquidity Facility to finance business preservation initiatives that include EO

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If you are a(n) ….	Here's how you can support employee ownership
Government official (elected or staff)	• Support policy efforts • Engage small business supports for business owner education and "candidate spotting" • Tap loan and loan guarantee programs, and remove barriers
Workforce Development Board / Rapid Response	• Educate business owners • Serve as "candidate spotters" / referral partners • Fund EO feasibility studies for layoff aversion
Small business support organization	• Educate business owners • Serve as "candidate spotters" / referral partners • Provide complementary services to support business success
Investor	• Provide capital for business continuity & retooling loans with commitment to EO • Provide capital for EO transitions
Grantmaker	• Support EO advocates, educators and service providers • Fund partnerships with cities and counties • Provide loan loss reserves for loan utilities

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JOIN OUR WEBINAR

Employee ownership:
A business succession strategy in challenging times

Tuesday, June 9th
11 am PT / 2 pm ET

www.project-equity.org/events-and-webinars

Tomás Durán

President, Concerned Capital

Job Quality Fellow, The Aspen Institute

PANDEMIC'S ECONOMIC IMPACT IN SOUTHERN CALIFORNIA

"SEVERE AND LONG LASTING"

Preliminary estimates suggest a possible decrease in taxable sales of 26% to 38% over 2020-2021 and annual average unemployment rates of 19.3% in 2020 and 12.2% in 2021.

-Southern California Association of Governments, May, 14, 2020

POST-PANDEMIC TRANSITION COMPETITORS

- Speculators & Investors
- Competitors
- Dismantlers
- Employees & Insiders
- Liquidators

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a social benefit corporation

OWNERS & BUYERS PERSPECTIVES

- Business Owner is selling *INTANGIBLE GOODWILL*
- Third Party Buyer is Buying PROFITS
- Employee-Buyers understand the value of GOODWILL.

SELLING TO INSIDERS AS ONE SUCCESSFUL OUTCOME

1. Faster Sale
2. Keeps Jobs Local
3. Tax Benefits for seller
4. Longer Transition retirement

TRANSITION RESOURCES AND PLAYERS

Democracy at Work Institute
Cooperacion Santa Ana
Inclusive Action for the City
CommonFuture.
HCAP Partners
City of Los Angeles
CMTC Creating Solutions
WIOA Workforce Innovation Opportunity Act
EDA U.S. Economic Development Administration
Opportunity Fund working capital for working people
CDFI
FTB
NCEO The National Center for Employee Ownership
IRS
California State University Monterey Bay
SVA Steel Valley Authority
SBA U.S. Small Business Administration
CSU5
Concerned Capital
Main Street Employee Ownership Act
project {EQUITY}
America's SBDC California Los Angeles Network
UCLA
USDA
Ventura County Workforce Development Board
The Port of Long Beach

OUR ROLE AS A CATALYST

1. Identify potential deals
2. Review business viability
3. Work with employee groups to prepare them as buyers
4. Letter of intent
5. Due Diligence
6. Manage expectations for sellers
7. Assemble capital stack for purchase

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COMPANIES WE TARGET

Job Characteristics	Ownership Characteristics
20-75 jobs	Family owned with strong loyalty to staff
Family wage, primary jobs	Gross sales $ 3 - $ 10 million
Many long-term employees	In Industrial/Manufacturing areas
In Mature Industries	Requires new management
Potential to create new jobs	Strong goodwill and solid financial history

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Q&A

Ask questions through the Q&A box