Institute for Business in Global Society

THE POSSIBILITIES OF WORKER OWNERSHIP

ENGAGING EMPLOYEES, BOOSTING PROFITS AND COMBATING WEALTH INEQUALITY

Harvard Business School

Institute for Business in Global Society

The Harvard Business School Institute for Business in Global Society (BiGS) was established in 2022 and is dedicated to advancing the critical role of business in tackling societal challenges, such as climate change and inequality. Through rigorous research, collaborative global forums, and the democratization of information, BiGS brings together industry leaders, academics, students, and other stakeholders across sectors to reshape the narrative of business for a better world.

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The Ownership Project

The Ownership Project (TOP) explores how structuring ownership of key elements of the economy can help businesses and communities address pressing societal challenges and support human values in the 21st century. TOP was founded in 2024 as part of the Institute for Business in Global Society at Harvard Business School and conducts research on enterprise ownership—including worker and steward ownership models—and the ownership of resources such as land, housing, water, and other assets.

For more information, visit *www.hbs.edu/bigs/about/research/the-ownership-project*.

The Worker Ownership Conference

The Ownership Project and the Institute for Business in Global Society convened the inaugural Worker Ownership Conference at Harvard Business School on May 12–13, 2025 to bring together scholars, business owners, investors, government leaders and other stakeholders to discuss the variety of worker ownership forms and the benefits they provide for employees, businesses and society. Panel discussions explored topics such as educating business leaders, government leadership and pathways to financing employee ownership. The conference was organized by Nien-hê Hsieh (Kim B. Clark Professor of Business Administration), Ethan C. Rouen (Terrie F. and Bradley M. Bloom Associate Professor of Business Administration), Jegoo Lee (Assistant Professor of Management at the University of Rhode Island’s College of Business), and Tony Guidotti (Senior Researcher, The Ownership Project).

Agenda

Panel 1: What Is Worker Ownership?: Theoretical Foundations
Adria Scharf, Rutgers University
Evan Edwards, Project Equity
Nien-hê Hsieh, Harvard Business School
Christopher Mackin, Ownership Associates
Brian Trelstad, Harvard Business School (*moderator*)

Fireside Chat: Educating Business Leaders for Worker Ownership
Anne Arlinghaus, KKR
Courtney Funk, ButcherJoseph & Co.
Robert Lane, Allied
Ethan Rouen, Harvard Business School (*moderator*)

Keynote and Panel Discussion: Employee Share Ownership: Evidence, Lessons, and Big Ideas
Joseph Blasi, Rutgers University (*keynote speaker*)
Maureen Conway, Aspen Institute
Corey Rosen, National Center for Employee Ownership
Nien-hê Hsieh, Harvard Business School (*moderator*)

Panel 2: Economic Benefits in Worker-Owned Firms
Fidan Kurtulus, University of Massachusetts Amherst
Olga Prushinskaya, Democracy at Work Institute
Thad Williamson, University of Richmond
Kevin Kuros, Massachusetts Office of Business Development (*moderator*)

Panel 3: Management, Democracy, and Engagement in Worker-Owned Firms
Iñigo González Ricoy, University of Barcelona
Jegoo Lee, University of Rhode Island
Andrew Pendleton, University of New South Wales
Grant Rozeboom, Saint Mary's College of California
Sharon Block, Harvard Law School (*moderator*)

Panel 4: Pathways to Financing Worker Ownership
Jamie Finney, SmallCapital
Alison Lingane, Ownership Capital Lab
Julie Menter, Transform Finance
Philip Reeves, Apis & Heritage
Ted Berk, Harvard Business School (*moderator*)

Panel 5: Government Leadership for Worker Ownership
Matthew Licina, National Center for Employee Ownership
Lorena Lowell, Washington State Employee Ownership Program
Sabina Matos, Lt. Governor of Rhode Island
Kevin McPhillips, Pennsylvania Center for Employee Ownership
Jegoo Lee, University of Rhode Island (*moderator*)

BY CINDY PERMAN AND TONY GUIDOTTI

The Possibilities of Worker Ownership

Worker ownership is an ownership structure that can take many forms, each sharing a different mixture of financial benefit and managerial control with workers.

There were an estimated 25 million workers, or 18% of the U.S. work force, who had an ownership stake in their company as of 2022, according to research by **Joseph Blasi** and **Douglas Kruse** from the **Institute for the Study of Employee Ownership and Profit Sharing at the Rutgers School of Management and Labor Relations**, based on the General Social Survey by the University of Chicago National Opinion Research Center.

A few of the most common forms of employee ownership are the Employee Stock Ownership Plan (ESOP), Employee Ownership Trust (EOT), Employee Stock Option Plan (ESO), Restricted Stock Units (RSU) and Worker Cooperatives (co-ops).

The terminology used to describe the various ownership structures varies, but the unifying factor is that "worker ownership is extending to workers some of the kind of rewards and rights that are typically associated with ownership, that are typically, in our economy, enjoyed by investors of capital," said **Adria Scharf**, who works with Blasi as the senior associate director at the Institute for the Study of Employee Ownership and Profit Sharing and assistant professor at Rutgers. "Worker ownership models extend some of those rights to the workers themselves, which has all sorts of implications, both for internal firm dynamics and for the macro distributions of reward in the economy."

"Worker ownership is an immense opportunity to look at the history of how we fuel the growth of the middle class in the United States, how we fuel innovation and how we align incentives between workers, company owners and the owners of capital to ensure that the value created is shared equitably," said **Tony Guidotti**, senior researcher for **The Ownership Project at Harvard Business School's Institute for Business in Global Society**.

Employee ownership isn't meant as a replacement for wages or retirement plans. Rather, it is meant to supplement wages and help employees build generational wealth and greater autonomy in the workplace. Some would even say there is a normative justification for labor receiving a larger portion of the distribution of companies' created value. Too many people in the U.S. are struggling to make ends meet on low wages and don't have decent savings for emergencies, unexpected costs or retirement.

Project Equity, an organization that helps companies transition to employee ownership, released a study last year that examined 10 companies that made the switch. On average, workers at these companies made 20% more than they did before the transition, and in some cases the numbers went even higher. For example, **Adams & Chittenden Scientific Glass**, which manufactures laboratory glassware in California, raised median wages 45% between 2019 and 2024, according to the study.

Employee ownership isn't a new concept but remains a small share of the market. There are two big reasons that speakers at the inaugural **Worker Ownership Conference** at **Harvard Business School** cited for why alternative ownership structures like employee ownership are urgently needed right now:

1 | The state of wealth inequality in America is dire.

The top 10% of U.S. households hold two-thirds of the nation's wealth, and the bottom 50% hold just 2.4% of the total wealth, according to the Federal Reserve Bank of St. Louis.

"The fixed-wage system has collapsed for the middle class," Blasi said, during his keynote speech on the first day of the conference. "Research confirms that the families who are getting wealthy are getting wealthy because they have access to capital ownership, to capital income, to a percent of business profits, to a percent of business ownership, to dividends, to interest, to ownership of bonds. So, what we need to do is figure out a way to expand those things."

Scharf said more egalitarian models like employee ownership are needed.

"We, at this political and economic moment, have an urgent need for new paradigms … models that actually provide a strong economic foothold and a foothold of dignity for the broad working class in the middle class," Scharf said.

Worker ownership isn't the only model that can help address wealth inequality, but it provides a path for many workers to real wealth-building.

One of the most common forms of employee ownership is the Employee Stock Ownership Plan, where employees are given an equity stake in the business that allows them to directly share in the company's growth and profitability. And, while the success of employee ownership is dependent on the success and profitability of the business, the average employee stake in an ESOP is $164,000 (and more

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Federal Reserve Bank of St. Louis

than $300,000 for employees who have been with the company 10 years or more), according to Blasi and Kruse's research. Employees at ESOP companies typically have more than double the retirement savings of employees at non-ESOP companies, according to research from the **National Center for Employee Ownership**, and receive this benefit at retirement without having to make any individual contributions.

"In an economy that has growing economic inequality and growing economic precarity for so many working people, looking at what the potential is of having an ownership stake in the place that you work to build stability, to build wealth and to build a better life, it was quite compelling," said **Maureen Conway**, vice president at the **Aspen Institute**. "That's really what brought me into this work."

2 | The "silver tsunami," which refers to the wave of business owners who are at or near retirement, will bring disruption—and opportunity.

More than half (51%) of U.S. businesses have owners over age 55, according to the Census Bureau, and those owners will be ready to retire in the next 10 years. Increasingly, those owners are finding their children don't want to inherit the family business and, for many, there isn't a succession plan in place.

By the numbers, that involves 2.9 million businesses, with 32.1 million employees, $1.3 trillion in payroll and $6.5 trillion in revenue, according to Project Equity research using Census and Labor Department data.

The startling statistic is that only about 20% to 30% of businesses that go to market sell, according to the Exit Planning Institute. That means up to 80% of those businesses might have to close their doors. That's not just a loss for the business owner and their legacy—it's a loss for every employee of that company and the economy as a whole.

Lt. Governor Sabina Matos of **Rhode Island** explained during a day two panel on government leadership for worker ownership that she is concerned about the impact this could have on her state's economy.

"What would happen to our community if we have all of those businesses closing down, we have all those storefronts that are shut down in our neighborhoods?" Matos said. "[W]e're losing the tax revenue that comes to the State of Rhode Island, and we're losing the jobs that are available in our state."

And, even if those companies do sell, sometimes they are sold to multinationals or through private equity, which means those companies—and jobs—could wind up being transferred to other states or overseas.

The impact for workers can be devastating.

"[T]hey lose their jobs, they lose their health insurance and, in many cases, they lose years of sacrifice in commitment to a company, and everything can be gone at a moment's notice, just when the owner decides to retire," Matos said. With employee ownership as a succession plan, not only are jobs and revenue preserved, there's a ripple effect in the community.

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Census Bureau

"When a business is owned locally, the money that's generated circulates in the [local] economy," Guidotti explained. "So, a dollar earned by an employee-owned firm becomes a whole lot more than one dollar with the multiplier effect."

Local businesses circulate three times more money in their communities than national chains owned by absentee owners, according to Project Equity.

What's more, it can stave off some of the negative effects on a community when a business leaves town.

Employee ownership "can lead to reduced unemployment, and therefore, the harmful effects on communities like higher crime rates and lower tax base for supporting infrastructure … lowering government expenditures on unemployment compensation and other forms of support for dislocated workers and economically stressed families, and boosting consumer purchasing power," said **Fidan Kurtulus**, an economics professor at the **University of Massachusetts Amherst** and a faculty director of the school's Center for Employment Equity.

"[T]he reason that I felt so passionate [about employee ownership] and decided I want to spend my life doing this, is that there are very few ideas that are the intersection of something that really matters to people's lives and are politically practical," said **Corey Rosen**, co-founder of the **National Center for Employee Ownership** and author of several books, including: "Ownership: Reinventing Companies, Capitalism, and Who Owns What." Prior to co-founding the NCEO, Rosen worked on staff for the U.S. Senate, where he helped draft legislation on employee ownership plans.

What's more, the idea isn't rooted in any one political party. Blasi referred to a public poll, where respondents were asked which type of company they would prefer to work for: a company owned by the state, one owned by investors or one owned by employees. More than three-fourths (77%) of respondents who voted for Donald Trump in the 2016 election and 76% of those who voted for Hillary Clinton chose "owned by employees." In analyzing the survey, Blasi and Kruse dubbed employee ownership a "political unicorn."

"[P]erhaps the secret sauce … is that this is a completely bipartisan issue in the United States," said **Christopher Mackin**, founder of the advisory firm **Ownership Associates**. "Republicans view this as worker self-reliance, workers being less dependent upon government. They like worker capitalism. Bernie Sanders thinks it's democratic socialism. I don't care what you call it. It is a single strength of this idea that you can come at it from different ideological and historical traditions."

Worker ownership is more prevalent in sectors such as retail and manufacturing, where the wealth creation that can result can have a particularly big impact on the lives of workers who typically make lower wages, but it's increasingly being used in other sectors as well.

There are organizations, like Ownership Associates and Project Equity, that help guide business owners through a move to an employee ownership model and firms that help secure funding. But broad-based ownership has also found its way into private equity: Pete Stavros, co-head of global private equity at KKR & Co., created a model in which a share of the proceeds from the sale of a portfolio company is reserved for its nonmanagement employees. That share varies but it could be around 4%, according to a Harvard Business School case study of Ownership Works, a nonprofit established by KKR that is focused on employee ownership. The model creates value for employees as well as investors.

KKR has included broad-based employee ownership options in more than 60 deals across various industries including industrial, financial services, tech, consumer and retail. It has become part of "the core strategy of how KKR thinks about investing in companies and creating value," said **Anne Arlinghaus**, a partner at **KKR**.

In the United States, worker ownership dates back to the days of Benjamin Franklin and George Washington and, in fact, saved the cod-fishing industry during the Revolutionary War, as Blasi explained during his presentation and in his book, "The Citizen's Share: Reducing Inequality in the 21st Century."

It also has a historical connection to Harvard Business School. Mackin explained how, on June 4, 1927, Owen D. Young, the former chairman of General Electric, was the keynote speaker at the dedication of Harvard Business School's Baker Library and talked about the large corporations that were emerging in the industrial era.

"I hope the day may come when these great business organizations will truly belong to the men who are giving their lives and their efforts to them," Young said. "That objective may be a long way off, but it is worthy to engage the research and efforts of the Harvard School of Business."

Today, Harvard Business School's work on employee ownership is guided by two core values, said **Nien-hê Hsieh**, a professor of business administration at **Harvard Business School**.

"One is the idea of trying to enhance what we call economic dignity, elevating everybody's status in the context of how they engage and act in the economy," Hsieh said. "And the second one is economic pluralism. Is there a way to enhance the range of ways in which we view things to give people a broader selection of choice?"

For the conference, there were three main goals, said **Drew Keller**, the director of Harvard Business School's **Institute for Business in Global Society**:

1. Map diverse ownership structures and how they differ.

2. Surface critical research questions around firm performance, capital structures, legal frameworks and the societal implications.

3. Foster collaborations to turn this research into action.

It is against this backdrop that **The Ownership Project** at the **Institute for Business in Global Society** at **Harvard Business School** convened the inaugural Worker Ownership Conference on May 12–13, 2025 in Boston, MA.

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Owen D. Young, former chairman of General Electric

Defining Worker Ownership

The language used to describe employee ownership and what it entails varies.

"Some people talk about worker ownership, some people talk about employee share ownership. Other people use the language of broad-based equity compensation," Scharf explained. "And these different terms, they do have different connotations. They have different origins and histories and different conversations and communities, and they sometimes do kind of infer different roles for the workers. Specifically, different degrees of worker power, different degrees of worker voice."

Mackin described some of the most common forms of ownership during the conference's first panel:

- **Employee Stock Ownership Plan (ESOP):** Employees are given an equity stake in the business that allows them to directly share in the company's growth and profitability through the allocation of dividends in an individual retirement account. This is the most common form of worker ownership in the U.S.

- **Employee Ownership Trust (EOT):** Employees are beneficiaries of a trust that owns the company and operates it for the good of employees. These are more common in the UK but are growing in frequency in the U.S.

- **Employee Stock Option Plan (ESO):** Employees are gifted or can buy shares in the company at a specific price and time.

- **Restricted Stock Units (RSU):** Employers grant employees a certain number of company shares, but ownership isn't transferred right away—it will vest after a certain period of time.

- **Cooperative (co-op):** Employees fully own the company and collectively manage it.

According to Blasi and Kruse's research, in the U.S.:

- 11 million active employees participate in ESOPs, and another 4.2 million retired employees still receive ESOP benefits.

- 14 million employees participate in some type of equity-compensation plan like stock options or restricted stock units.

- 10,000 workers are employed by worker-owned cooperatives.

Olga Prushinskaya, the director of research and impact at the **Democracy at Work Institute**, a think tank focused on worker-owned cooperatives, said their research shows that there may be closer to 15,000 employees employed by co-ops.

The number of worker-owned cooperatives is growing, Prushinskaya said, expanding beyond food-related businesses, consulting services, agriculture, cleaning, engineering, manufacturing and construction to other industries including child care, home care and solar installation. DAWI surveyed co-op workers, who reported that they are making higher wages and have better benefits at their co-op jobs than their prior non-co-op jobs, contributing to greater overall job satisfaction.

What's more, co-op workforces are predominantly women (74%) and more than half (52%) are Hispanic/Latine, two demographics that have historically been underpaid in the workforce. "[T]he cooperative wage boost is almost $4 an hour, which is huge," Prushinskaya said. "In general, we hear from workers that their pay at their cooperative meets their families' needs better and allows them to save more money than they were able to at their previous jobs … allowing workers to build wealth."

The median value of accumulated equity in the cooperatives DAWI surveyed in 2017 was $2,000 per worker.

Survey results suggest that the model boosts loyalty on both sides—companies are more inclined to try to retain employees even through tough economic times, and employees tend to have more confidence in the company, their job security, their job satisfaction and their work effort than in previous non-co-op positions. More than half of co-op employees surveyed (52%) said they had no intention of leaving the company in the next year. The average tenure for employees at a co-op is 6 years according to DAWI, compared to 3.5 years in the private sector generally, according to the U.S. Bureau of Labor Statistics.

Employee Participation in Corporate Governance

When employees are given a stake or shares in the company, it sometimes comes with an increased influence on the governance—having a say in how the business is run—but not always. And, when it does, there are varying degrees of employee participation in corporate governance within the different models. That might include: having a voice on the board of directors (directly or indirectly), having a say in decisions about operations on the "shop floor" (can refer to an actual factory floor or just a general workplace where a company's core operations take place), or having a say in the decision to sell the company.

The question of if and how employees should vote for directors—or if they should even have a seat on the board—has been a topic of discussion among employee owners, board nominating committees, public policy professionals and others who have been very involved with ownership.

"[T]his is very much a cutting-edge evolving question about how to get workers involved at that high level of corporate governance, which I happen to think is very important at the shop floor," Mackin said.

Co-op workforces are predominantly women (74%) and more than half (52%) are Hispanic/Latine, two demographics that have historically been underpaid in the workforce.

In Europe, more than a dozen countries, including France, Germany and Sweden, have mandates for having employees on company boards. The EU Parliament in 2021 proposed making it mandatory in all member states, as **Iñigo González Ricoy**, an associate professor of political philosophy at the **University of Barcelona**, mentioned in his presentation.

There are also different degrees of economic participation within the different models. That could be capital appreciation (wealth), profit sharing (income), longevity (referring to the longer-term commitment of the ownership structure of certain models such as ESOPs and co-ops) and investment risk (workers putting in their own money) vs. equity grants.

Mackin broke these two sets of practices down with this slide during his presentation:

Corporate Governance Practices

	Voice Board	Voice Shop Floor	Voice Sale
ESOP	✓	✓	✓
EOT	✓		
Stock Option			✓
RSU			✓
Cooperative	✓	✓	✓

Economic Participation Practices

	Wealth	Income	Longevity	Investment
ESOP	✓	✓	✓	
EOT		✓	✓	
Stock Option	✓			✓
RSU	✓			
Cooperative	✓	✓	✓	✓

Source: Christopher Mackin, Founder, Ownership Associates, Cambridge, MA.

Ownership Wasn't Meant to Replace Wages—or Retirement Plans

Mackin argued that the idea of ownership isn't to replace wages or the traditional 401(k) retirement plan but rather to be a supplement—a way for employees to directly share in the ownership of the company. A diversified portfolio is still the preferred and safest way for workers to build wealth.

Blasi said there have been several mistakes that companies have made over the years with compensating employee owners, including wage substitution and using 401(k) plans to encourage workers to buy shares in the company with their savings, as former energy giant Enron did, which wiped out a lot of employees' life savings when the company collapsed in 2001.

"Wage substitution does not work with employee share ownership because it would eliminate or dilute the incentive effect of the ownership for the workers and it would negatively affect the attitudes of the workers," Blasi explained. Essentially, it would be replacing a wage cut. "It would be worse since the worker would not see the funds until retirement. Thus, both the reality and the communication of this fact would have a negative effect on the workers."

Fortunately, there isn't a lot of wage substitution happening in ESOPs, according to a new Rutgers study.

Blasi said an optimal shared capitalism scenario would include the following:

- Fixed wages at or above the market rate.
- Combinations of shared capitalism that balance more and less risky approaches and avoid financing shared capitalism with worker savings.
- Training, employee involvement in decision making and job security—all things that foster high performance.
- Low supervision of workers.
- Prudent diversification of worker wealth.
- Retirement plans in addition to shared capitalism to protect workers' futures.
- Higher-than-average grades on employee-management relations and trust in management.

The Difference Ownership Makes in the Workforce

With the proliferation of capitalism and big corporations came phrases like "9-to-5 job," "punch the clock" and "working for the man." None convey a motivated workforce looking to save the company money or find new ways to grow the business. But that can change when employees become part owners. They're not just "working for the man," generating profits for the company and enriching executives, they are sharing in the profits—and working for themselves.

Worker ownership can change employees' attitudes toward their jobs, motivating them to use their skills and creativity to come up with new ways of doing things to improve productivity, competitiveness, profits and growth. That affects a company's performance: companies with employee stock ownership plans typically grow 2% to 3% faster than companies without them, they have lower turnover and higher productivity, according to research from the National Center for Employee Ownership.

"And, if you combine that with high involvement workplace management—not governance, but open-book management, high involvement, strategic planning, getting employees involved in work teams—those companies grow even faster still," Rosen said.

"I'd offer that our identity in this country is so driven by ownership—the number-one wealth building mechanism is home ownership, right? And after that, business ownership, right?" said **Evan Edwards**, the CEO of **Project Equity**. "And that's the way we're taught to think very early on. So, our identities are shaped by the concept of ownership."

Edwards said he saw the impact ownership can have firsthand, working earlier in his career for a company that gave every employee an equity stake. It changed his perspective on the possibilities—and value—of ownership.

"As the business grew and my responsibilities grew and the valuation grew, my attachment to the work and my commitment to it and my pride in that company, were all elevated," Edwards said. "I'll never forget how ownership culture, which we talk about in employee ownership all the time, permeated that company and how tremendously fulfilling a workplace it was."

Now, Edwards and Project Equity help other businesses transition to an employee ownership model. He spoke of the difference he's seen ownership make in people's lives: the married couple who did office cleaning for a company that gave them an equity stake, who then were able to pull together enough capital to open their own office-cleaning company. Or employees who were able to afford a down payment on a home in Los Angeles or the Bay Area because they received profit-sharing.

"Companies with employee stock ownership plans typically grow 2% to 3% faster than companies without them, they have lower turnover and higher productivity."

National Center for Employee Ownership

Ownership "provides workers a quality job, a business ownership stake, a pathway to wealth building and so much more," Edwards said.

Another important aspect, Conway said, is connection.

People are always saying, "Oh, you're going to have 17 jobs or 82 jobs over the course of your life. That ebbs and flows," Conway said. "Part of the value of ownership is that you own the thing, right? I think that's a different thing about ownership, is that idea of connection that it can really bring."

Research shows that employees feel more valued and have greater job satisfaction when they are part owners. There's a sense of pride, purpose and engagement that makes employees more likely to want to perform better and contribute ideas that can help grow the company and save money when they are owners. It also leads to more employment stability than at non-employee-owned firms—lower absenteeism, turnover and layoffs. For example, a study of thousands of manufacturing firms (ESOPs and non-ESOPs) by Blasi and Kruse at the Rutgers Institute found that employee-owned manufacturing firms had 18% less employment change than those without employee ownership.

How Worker Ownership Has an Impact on the Community

There's also a spillover effect outside of the workplace that positively affects communities. Studies have shown that workers who share ownership in their companies are more likely to do things like volunteer or vote in political elections.

In a 2017 survey of worker co-ops, 46% of worker-owners volunteered in their communities compared to 30% of employees who didn't have ownership, according to the Democracy at Work Institute. A separate study on ESOPs by Blasi and Kruse found that 73% of worker-owners voted in the 2008 U.S. presidential election vs. just 63% of workers who didn't have ownership.

Grant Rozeboom, an associate professor of business ethics and social responsibility at **Saint Mary's College of California**, said when workers feel valued, it influences how they behave.

Rozeboom explained the "spillover effect," recalling a conversation with a manager in the hospitality industry, who was mindful of how conversations—even tough conversations—with employees affected who they were when they walked out the door—what kind of driver they were, what kind of parent they were, what kind of caretaker they were when they got home.

"[H]ow workers are treated and the way in which they can participate in firms has important effects on their abilities to engage as citizens in their communities and in their society," Rozeboom said. "This is why it's called spillover effect. It spills over into your ability to engage as a citizen in your community more broadly."

"I think if managers were taught to think about how they engage with their employees, including in worker-owned firms, specifically with an eye to what does it look like to listen with empathy, what does it look like to avoid micromanaging in how you help someone structure their task … You're thinking about the kind of person they're going to be when they leave work," Rozeboom said.

"How workers are treated and the way in which they can participate in firms has important effects on their abilities to engage as citizens in their communities and in their society."

Grant Rozeboom, Saint Mary's College of California

How Leaders Using an Ownership Model Think Differently

Scharf said she has interviewed dozens of business owners and employees who are successfully using an ownership model and there are three things that tend to define these businesses:

1) Decision-making is often based on long-term value creation not short-term gain. One prime example was companies that chose not to lay off workers during Covid—even when their competitors were.

2) Employees are treated as stakeholders—not just cost centers.

3) There is a deliberate preservation of workforce trust. Leaders recognize that employee trust is essential to the organization and its success.

"I find that, again and again, in talking to leaders of ESOP companies—especially successful ESOP companies—there's this intentionality around the deliberate preservation of workforce trust," Scharf said.

For example, in challenging economic times, it might be tempting to make cuts and layoffs to save money. But Scharf said leaders of companies with employee ownership tend to take a longer view.

"It's as if the leaders recognize this trust that they've invested in and built up … is a key organizational asset, and they prioritize that even when there are short-term costs to doing so," Scharf said.

Kurtulus, who wrote a book with Kruse titled, "How Did Employee Ownership Firms Weather the Last Two Recessions? Employee Ownership, Employment Stability and Firm Survival in the United States," said their research has shown that companies with employee ownership tend to weather economic downturns better.

"[E]mployee ownership is linked to greater employment stability and greater likelihood of firm survival through recessionary pressure points," Kurtulus said during a day-two panel on the economic benefits in worker-owned firms.

Specifically, they looked at pension records from the Department of Labor from 1999 to 2011, a period that included two recessions, and found that firms without employee ownership in their pension plans saw employment decrease by 3%, those with any type of employee ownership in their plans saw employment drop by 2.8% and, for companies with ESOPs, employment fell by just 1.7%.

What's more, companies with employee ownership were 21.4% more likely to remain in business than companies without ownership.

The percent of the firm owned by employees also made a difference: companies where 5% or more was owned by employees were 22.8% more likely to remain in business, compared to companies that were less than 5% owned by employees.

"Employee ownership is linked to greater employment stability and greater likelihood of firm survival through recessionary pressure points."

Fidan Kurtulus, University of Massachusetts Amherst

The Employee Ownership Paradox

For owners looking to exit their business, like so many in the "silver tsunami," selling to employees is a great option because employees care about the business and have a vested interest in its future—and keeping it in the community.

But there's the Employee Ownership Paradox: while employees should be owners, they often lack the capital to acquire their companies. The number of deals that involve employee ownership are a small fraction of overall merger and acquisition activity, Mackin explained. In 2024, for example, there were 17,430 M&A transactions in the U.S., according to Statista, and just 700 of them involved employee ownership, according to Mackin's research.

"The prevalent, predominant models of business ownership in our economy concentrate wealth in the hands of a relative few and give the rights of ownership and the benefits of profit to outside investors," Scharf said. "[T]o me, it comes back to that flow of the rights of ownership, the flow of the rights of financial reward and the importance of building out more economically inclusive models of business that share those rewards more broadly."

There is a bill moving through Congress that could help: The American Ownership and Resilience Act 2025 would create an investment facility within the Commerce Department that would make it easier for companies to move to an employee ownership model by providing loan guarantees to private investment funds to facilitate these transactions with debt or equity.

Educating Business Leaders for Worker Ownership

One challenge is that, despite all of the benefits of ownership, a lot of business owners looking to sell don't know that employee ownership is an option.

"ESOPs are sort of a black box" for a lot of companies but also for the advisors they hire to guide them through the deal, said **Courtney Funk**, an associate at **ButcherJoseph & Co.**, a middle market investment bank that specializes in employee stock ownership plans and works with a lot of family-owned businesses. "There are many stakeholders in the ecosystem that are unaware of what types of businesses would be good candidates for a sale to an ESOP."

"For example, many of our clients worked with trusted advisors and have had those relationships for decades," Funk explained during a fireside chat on educating business leaders for worker ownership, led by **Harvard Business School** Associate Professor **Ethan Rouen**. "And when it comes time to sell their businesses, those financial advisors haven't heard of an ESOP or aren't aware of what ESOPs are, and so they're not recommending that as a potential transaction for the founder or as potential for succession planning."

The other problem, she explained, is access to capital to close these deals. Typically, with an ESOP, a company will take on debt to buy out the founder, and there aren't a lot of lenders who specialize in ESOPs or understand how they work.

Pathways to Financing Worker Ownership

The two biggest concerns among retiring business owners are 1) leadership transition and 2) financing, said Matos.

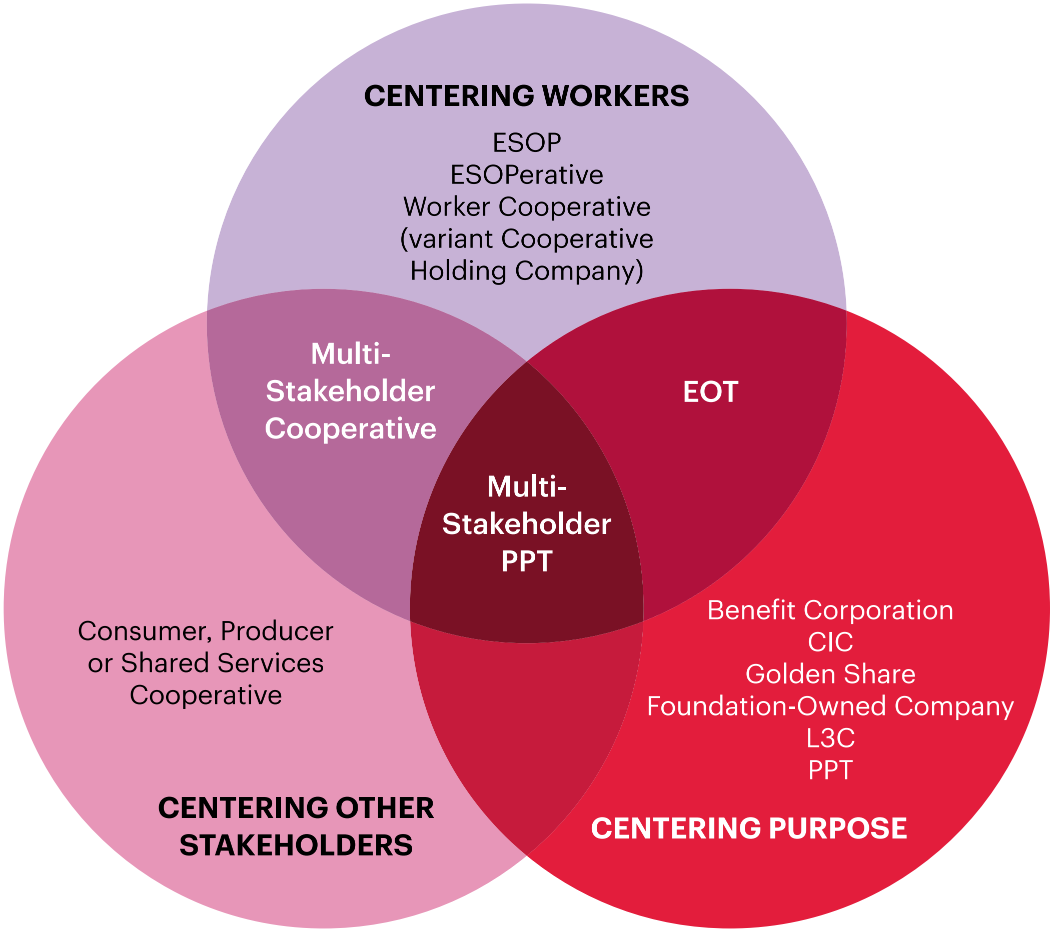
There are dozens of different financial models—no one-size-fits-all—that are designed to "rebalance the rights of external shareholders with the rights of other stakeholders, who are also deeply integral to the success of a company," said **Julie Menter**, the program director of transformative financial structures at **Transform Finance**, a think tank for impact investing.

"Some models benefit workers—those are a lot of the models that we've been talking about here—ESOPs, co-ops and ESOPeratives, which is a blend of the two. But there are also models that are really designed around centering a company's purpose," Menter explained during a panel on pathways to financing worker ownership.

A perpetual purpose trust (PPT) is where the company is owned by a trust and its profits go toward a cause that is important to the company and its purpose.

As an example, Menter cited Patagonia, which converted to a PPT in 2022. The outdoor apparel company's profits are distributed as dividends that go toward fighting the climate crisis, making "earth its only shareholder," as the company explains. It was intended to ensure that the company's values and commitment to protect the environment are upheld and can't be undone by current or future investors.

Alternative Ownership Enterprise Models



Source: Curt Lyon and Julie Menter, "Briefing: Investing in Employee Ownership," Transform Finance, available at https://www.transformfinance.org/investing-in-employee-ownership-report.

She noted there is also a set of models "dedicated to stakeholders that are neither—not workers, not a purpose—but really other sets of stakeholders." She cited Organic Valley and Land O'Lakes (farmer-owned cooperatives) and REI (consumer cooperative) as examples.

She also talked about the three different levels at which capital can come into a firm, including conversions, start-ups and ongoing financing, but said the bulk of the activity has been in conversions—owners looking to sell the business to their employees. And a lot of that is being driven by the "silver tsunami." An owner is looking to sell to its employees, but they don't have the cash, so it must be financed with debt or other forms of financing.

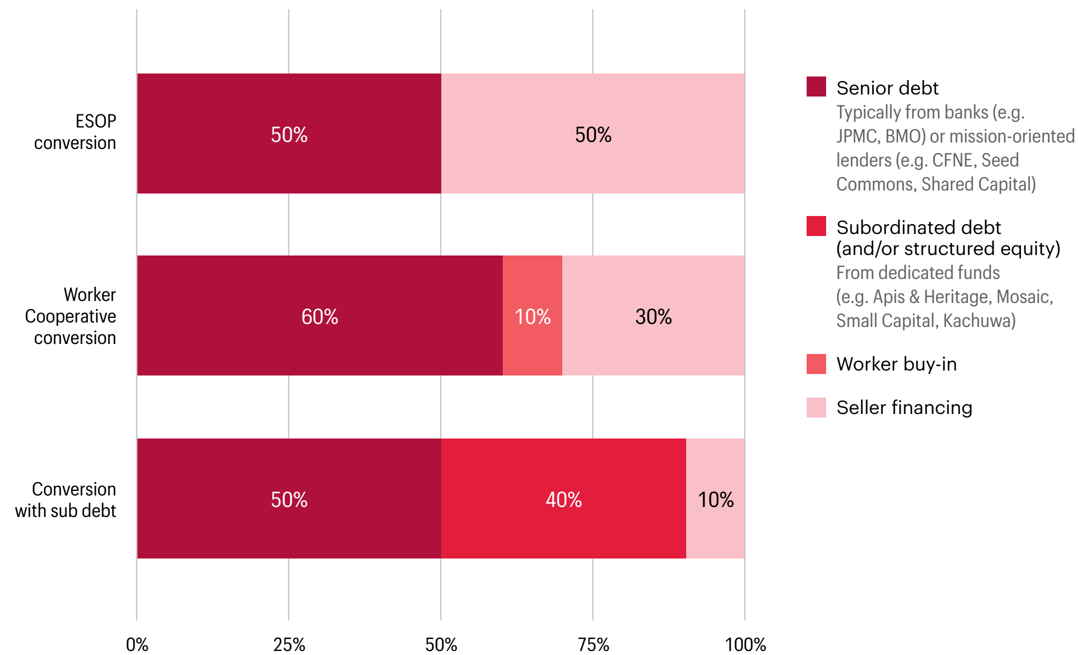
She noted that EO conversions nowadays involve different types of capital and can come from different sources such as banks, dedicated funds and mission-oriented lenders.

"There are also folks who are thinking about employee ownership as a layer of impact in a strategy that might be thinking about: how do I support underrepresented entrepreneurs in a particular geography? And I might support entrepreneurs, but also worker co-ops. Or how might I think about economic development and be blending real estate investing and co-ops?" Menter explained.

There are so many businesses suitable for conversion, Menter explained, that the number of funds investing in this space has grown significantly since 2018.

EO Conversions Combine Different Types of Capital

Capital stacks for EO conversions (illustrative)



Source: Curt Lyon and Julie Menter, "Briefing: Investing in Employee Ownership," Transform Finance, available at https://www.transformfinance.org/investing-in-employee-ownership-report.

According to research from the Institute for the Study of Employee Ownership and Profit Sharing at the Rutgers University School of Management and Labor Relations, here's what the market looked like, as of 2022:

- 140,000 companies with 33 million employees were suitable for an ESOP employee buyout
- Nearly 1.1 million companies with more than 25 million workers were suitable for a cooperative (co-op) buyout
- Combined, those firms have around $25 trillion in revenue (in 2024 dollars)

"This is a huge investment opportunity that could translate in a huge amount of wealth for workers," Menter said.

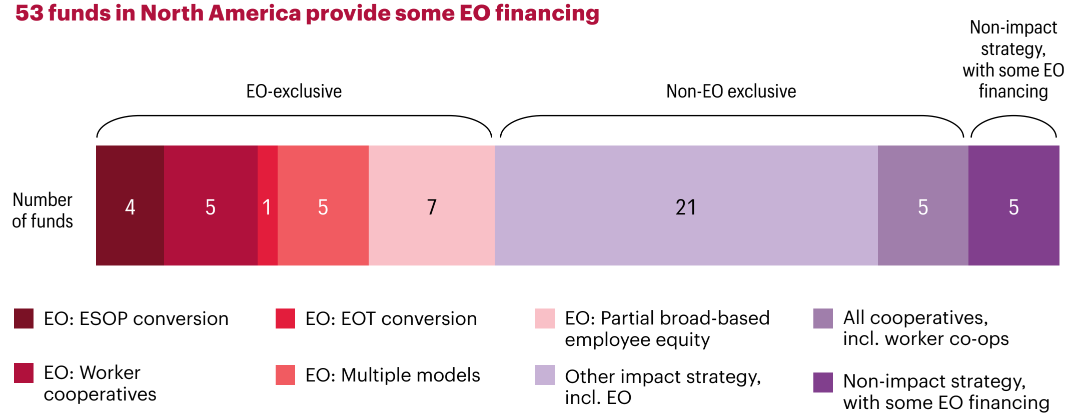
What's important is to scale it correctly. She cited five key things to consider: economic rights, governance rights, mission protection, benefit to communities and movement integration.

Alison Lingane, the founder of **Ownership Capital Lab**, estimates that if just 10% of the "silver tsunami" went to EO, it could help 8.2 million Americans build wealth.

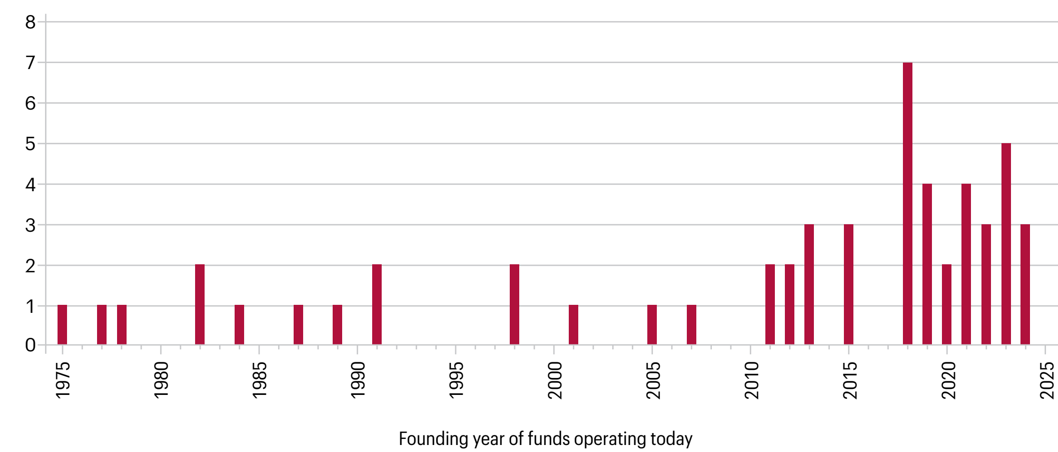
"What we want to try and see happen is that employee ownership or ownership investing becomes as well-known as gender lens investing [such as investing in women-owned businesses or businesses that benefit women and girls] or climate investing," said Lingane, who was also the co-founder of Project Equity. "And so, we're aiming here to build the ownership economy."

The EO Fund Investment Landscape

53 funds in North America provide some EO financing



Small field, growing rapidly



Source: Curt Lyon and Julie Menter, "Briefing: Investing in Employee Ownership," Transform Finance, available at https://www.transformfinance.org/investing-in-employee-ownership-report.

Lingane cited three reasons why EO is an attractive investment:

1) Annual default rates on ESOP loans are less than 0.3%, compared to typical default rates of 2% to 3.75% at mid-market companies.

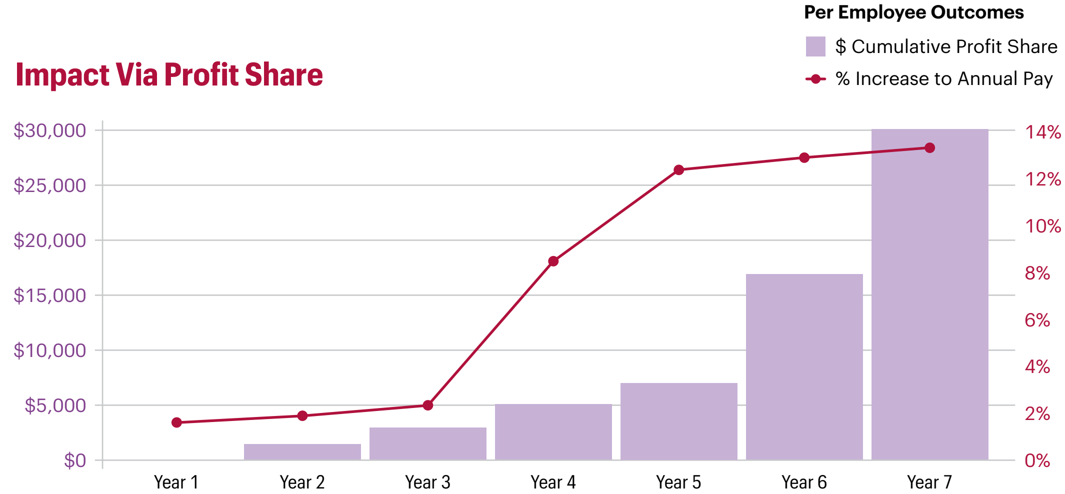
2) These companies tend to have higher sales, growth and profit margins.

3) These companies combine quality jobs with asset building.

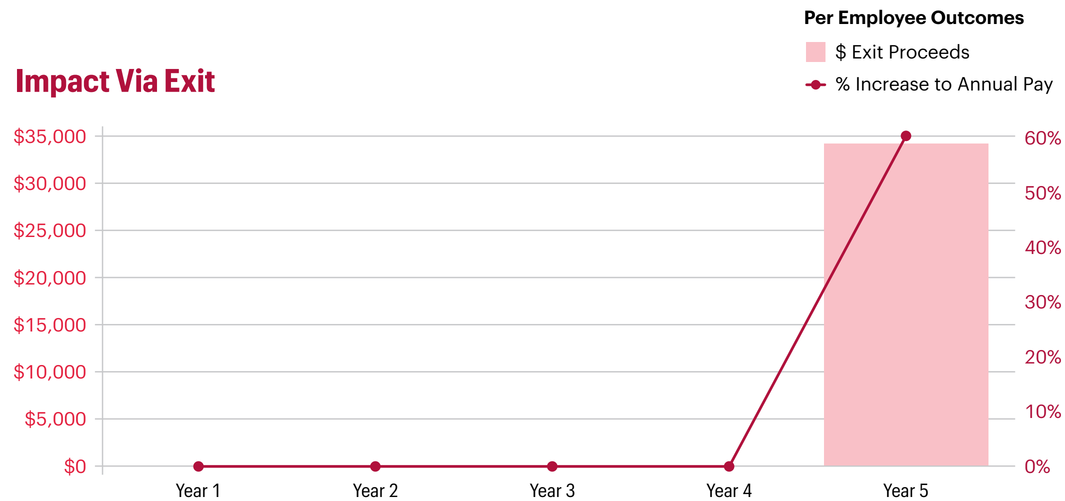
So, the question becomes: “Are we going to sit back and are we going to let there be further wealth concentration as a result of these companies being acquired by larger consolidators, or are we going to intervene and take this as an opportunity to create more capitalists and grow the ownership class?” Lingane asked.

Jamie Finney, co-founder and general partner at **SmallCapital**, invests in rural Colorado start-ups and employee-ownership transitions. He said employee ownership is a solution to several issues: firm survival, employee retention, margins and worker wealth. And the numbers speak for themselves in terms of employee wealth building: employees can increase their annual pay by an estimated 10% or more within seven years and their exit proceeds can be 50% of their annual salary or more when the company is sold.

Impact Via Profit Share



Impact Via Exit



Source: Jamie Finney, Small Capital, 2025, available at smallcapital.org.

The Key to Unlocking Value Is Trust Between Leaders and Employees

When a company decides to go down the path of worker ownership, there's another hurdle: getting employees to understand it.

Offering an ownership stake that may not enrich employees for five years or more is a lot harder to explain than, say, a bonus that workers can spend immediately. It also may not be intuitive for workers that their actions can directly affect the success of the company and thus the economic benefit they receive. There's a need to educate workers to think like owners, and to understand both the corporate and personal finances that surround these deals.

That comes down to trust, Arlinghaus said, echoing earlier comments by Scharf about leaders committing to preserving workforce trust.

"I've seen it very much across industries … where the kind of key element of really unlocking value in these programs for the workforce is to create an environment where there's real trust between what your C-suite is saying and what the front-line worker believes and feels empowered to do," Arlinghaus said. "We have started to see a correlation between leaders who have a high degree of empathy and their ability to really create that trust."

Getting Employees to Start Thinking Like Owners

There's also a gap between making employees owners of a company and getting them to think and act like owners.

First, there's a need to explain the transaction from the get-go.

Apis & Heritage Capital Partners (A&H), an investment fund that helps companies convert to employee ownership, has five portfolio companies, involving more than 440 (mostly low- and moderate-income) workers, that are now 100% owned by employees.

"Workers are terrified every time" when they hear the company is becoming employee-owned, A&H managing partner **Philip Reeves** said during his presentation on day two of the conference. "All they care about is their job. [A leader] is leaving … These guys come in in suits … and what's an ESOP?"

They can't just bill these transactions as a "really cool benefit," Reeves said. It's necessary to "bring the worker culture of ownership mindset to these companies. It's time consuming, expensive, messy. But on the other side, it's worth it."

He cited an example of doing an employee ownership deal for a large landscaper in Texas. The company always delivered on time, but they achieved that by over-ordering plants on every project. So, at the end of the job, they would have extra plants. With employee ownership, employees thought about the waste and realized they could return those trees and get their money back. Now, every single crew returns the excess, Reeves said.

There's a need to educate workers to think like owners, and to understand both the corporate and personal finances that surround these deals.

“We talk a lot about thinking, acting, feeling like an owner, and in order to do that, you have to have the financial literacy to understand how equity value in the business is created,” Arlinghaus said. “We have our CFOs across our portfolio companies, we ask them to essentially teach a basic LBO modeling course, effectively to the broad base of their employees, put in the language of their business, in the language of their industry—concepts that resonate with people.” (LBO stands for leveraged buyout, which generally means an acquisition funded by debt.)

“So, we’ve invested a lot in programming, both to do that kind of corporate finance education and also personal finance,” Arlinghaus said. “We’ve started to invest in financial literacy and resiliency programming from day one, when we invest in a business.”

Robert Lane is on the other side of that equation—he’s the current CEO of electrical construction services provider **Allied** and former CEO of **Endeavor Fire Protection**, which provides fire and life safety services. He brought employee ownership to Endeavor as it expanded to cover 14 states and doubled revenues in a two-year period.

“Employee ownership creates a collective identity that provides value, respect and belonging to a cohort of people to accomplish a greater goal,” Lane said. “It is a remarkable tool.”

But Lane found a challenge he didn’t expect in the process, which is selling the idea of ownership to a unionized work force, where there is a lot of history—and trust with management is hard to come by.

“I did not fully understand the response of the various labor unions,” Lane explained during the day-one fireside chat. “Part of the challenges that it would face is they didn’t want it to be called equity” because they viewed it as an attempt to deunionize the business. Plus, they didn’t have to fight for it, so they were dubious.

“They hadn’t won it in a battle, in a labor negotiation,” Lane said. “It was a free gift that I had provided them, and they thought, what’s the catch?”

What's Next? How to Get Broader Implementation of Ownership

Throughout the conference, there was a thread of ideas for how to forge a pathway to broader implementation of employee ownership.

One of the first ideas, was to seed worker ownership in college and university courses: not just business school courses, like those at Harvard Business School, but at other universities, including in undergraduate courses—and nonbusiness courses.

"We need to expose students to a broader way of doing things," Hsieh said.

Other suggestions that came out during the conference included:

- Classes on how to work with a unionized labor force
- Classes that explore the potential of the workforce—not just the C-suite—across the whole organization
- Courses that help leaders explore their "why"
- Career advisory guidance to help students find their path

"Business schools have a central role preparing the leaders of corporations and authors of policy," Blasi said. "The top business schools in the country need to train leaders like the people who were around George Washington, who got him to sign the first legislation on profit sharing."

Another key idea was connecting students with internships and job opportunities in the space.

Funk, Lane and Arlinghaus are all great examples of how this would work: all three went to Harvard Business School and were interested in the ideas of ownership. Funk and Arlinghaus went the investment banking route; Lane applied those ideas as a business owner. Funk, in fact, had a prime offer to join a consulting firm in Washington, DC, after graduating, but after learning about ownership in Professor Rouen's "Reimagining Capitalism" class, decided to do some networking with people working in the ownership space (including "several people in this room," she quipped at the conference) to see what job opportunities might be available. It worked—she got a job at ButcherJoseph & Co. working on ownership deals.

Other ideas included publishing more research on business outcomes for ownership-financing deals, expanding financial literacy education (starting with K–12), getting more allies and resources in government, notably at the Labor Department, and working to get ownership centers in all 50 states to provide information and resources to business owners and other stakeholders. Currently, there are ownership centers in 18 states and the District of Columbia, plus the National Center for Employee Ownership.

Some of the centers are more focused on research or technical assistance for businesses seeking to transition to an employee ownership model, and some are independent, like the Pennsylvania Center for Employee Ownership, which works more like a marketing vehicle for ownership than a consulting service.

"Our organization, the Pennsylvania center, is an independent 501(c)(3), and we exist to do one thing and one thing only, which is to raise awareness about the benefits of employee ownership," said **Kevin McPhillips**, the executive director of the **Pennsylvania Center for Employee Ownership**. "In effect, we're a marketing organization trying to teach our community, our commonwealth, about employee ownership."

Conway suggested that the Labor Department, which has a whole division focused on education and training, could be doing more to educate workers on employee ownership—and the possibilities for their careers—and wealth.

"When you look at the numbers and the benefits, it begs the question, 'Why aren't workers looking for this?'" Conway asked. "Again, just like with small business owners, workers themselves aren't really aware of this as a model."

"We can do all the legislation, incentives, whatever, and if we don't get people to know about it, it's not going to help," McPhillips said.

"Business schools have a central role preparing the leaders of corporations and authors of policy."

Joseph Blasi, Rutgers University (keynote speaker)

Preparing for the Future

The entire discussion about worker ownership becomes even more important in the context of where we are right now, in the age of robotics and artificial intelligence, and what that could mean for the labor market.

"I do think it's certainly highly conceivable that … technology does replace jobs, and rethinking ownership is going to be even more important in that environment," Rosen said. "It's not just that they'll support the robots in their jobs, but there may not be jobs for enough people, so that, if they don't own something, we're even more screwed than we are now in terms of social discontent."

Blasi shared this idea from Richard Freeman, a prominent Harvard labor economist, which helps reframe that fear of job loss, with help from employee ownership:

"If workers own the robots, they won't oppose the use of them by their companies, they will benefit from the value."

Blasi ended with a great story that a lot of people in the room hadn't heard, about how former Harvard President Charles Eliot tried to take over MIT, which was struggling financially and couldn't afford the campus expansion it needed, in the early 1900s. A mystery donor jumped in with the necessary funding to keep MIT from getting absorbed into Harvard. That mystery donor turned out to be George Eastman, founder of Eastman Kodak, "who became so rich because he had broad-based employee ownership and profit sharing at Kodak," Blasi explained.

"You go into the Eastman archives, and you see a whole shelf of books on English socialism, labor unions, worker cooperatives," Blasi explained. "Eastman, who we would consider sort of a right-wing Republican today, was reading all this stuff while he was privately designing the profit sharing and employee ownership programs for Kodak. He was a big thinker. A wide thinker. A multi-faceted thinker. He was a guy with a heart. A guy who prevented Harvard from owning MIT."

That idea was a consistent, concrete message throughout the conference: workers deserve a stake in the companies they are helping to build, and that, in turn, will benefit the company, the community and the economy.

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