Ownership at Work: A Discussion on Designing and Growing Employee Ownership – Transcript

Hosted by the Aspen Institute Economic Opportunities Program

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Description

The contributions of frontline workers have been widely lauded over the last few years. Though this long-overdue praise is important, we continue to fail to adequately compensate most essential workers even as corporate profits remain high and wealth inequality and race and gender wealth gaps persist. Employee ownership has continued to emerge against this backdrop and across party lines as a potential strategy for building an economy where prosperity is more equitably shared. Awareness about employee ownership, however, remains a challenge. Designing jobs and workplaces that include employee ownership can also be difficult and complex and many opportunities for growing the approach remain unrealized in the US.

Businesses looking to start or transition to an employee-owned business face a number of design choices. Employee Stock Ownership Programs (ESOPs), Employee Owned Trusts (EOTs), worker-owned cooperatives, and equity compensation programs each hold different advantages and disadvantages. They can differ in their profit sharing, costs, flexibility, and how workers are involved in decision making. Designing a workplace culture that fully leverages employee ownership's strengths also requires intention. What drives businesses to choose employee ownership? What factors affect the design and structure of employee ownership and what workplace culture is needed for it to be effective? What lessons can we learn from employee-owned firms about improving job quality and worker engagement? What supports do employee-owned businesses need and how can philanthropy and government help more businesses find opportunities to build ownership into the jobs they provide?

This event features closing remarks from US Senator Chris Van Hollen of Maryland and a panel discussion with Jennifer Briggs (Contract CEO), Frank Lindsey (Old Takoma Ace Hardware), Gina Schaefer (A Few Cool Hardware Stores), Jeanne K. Wardford (W.K. Kellogg Foundation), and moderator Alana Semuels (TIME).

This is the final conversation in our three-part series, The Job Quality Choice: Opportunities and Challenges in Job Design.

For more information and resources from this event, visit as.pn/ownership.

Speakers

Jennifer Briggs

Contract CEO; Chair, Colorado Employee Ownership Commission

Jennifer Briggs brings over two decades of practice in executive leadership, human resources, and organizational development from various industries. She served as vice president of human resources and organizational development with New Belgium Brewing for over 12 years, creating a winning "best of" workplace, and as a consultant with the Beyster Institute at UC San Diego's Rady School of Management. She now serves as CEO for Modern Times Beer and as an independent outside director to PFSBrands and Engineering Economics. Building healthy, profitable, growth-oriented companies with a dedication to integrated impact with shared capital ownership is her passion. She brings a nontraditional leadership viewpoint focused on values, communication, and community. She holds a Master of Science in Organizational Leadership, graduate studies in enterprise project management, and a Bachelor of Science in Community Health.

Todd Leverette

Co-Founder, Apis & Heritage Capital Partners

Todd Leverette is the co-founder of Apis & Heritage Capital Partners, an impact-focused private equity firm that looks to address the nation's racial wealth gap by using the power of employee ownership. Prior to co-founding Apis & Heritage, Todd was the program manager of legacy business initiatives at the Democracy at Work Institute, a national nonprofit that leverages employee ownership models as tools for racial and social equity. Todd is also a former Wall Streeter, startup co-founder, and independent business consultant who has dedicated his life and career to leveraging the tools and best practices of big business to empower communities of color. He received his law degree and Master of Business Administration from Columbia University and is a Phi Beta Kappa graduate of Morehouse College.

Frank Lindsey

Employee-Owner and Manager, Old Takoma Ace Hardware

Frank Lindsey is the employee-owner and manager of Old Takoma Ace Hardware in Takoma Park, Maryland, where he is responsible for running a multimillion-dollar retail business with a team of over 22 employees.

Lindsey is passionate about empowering and teaching his team to elevate their lives, create big dreams, and build successful careers that will make them fulfilled.

Lindsey's professional career is highlighted with stops in information technology, consulting, and business development roles, which began after five years serving in the United States Marine Corps. While in the Marines, Lindsey received numerous awards, such as a Certificate and Letters of Accommodation for work that he did in Afghanistan, a Good Conduct Medal, a Sea Service Deployment Ribbon with a Service Star, and an Afghanistan Campaign Medal with two Service Stars.

Lindsey is also proficient in American Sign Language and is a lifetime member of the Veterans of Foreign Wars.

Gina Schaefer

Founder and CEO, A Few Cool Hardware Stores

Gina Schaefer is the founder and CEO of 12 hardware stores in Washington DC, Baltimore, and the surrounding areas. As a member of the Ace Hardware Cooperative, Gina leads a multimillion-dollar business that employs more than 260 people. She is dedicated to maintaining a strong corporate culture and has begun a transfer of ownership through an employee stock ownership plan to her teammates. She is also the author of "Recovery Hardware: A Nuts and Bolts Story About Building a Business, Restoring a Community, and Renovating Lives," which was published in September 2022.

Schaefer draws her inspiration from fellow entrepreneurs who strive to be creative, think differently, and help make a difference — people like Judy Wicks, founder of the White Dog Cafe in Philadelphia, from whom Schaefer learned innovative business strategies; Paul Saginaw and Ari Weinzweig, founders of gourmet food group Zingerman's Community of Businesses in Michigan, who inspired her to use her voice as a force for good; and Father Gregory Boyle, founder of Homeboy Industries in Los Angeles, who taught her that nonprofit organizations need to think beyond simple charity.

Schaefer has received numerous accolades for her many accomplishments. She is the recipient of the Women Who Mean Business award from the Washington Business Journal of 2009; she was recognized as an industry Top Gun in 2011 by the National Retail Hardware Association; she was honored by Profiles in Diversity Journal as one of its "Women Worth Watching" in 2013; and she was recognized by Hardware and Building Supply Dealer as one of 14 of the 2016 "People of the Year." In 2020, she received a Top Women in Hardware & Building Supply award.

She serves on the corporate board of CCA Global and the nonprofit board of the Institute for Local Self-Reliance.

Jeanne K. Wardford

Program Officer, W.K. Kellogg Foundation

Jeanne Wardford is a program officer for Family Economic Security at the W.K. Kellogg Foundation in Battle Creek, Michigan.

In this role as a member of the Family Economic Security team, Wardford is responsible for advancing employment equity and business enterprise development focused policies, practices, strategies, and opportunities for effecting positive systemic change within communities aimed at creating conditions in which children can develop, learn, and grow. She works closely with staff to ensure integration and coordination of efforts.

Jeanne has dedicated her life to working for the betterment of individuals both in the public and private sector. Over the last two decades, she has held several positions of progressive leadership in both the public and private sector. Her interest has always been working to develop young people and the communities in which they live. Throughout her career, she has been recognized for her ability to get to the root of the problem and recommend fair, equitable, and oftentimes innovative solutions to age-old problems. She is known for her vigorous policy work and advocacy for children and families.

Prior to joining the foundation in 2015, Jeanne was director for national partnerships at NeighborWorks America in Washington DC. In this role, she built strategic collaborations with public and private investors and secured resources for the implementation of a national asset development program, which included financial education, literacy, coaching, and community development strategy. She has also worked in community development, fund development, and evaluation consulting for TaylarMade Consulting, Inc., where she worked with public, private, and academic sectors and their funding partners.

Jeanne's leadership in support of education, racial equity, and economic development is reflected not only in her day-to-day activities, but also in her membership on a variety of boards, including the Detroit Public Library Foundation; the Center for Community Progress; Warrior Women, a project of the Michigan Women's Foundation; the National Women's Business Council; Bowie State University Dean's Advisory Council; and FAMU School of Allied Health Advisory Board.

Moderator

Alana Semuels

Senior Economics Correspondent, TIME

Alana Semuels is a senior economics correspondent at TIME magazine, where she writes about topics including work, housing, consumer spending, and the supply chain. She was previously a staff writer at The Atlantic and a correspondent in both New York and Los Angeles for the Los Angeles Times.

Closing Remarks

Chris Van Hollen

U.S. Senator for Maryland

Elected to the United States Senate by the people of Maryland in November 2016, Chris Van Hollen is committed to fighting every day to ensure that our state and our country live up to their full promise of equal rights, equal justice, and equal opportunity.

Sen. Van Hollen believes that every child deserves the opportunity to pursue their dreams and benefit from a quality education and that anyone willing to work hard should be able to find a good job. That's why his top priorities include creating more and better jobs, strengthening small businesses, and increasing educational and job training opportunities for individuals of all ages and in every community.

Sen. Van Hollen started his time in public service as a member of the Maryland State Legislature, where he became known as a tenacious advocate for everyday Marylanders and someone who was unafraid to take on powerful special interests on behalf of working people. In 2002, he was elected to represent Maryland's 8th Congressional District. In the House of Representatives, he served as a member of the Democratic leadership and was elected by his colleagues to be the Ranking Member of the House Budget Committee and protect vital interests like Social Security and Medicare.

A tireless fighter for the people of Maryland, Sen. Van Hollen has also become known for working hard to find commonsense solutions to difficult national issues. In January 2015, he released a comprehensive plan to address the problem of growing inequality in America and provide a blueprint for building an economy that works for everyone, a goal that he will continue to fight for in the U.S. Senate.

Sen. Van Hollen is proud to have worked successfully with members of both parties to pass bipartisan legislation whenever possible on issues of common concern, including expanding medical research, protecting the Chesapeake Bay, fighting childhood cancer, and passing the ABLE Act to assist families with children with disabilities.

Sen. Van Hollen is a graduate of Swarthmore College, the John F. Kennedy School of Public Policy at Harvard University, and Georgetown University Law Center, where he attended night school. He and his wife, Katherine Wilkens, are the proud parents of three children, Anna, Nicholas, and Alexander.

About

Opportunity in America

Opportunity in America, an event series hosted by the Economic Opportunities Program, considers the changing landscape of economic opportunity in the US and implications for individuals, families, and communities across the country. The series highlights the ways in which issues of race, gender, and place exacerbate our economic divides, and ideas and innovations with potential to address these challenges and broaden access to quality opportunity.

We are grateful to Prudential Financial, Walmart, the Surdna Foundation, the W. K. Kellogg Foundation, Bloomberg, and the Mastercard Center for Inclusive Growth for their support of this series.

Economic Opportunities Program

The Aspen Institute Economic Opportunities Program advances strategies, policies, and ideas to help low- and moderate-income people thrive in a changing economy. Follow us on social media and join our mailing list to stay up-to-date on publications, blog posts, events, and other announcements.

Transcript

Maureen Conway (00:00:00)

Good afternoon and welcome. I'm Maureen Conway, vice president at the Aspen Institute and executive director of the Economic Opportunities Program. It's my pleasure to welcome you to today's conversation, "Ownership at Work: A Discussion on Designing and Growing Employee Ownership." This conversation is part of the Economic Opportunities Program's ongoing Opportunity in America discussion series, in which we explore the state of economic opportunity in the US, the challenges, workers, businesses, communities face, and ideas for change. We're grateful to Prudential Financial, Walmart, the Surdna Foundation, the W.K. Kellogg Foundation, Bloomberg, and Mastercard Center for Inclusive Growth for their support of this series. A special thank you to JPMorgan Chase for their support of our work on job design, which is informed today's conversation. Today's discussion is the third and final event in a three-part series, "The Job Quality Choice: Opportunities and Challenges in Job Design."

In this series of conversations, we've been challenging the notion that low quality jobs are inevitable. Indeed, the prevalence of low quality employment demands that we think anew about how to design jobs. In 2019, the Brookings Institute reported that 53 million working adults were in low wage, hourly jobs. That's roughly one third of the entire workforce. Gallup reported that only 44% of Americans said that they had a good job defined by satisfaction with the job characteristics that they care most about. That reflects that, while earnings are critical to a good job, job quality is a function of more than wages, and job quality problems impact people beyond those that are economically struggling. We also know that many job quality problems such as low wages, discrimination and harassment, and unsafe working conditions are disproportionately experienced by women, workers of color, immigrants, and younger workers. We need a mind shift about work and job design.

We need to stop prioritizing labor cost minimization and the maximization of management control in job design choices, and start investing in worker productivity and designing jobs that empower and engage working people. We need jobs that both incentivize employee contribution to organizational success, and that include workers and the benefits of that success. We've been examining some of the decisions that determine the quality of people's jobs as well as the opportunities we have for making different design choices that lead to good jobs where workers and businesses thrive together. In this final conversation in the series today, we'll be exploring one of the most significant choices a business can make. Should they share ownership of the business with their workers? Research has shown that when employees share in the ownership of the business, and when that shared ownership is structured well, employee ownership can enhance both business performance and job quality.

In addition, given the high proportion of wealth that is in the form of business assets, employee ownership holds potential to contribute to addressing racial and gender wealth gaps and advancing a more equitable economy. That caveat of when designed well is important. Though compensation and company valuation are important, ownership is not just a financial transaction on paper. It's a culture of engagement and worker voice that lives in the workplace. That opportunity to own part of what you build is resonant in US culture and remains a popular idea. In 2019, researchers at the Rutgers Institute for the Study of Employee Ownership and Profit Sharing reported that, in a nationally representative survey, 72% of Republicans and 74% of Democrats responded that they would rather work for an employee-owned company than for shareholders or for the government. How do we translate that shared aspiration and that broad based support into action?

What role can government play in encouraging more business owners to build employee ownership into their companies? What are the financing, information, and technical assistance gaps that need to be addressed? How do these needs vary across forms of ownership and different types of companies? How can philanthropy support learning and innovation in this space? We have some great experts joining us today to tackle those questions and more. I'll introduce them in just a moment. A quick note that while today's discussion concludes our series, it's just the beginning of our discussion of employee ownership. We'll be transitioning to, "Employee Ownership's Moment, conversations to advance policy and practice," which will be taking a deeper dive into different forms of employee ownership. Watch this space for more conversations, and we'll be starting that one on November 17th with "Democratizing Work. The roles, opportunities, and challenges of worker cooperatives in the US."

Okay. A quick review of our technology for those joining us remotely. All attendees are muted. We welcome your questions. Please, use the Q&A button at the bottom of your screen to submit and upvote. We also love it when you share your perspective, ideas, experiences. Please, use the chat function to do that. Share your resources and thoughts on the topic of employee ownership. We also appreciate your feedback. Please, take a moment to respond to the feedback survey at the end of this session. We encourage you to tweet about this conversation. Our hashtag is #talkopportunity. If you have technical issues, please message us in the chat or email us at eop.program@aspeninstitute.org. This event is being recorded and will be shared via email and posted on our website. Closed captions are also available. Please, click the "CC" button at the bottom of your screen, if you'd like to activate them.

Okay. Today's structure is a little bit different. We have a twofer. We're going to begin with a conversation with Gina Schaefer, founder and CEO of A Few Cool Hardware Stores, and Frank Lindsey, employee, owner, and manager, Old Tacoma Ace Hardware. A Few Cool Hardware Stores recently began the transition to becoming an employee-owned company. Gina and Frank will help us ground our conversation today in that experience. Also, if you want to learn more about the story of A Few Cool Hardware Stores, Gina recently released her book, “Recovery Hardware,” which personally, I found to be a very engaging and uplifting read about the opportunities for a business that's really built on trust in people and commitment to community to make a difference. Second quick plug. My colleagues Matt Helmer and Yuri Chang recently released a profile of Gina and A Few Cool Hardware Stores focusing on this employee ownership transition, so we have some additional resources there.

Following the conversation with Gina and Frank, we'll talk with Jen Briggs, contract CEO and chair of the Employee Ownership Commission of Colorado State; Todd Leverette, co-founder Apis & Heritage Capital Partners; and Jeanne Wardford, program officer at the W.K. Kellogg Foundation. Toward the close of our session, we'll be joined by US Senator Chris Van Hollen of Maryland, who will share some of his thoughts on the potential for employee ownership. We have bios for all of these people on our website. They're amazing, you should check it out. I'm not going to say more about them now, because now it is my great pleasure to welcome Alana Semuels, who will be moderating today's discussion. Alana, senior economics correspondent at TIME magazine, where she writes about topics including work, housing, consumer spending, and the supply chain. She was previously a staff writer at the Atlantic and correspondent in both New York and Los Angeles for the L.A. Times. Alana, thank you so much for being here, and let me turn it over to you.

Alana Semuels (00:07:51)

Thanks, Maureen, and thanks to all the panelists for being here. I'm really excited to have this discussion today. As someone who writes about economics in work in particular, it can be really depressing sometimes with an economy focused on efficiency and productivity. You hear a lot about jobs getting worse. I first started writing about this in the aftermath of the Great Recession and all these people were saying to me, “These jobs aren't what they used to be.” Since then, it's just gone downhill, but there are also some examples of where that's not the case. A lot of times, employee-owned businesses are a great exception. I wrote two stories, I'm just going to put them in the chat. They were a long time ago. One of the most fun stories I ever did was I went to King Arthur Flour, which as people may or may not know, is an employee-owned business. It's a flour place, it's a bakery, there are lots of yummy treats, or lots of wonderful things about visiting.

My favorite part was going to the call center, because you typically think of call centers as not very fun places, and this King Arthur call center was just... Everyone was so happy that I started to really think about, “Why is that?” I think a lot of it had to do with the way that King Arthur is structured. Obviously, there are challenges, too. From the time I wrote these articles, a lot of the places that were employee-owned are no longer or they went out of business. I'm excited to talk about the promises and perils as well. I am excited to launch into this first discussion with Gina and Frank. Gina, let's start with you. I know your company is called A Few Cool Hardware Stores, but I think you have more than a few now. Tell me a little bit about your business and why you started thinking about employee ownership.

Gina Schaefer (00:09:44)

Sure. I also want to say that we chose A Few Cool when we had three and then it stuck. It became one of those nicknames that we couldn't get rid of. We realized that our math is bad. We actually visited New Belgium Brewery, my husband and I, in 2018. We were so excited to talk to the employee owners there and hear more about the structure. We tucked it in the back of our minds and thought, "Maybe this is something for the future." If you fast forward, really during 2020 and 2021, there was so much unrest in our... My office sits on 14th Street, where a lot of the protests in Washington DC occurred. We started thinking about how, as a company, we could be part of a solution. Even if it was a small part, what would that be? Thought back to New Belgium and decided that perhaps employee ownership would be the way that we could affect some change for the folks that work with us. That was really the beginning of all of it.

Alana Semuels (00:10:37)

Out of curiosity. Before that, when your stores were still growing, what had you thought your exit strategy would be?

Gina Schaefer (00:10:47)

I started the business in 2003 and people started asking me almost immediately what my succession would be. Honestly, I had no idea. I was young, I was just growing the business, I hadn't really thought about what I was going to do, or when it would end. We thought of all the traditional things eventually. Selling it to a private owner, selling it to private equity, selling it to employees. One specifically, for example, or a group of them. When we realized that the ESOP was a really good option for us, that became the fourth or fifth and final solution.

Alana Semuels (00:11:20)

That's great.

Gina Schaefer (00:11:21)

Yeah.

Alana Semuels (00:11:21)

Frank, tell me how you heard about this idea, what Gina was thinking of, and what your reaction was.

Frank Lindsey (00:11:29)

The first time I actually heard about it was when I actually got promoted into management. The first meeting was the same time that we first discovered that the ESOP was forming and Gina was selling it to us, as the other employees. My initial reaction was more confusion of what exactly ESOP is, because it's not something you hear about everyday. I wasn't quite sure what it was, and I was curious about what more and what that means to us as employees, now that Gina is exiting and selling it to us. As I'm going into it more, it's meaning more. It's giving me more incentive that the company's investing in me. I'm realizing that I'm being invested in, because usually, we invest in a company with our money, our time, and don't always see a return on that right away. Whereas, with this ESOP, seeing that return in that investment... We got our first valuation and being able to see that number really puts it in perspective.

Alana Semuels (00:12:43)

How long have you been with the company in its entirety?

Frank Lindsey (00:12:46)

In its entirety, I've been with A Few Cool Hardwares for about two and a half years now.

Alana Semuels (00:12:50)

Okay. You shot right up to management, it sounds like.

Frank Lindsey (00:12:55)

Yeah. Yeah. I fit right in with the culture. I just had some good ideas and they saw my worth. Yeah.

Alana Semuels (00:13:04)

Gina, tell us where things stand now. It's obviously a process, but where are you now?

Gina Schaefer (00:13:12)

It is. The day that we announced, we had about 165 teammates that automatically became owners and that's a rolling entry. Every time someone reaches a year and 1000 hours, they are invited or welcomed into the ownership team. The challenge that we have now, really, is just educating all of the worker- owners on what that means and all of the new hires on what it can mean. I don't think I realized the depth of the confusion when we first started. To be completely honest, we're a year in and I'm still making sure that I can talk about it appropriately and that I can say it so that it makes sense. It's in effect of a qualified retirement plan, but that sounds boring. I mean that doesn't really... Frank can back me up or tell me that I'm wrong, but it doesn't convey the excitement that particularly a young person or a person growing in their career can feel when they come to their job.

Alana Semuels (00:14:09)

Yeah. It's interesting, because we think about employee ownership, there's obviously a financial side, but a lot of it is about employee ownership. How do you translate that, “Hey, this is a retirement plan,” to, “Hey, you're also a part of the decision making of this company”?

Gina Schaefer (00:14:27)

Yeah. There's definitely distinct difference between management and ownership. We're still working on the language, because it doesn't automatically mean that everybody becomes a manager right away, a boss, or necessarily that the decision-making tree changes. For us, once we got to that first valuation, which happens once a year in ESOP, that's when it really sunk in. “Oh, wow. This is tangible. There's money involved that I will, one, leave on the table if I leave, and two, can really make bigger, if I participate more in the growth of the company.” Everyone, from the brand new associates on up, have an opportunity to increase that bucket. Seeing that number's probably made the biggest difference.

Alana Semuels (00:15:09)

Yeah. Frank, you mentioned you saw the valuation and that helped make things real for you. Talk a little bit more about that and what that made real, seeing that number.

Frank Lindsey (00:15:26)

Yeah. As Gina was saying, it's a glorified retirement plan when we first heard about it. You don't really know how that number, that valuation, comes up. The employees, definitely on the associate level, they don't quite understand this is all the... Our company is going into that valuation, it's not just... Putting that tangible number on it has really helped me explain it to my staff and even new people coming in, going, "Yes, you're not going to be in management, but what you do in your paint department, in your electronics department, that goes directly into our valuation, our profit." Everything that we do day in and day out of our daily operations, that ends up increasing our valuation or decreasing it, if we have a bad year. What work we put in comes back to us after, as we put it in.

It is nice to see that number and actually go, "We had an increase in paint sales last year. Look, this is the new valuation, this is what we have. I can show you that your work is working and you are actually getting return on that work you put in, besides just your normal paycheck and salary."

Alana Semuels (00:16:48)

When you say valuation, what are the employees seeing exactly? Is it what share of profits are going to their retirement accounts?

Gina Schaefer (00:16:59)

It's a little complicated to explain, but there's basically... When we created the ESOP, we allocated a number of shares to that ESOP, and then the valuation, the profit from the company, is proportionally assigned to each of those shares, which is then... I'm probably screwing this up. Somebody on the call could probably explain it better than me, then proportionally allocate it to the worker owners based on how much they make. That will change every year. This year might have been a little bit bigger, because we had allocated a bucket of shares, so that remains to be seen. I'm more than happy to send out more information or make that more sense, if it didn't there, but that's the gist of it.

Alana Semuels (00:17:43)

Frank, if the idea is, "The better we do, the better you do at your job, the more we all benefit," do you think that has changed coworkers, or the people who report to you, their attitudes or how they think about work? Or is it still so far away from a lot of people that it's hard to really picture it?

Frank Lindsey (00:18:08)

My approach with it... I like to already run the store with more of a mindset of, "You have a responsibility and accountability of your position," and I want them to make those decisions. To think a little bit outside the box and not just have me tell you how to do it. A good example is one of my paint coordinators. He was really great at his job, but he wasn't thinking outside of his department. When it came to us becoming owners, he started thinking about, "How can we improve the rest of the store?"

He now realizes that that's coming back to him. He comes to me and says, “Hey, I know I don't work in the lawn and garden section, but I've noticed this. Can we do this?” Getting people to think a little bit outside the box and bring it to us, so that way we can help them out and actually listen to them. I think that is a big thing with this employee ownership. We're all owners together, so we're all going to listen to each other in a way to try to make our company be better together.

Alana Semuels (00:19:18)

Yeah. That's a really great example. Gina, it's probably hard to tell, because of the pandemic and just the economy right now, but you do have all these studies that suggest that employee-owned businesses do a little better than non-employee-owned. Have you seen any impact on the bottom line or just tangible results from employees like Frank was talking about?

Gina Schaefer (00:19:41)

Yeah. It's probably too soon to say whether or not they're going to be lasting changes, but we did have an increase in the first year, which was really exciting for that first valuation. We traditionally have a lower turnover than... A much lower turnover than average retail locations and I think that that's probably been pretty consistent over the last year as well. Again, one year, it's not really fair for me to say that everything's been great, because it's one year, but I think that we are going to follow in the path of seeing the improvements because we've made the change. Yeah.

Alana Semuels (00:20:15)

Yeah. Gina, looking back. If you're talking to other business owners who are thinking of making a similar change, are there things you wish you had done differently or things that you think everyone really needs to know if they're going to do this?

Gina Schaefer (00:20:29)

About forming an ESOP, you mean?

Alana Semuels (00:20:30)

Yeah, yeah.

Gina Schaefer (00:20:31)

Yeah. One, it's not cheap and it takes a while. It's really good to ask a lot of questions in advance. Employees don't put any money in, that's a misperception. Everyone thinks that, if you're selling it to your team, they're writing you a check. That is not the case at all. We had all of our financials locked down. My husband was, he's our CFO, very good about making sure that everything is done to the letter and you want to make sure that that's the case if you're going to form an ESOP. Find a great consulting partner and trustee. There's a whole team that you put together that includes attorneys and those folks. Then recognize the fact that there are costs involved and then the emotional piece. It's probably the piece that I... I knew to ask. I knew that it was probably going to be a challenge, but I wish that I had known more in advance. Perhaps how to present what it is, the pros and cons, thinking about what some of the negative feedback might be, but I would recommend that anybody in a succession planning process consider forming an ESOP.

Alana Semuels (00:21:36)

Frank, what about you? Anything you wish you had known at the beginning or ways that you found have been successful to... If other companies are thinking about doing this, how to present it to your employees?

Frank Lindsey (00:21:51)

In the future, a little better way next time for us would be just having, as Gina was saying, that emotional side. What does it mean to us now that we're owners? Having a little cheat sheet, something to break down all that little information and the things that get lost on the wayside. There is a lot of information that comes out when we first started the ESOP. It's a lot to go through. Everyone's skill levels are different when it comes to either finance or business management, so not everyone knows what they're looking at. Having better communication on cheat sheets would be something, but as far as... People should move towards this direction of ESOPs. I have an entrepreneurial spirit. I've been always looking into investing in myself in long-term and this is a good middle ground, where I can have a career and an investment at the same time.

Alana Semuels (00:22:56)

Yeah. That's great. Gina, when you were thinking of doing this, were there other models, similar models that you were thinking of pursuing and do you think back longingly on some of those? Or was this the clear model for you?

Gina Schaefer (00:23:14)

It became clear fairly quickly. We researched doing a worker cooperative, which would've been an option for us. But I think for our size, I think it probably makes sense that we went with the ESOP. That was probably the other option that we really looked at most closely. We did talk about saying, well, if there were five employees, for example, who were interested in buying, would we sell it to a contingent of folks? It didn't seem equitable to us. We wanted to be as equitable as possible. So it ultimately shook out that this was the best.

Alana Semuels (00:23:50)

That's great. Well, I want to give each of you just a moment to have, if there's anything else that you want to add or that we didn't get to bring up in this time we had together about ESOPs or your experience doing this. I'd love to hear. Frank, why don't you go first?

Frank Lindsey (00:24:09)

I think with the experience that we're having now, it's a learning experience and we're working towards figuring it out and everyone has a lot of these questions, but I'm very hopeful and excited for where we're going to go with this. I can't wait till we start making more decisions as a whole on the company and looking into continuing and expanding a few cool hardware. So I can't wait to get into those decision making and help with that.

Alana Semuels (00:24:43)

Great. And one other thing I wanted to ask you, do you think consumer or your customers know and understand and does that change anything for them?

Frank Lindsey (00:24:51)

Yes, I do. So Tacoma Park is a very nice area. I don't know if you are familiar within DC, but our neighborhood is really close and they're actually really happy. We have a co-op around the corner so they like these type of businesses and they were very happy for us when they saw that we became employee owners. I have customers that one reason or another from before, they stopped shopping at us, but they saw we were employee owned and they came into the store again and I was able to convince them to stay with us, because I was telling them, "Hey, everything's different now. We're the same company, but we have a bunch of new owners and we're going to make this better for you."

Alana Semuels (00:25:34)

That's great. Yeah. Gina, anything else you want to add? Maybe words of advice for other people considering this or just reflections before we have to move on to the next panel?

Gina Schaefer (00:25:44)

Yeah. I think my words of advice are if somebody wants to talk about the challenges or the excitement to call me. I'm more than happy to talk about it. But thinking about the nuances and what kind of the path that I've gone through, we are talking about a lot of hourly wage employees. So my average of the 160, my average teammate who is now my co-owner is an hourly waged employee. Those issues, the issues that go along with that are not solved by creating the ESOP. Meaning, if we can't, as a system or a country figure out how to continue to raise those wages or we try it, we have a bit of an up and out learn a lot so you can go on to a higher paid job somewhere else if we don't have one for you. If we can't figure out those things, just layering on in ESOP is not the solution. That's not going to solve those problems for us.

So I think for me, it's sharpening my pencil and figuring out how we continue to chip away at both. Raising wages, better work environment, more opportunities for our team, and then layered on is this, "Oh by the way, I'm also an owner in this business." Or I have to leave and go where I can get all of those things so that my daily needs are met. I knew that, but now that we've formed the ESOP, I can really move into thinking about that a little more professionally.

Alana Semuels (00:27:07)

Yeah. Well, don't sell yourself short. It's not everything, but it's certainly I think a big tool that businesses can use should they have that option.

Gina Schaefer (00:27:17)

Thank you.

Alana Semuels (00:27:17)

Well, Gina Schaefer, Frank Lindsey, thank you so much for talking about your experience. I really appreciate it. And I'd like to call the other panelists back so we can go into a little bit more, I guess, more of a 10,000 foot or 20,000, 30,000 foot view of employee ownership.

So Todd, Jennifer, and Jeanne, thanks for being here. Let's just do a little bit of introductions and have you each talk about how you came into this space. So Jeanne, we'll start with you. Tell us a little bit about WK Kellogg and its work on employee ownership and why this is something that's important.

Jeanne Wardford (00:28:04)

Good afternoon. Thank you, Alana. We're really honored to be here today to talk about this work and really excited about the work that Gina is doing. The WK Kellogg Foundation, we're known for our early childhood work. That really is where our sweet spot is. And so what we really are trying to focus on is to make sure that every child thrives, and in order for that to happen, families and communities have to thrive as well.

And so when we embarked on this journey early of looking at how can we help move the needle for families and children living in poverty, family economic security then became really a more increased role within the foundation. And so our work began to look at where are the opportunities that exist for wealth building for these families? We had the questions, but we were really unclear about what some of the answers were to this. And so we teamed up with Rutgers and had them do one of the first ever studies around employee ownership to say, really, does this work? Does this work for low to moderate income families, workers? And the answer was yes. They see instances where it does. They're doing continued research to drill down and see how these models impact and the particular impact on Black and Brown people.

And so that really started our journey along looking at employee ownership. Once we had some of the answers to those questions, then we knew a direction that we needed to move to begin to move in. And so we started holding conversations with some of the leading intermediaries, Aspen, Democracy at Work, Project Equity, NCEO, the National Center for Employee Ownership. We started having conversations with them about what is happening in this field and is there a possibility to grow this?

We also knew combined with that was the silver tsunami that's coming. That we all know that there's going to be this great transfer of wealth and businesses and that a lot of the second and third generation children don't want to take over the business. They're pursuing other careers. And so we began to also then look at what happens if these businesses go away? What will happen to the jobs in the community, the real estate in the community? What will happen to families and children then? And so we began our journey. We embarked our journey with each one of them taking on a really big portion of the work where they were looking at how do we educate business owners? How do we educate municipalities? How do we now put together new tools for employee ownership so that we can demystify the process. Right now, we had lawyers and accountants who didn't even understand what it took to make it happen. And so of course when business owners were coming to them, the obvious way was just sell the private equity that you get your money, you'll be out. But what we know is that sometimes when that happens, we don't get the results that we believe should be intended for the wellbeing of communities. And so, we were like, well then what we need to do also is we need to put together something for lawyers and accountants. Let's demystify it for them.

We have organizations who are actually now developing culturally competent curriculums to share with Black and Brown business owners to say, this is what it looks like. We know that there are several variations of this where we can do worker cooperatives or ESOPs. We support both, but we have a direct preference toward ESOPs for the very reason that Gina talked about is that it doesn't require employees to actually have to make the financial commitment, but what it does is that it has, as a owner, for them to make a work ethic commitment and a commitment to see the organization thrive, make profits and survive.

We looked at Publix. Publix has cashiers that have retirement funds of over a million dollars. So we're like, okay, this is a model that we can wrap our arms around. One of the things that we know that we're battling as we try and help these families build their own family and generational wealth is that today 56% of Americans, over half of Americans, don't have $1,000 to meet an emergency need. And if anybody listening knows, everything today, when it breaks down, when it stops working, it starts at $500. It's like it's $500. It doesn't matter what it is, whether it's the car, whether it's the furnace, whether it's the air conditioner, when it's 100 degrees outside and it's not working. So we know that these families don't have access to that. And so just the fact that they have a retirement fund that sometimes also could act as some 401ks do, for them to be able to take out a loan against it for emergency reasons, hospitalization, unexpected events in their families.

These are the kinds of things, and we know that closing the racial wealth gap is a really big thing that we're facing and how we begin to dismantle that. But we believe that employee ownership is a good place to start.

Alana Semuels (00:34:20)

Great. So you've been funding a lot of research and resources for this, it sounds like. Have you also funded some transitions or no?

Jeanne Wardford (00:34:28)

So actually, because we are a philanthropic foundation, IRS doesn't really allow us to support for profit businesses. But what we do is that we support organizations that are providing the technical assistance to help businesses understand what this process is all about, what it will take, is there business, perhaps a good candidate for ESOP. But we also on our program related and mission driven investment side, and I think Todd might talk a little bit about this, is that we help through those kinds of program related loans and investments. So that's directly how we support this work.

Alana Semuels (00:35:16)

Great. Well, Todd, Jeanne mentioned you. I know you come from the more finance side of this. Tell us a little bit about Apis and how you fit into this world.

Todd Leverette (00:35:28)

Wonderful, thank you, Alana. Thank you to Maureen and the Aspen Institute team for allowing me to be here. My name is Todd Leverette. I'm co-founder and co-managing partner of Apis and Heritage

Capital Partners. We're a mission driven, yet market facing investment firm, and we're currently sponsoring our first fund, Legacy Fund One, which thanks to organizations like the Kellogg Foundation and their PRI investment recently closed out our fund at just shy of $60 million.

Legacy Fund One is what we see as our re-imagining of capitalism and entrepreneurship in this country, using the tools of employee ownership with a specific focus on those places, those communities, and those people that need it the most. So using these tools of employee ownership to directly address the racial wealth gap, is that the core of who Apis and Heritage is and Legacy Fund One of what it is.

So what does all that mean in context? Like a traditional investment firm, private equity, mezzanine debt firm, we find really great small and medium sized businesses that have long histories of success. And what we do is we convert those companies over to 100% employee owned using our mez debt product. And we focus on doing that with companies that have large BIPOC workforces. So we won't convert a company to employee ownership that doesn't have at least a third of their workforce being BIPOC. And across our portfolio, at least 40% of the workers across the portfolio will be BIPOC.

To date, we've made two investments, a landscaping firm in El Paso, Texas, and a wet utility company in Denver, Colorado representing 200 workers and about 200 families. And to date, about 80% of the workers across our portfolio are BIPOC. So we have those floors, but what we're seeing and what we anticipate is that the vast majority of workers in our portfolio will be BIPOC.

So what are we doing? We're allowing these workers, as Gina was referring to, as you were referring to, as Jeanne was referring to, the opportunity to build wealth and opportunity to have a retirement and escape generational poverty by leaving their families every day, working hard and contributing to the growth and success of the companies that they work for, which we think is just how it should be.

The other side of the story, like I said, we're market facing in that we believe that the returns that we can have on our investments can be competitive with other mezzanine debt products in the open market. And we really believe in the business case for employee ownership as well, which you mentioned through some of statistics, that show that employee-owned firms grow faster. They have lower turnover rates. They have better margins, higher productivity, and their workers, their lives are better off in a lot of ways, if you do it the right way. If you do it the right way and if you structure it the right way. So really excited to be on the panel with so many folks who I respect so much. I've known Jeanne since I first... I was a baby in the employee ownership world. My story is I met Jeanne, so I'm never going to fail because I met Jeanne. I know Jeanne and excited to be on with everybody here today and share more about what we do and how more of it can happen in the United States.

Alana Semuels (00:38:42)

Great. And Jen, so you come from New Belgium, which as Gina mentioned, is an inspiration to a lot of people in this world. Tell us about your role at New Belgium and what you're doing now in the employee ownership space.

Jennifer Briggs (00:38:58)

Thank you for having me here. This is always just fantastic to get to talk about this and I think it's so important to have more awareness, which I'll get to in a little bit with the Colorado Commission. But what I did at New Belgium is I was the VP of organizational development and HR. It informs a lot of what we did there on how to do a well run company. Because what I believe is that a really good company has a strong financial engine, meaning it's well capitalized, good cash flow, profitable, but then it also has a really strong social engine where people can come to work with dignity. In the employee ownership context, a lot of people have much higher business literacy. They can contribute at a far different level than what some other business concepts allow them to do. And so it just creates a really dynamic work environment for people that changes things in a lot of ways, but simply plugging in an ESOP or a co- op or any other form of capital sharing doesn't do that.

It's a management system issue. It's how leaders lead the company. My definition of culture is it's the pattern of attitudes and actions of a given community. And so leadership shapes those attitudes and actions. And I believe proximity to ownership also does as well too. So when we have abstract ownership, it's really hard to make that kind of visceral connection. But when we have strong proximity to ownership, which employee ownership is probably the most proximate that we can get, it's really powerful.

And so a lot of people probably know that New Belgium sold. They sold to a international company. And I think what was interesting to me is there was a lot of criticism around that sale. I've seen some of that also with Cliff Bar recently. But I think it brings to our attention the difference between labor income and capital income, and getting people, more people access to capital income is really what this is talking about.

I think Gina said it so articulately earlier, is labor income is one problem, capital income is another problem. And they're both really important and they're different. So hopefully a lot of ESOPs, and some of the research shows this, that ESOPs, they're working on solving both of them. They tend to pay a little bit higher. One of the tools I love that Aspen Institute has is that cost of turnover calculator. Companies that don't invest in their workforces experience a lot of turnover. And that's really expensive. You're just watching really talented people and a lot of knowledge walk out the door. And so having these management systems in place is incredibly important. So it's informed a lot of the way I think about business and the work that we do now going forward.

Alana Semuels (00:41:56)

And you said, so now, just so people know, you're with the state of Colorado working on-

Jennifer Briggs (00:42:03)

Yeah, so I also work for the Beyster Institute in supporting ESOP companies. But I think what we're doing now in the context I'm really excited about is in 2019, Governor Polis formed the Commission for Employee Ownership. It sits in the state under the Office of Economic Development and International Trade. I think that's really important is in the state of Colorado we see it as one tool for more economic vitality. So that's really important. And the way it's structured is it also sits as almost a peer to the state SBA. And so the way the state has a lot of things organized is there's a lot of interaction and influence between them. So they're not stuck in these different silos. So that's really important.

So in 2019, Governor Polis formed the Employee Ownership Commission. I'm the second chair of the Colorado Commission. So that's exciting. And what we've done is formed the Colorado Office for Employee Ownership. So the state of Colorado has a staffed office with people who focus on employee ownership. We have programming... I'm just making sure that I want to put this in the chat so people can see it, for companies to come learn with each other, peer groups and things like that. But I think probably more hopefully, impactfully is creating a durable system for employee ownership in the state of Colorado. So we have a Colorado Employee Ownership grant that's offered through the state of Colorado that can help companies offset some of the expenses. And then there's also a tax credit that can offer up to 25,000 up to $100,000 to help companies transition to either cooperative or ESOP. Gina mentioned this earlier, but it can be quite expensive to become an ESOP in particular. Even for a co-op, you have a lot of expenses. So helping companies get through that hurdle to get to that. And of course, there's ongoing costs to support these companies and to make sure they're running well. But that hurdle of that transaction hurdle, I think has grown quite a bit over the 10 years. And so the state of Colorado has invested to help people get through that. So I think it's really exciting what we're doing.

And then recently we just released the Ownership Readiness Report. The state of Colorado partnered with the Exit Planning Institute, and it really brought forward how little business owners are planning for their transition. One of the stats that's in the report is it's almost 80% of companies are planning for an internal transition, but that's to family or an existing partner. Employee ownership of any form, isn't really on the menu. And that's something that we really want to get is connect with attorneys, accountants, professional service providers, so that when somebody starts contemplating their exit, they are getting advice and this is on the menu. And maybe employee ownership isn't right for that company, but it should at least be part of the discussion. Sometimes we should say no, but sometimes we should say yes, but we can't even have the conversation.

Alana Semuels (00:45:30)

Well, that's one thing I think is very interesting is that a lot of people don't know about this and there are a lot of different formats and forms. So Todd, you said when done right, this can work well. I want to ask you and Jen and Jeanne, you can weigh in as well, but what are the models that you think about when you think this can be done right? Obviously it differs between different companies, but are there certain models that you've seen have really good results with employer ownership?

Todd Leverette (00:46:03)

Yeah, and I'll break that one done right down into two pieces, and I'll be brief. One, when done right, no matter what kind of form, legal structure or structure of employee ownership means, when you are engaging the workers as people, when you're engaging the workers as owners, when you're getting their input, when you're really treating workers like worker owners or worker owners are empowered to be worker owners is how it's done right. And we talk about the benefits, the business benefits, let alone the social benefits of doing that. That's whatever form you're doing that. In the ESOP world, we always say in ESOP structure without ownership culture is you really just get another cool retirement plan. It's like a 401k. Oh, you got a secondary retirement plan. It's when you invest in that culture is when it makes a difference. So that's kind of the first win done the right way.

The second win done the right way kind of goes, I think, to what you're leading to is some of the different forms of employee ownership. And so there's a broad world of it, but at risk of oversimplification, I'll briefly say, you can think about it in terms of cooperatives being one of the first, probably the oldest form of employee ownership. And cooperatives are really value driven businesses that at their core are serving the needs or specific need or a broad set of needs for their workers and the community. So really it's about, the cooperative is about who the company exists for, and that's typically the workers in the community. And so usually workers are voting on a one worker, one vote basis on decisions in the business, not necessarily all decisions, but can vary. And then workers are able to participate in the success or failure of the business.

That's the co-op model. And usually you'll see that in smaller and smaller sort of businesses. And I think Gina referred to, they looked at and said, for the size of business, ESOP made a little bit more sense. The one thing I'll say is that the core of the cooperative model are the DNA of the seven Rodale principles. I'm not going to go into them, but if you've never read them before, go read them. And imagine a world where every business, and not just business but society kind of operated off these principles. It's really interesting. The second form and the most common form that you see in the US is the ESOP, the employee stock ownership plan, which was set up in 1994 with the Employee Retirement Income Security Act, better known as ERISA, which some of you may know is the legislation that set the 401k.

So employee ownership using ESOPs in this country is the same age, it's as old as the 401k, but a lot lesser known. We always say the lesser well known, lesser cool cousin of the 401k. And ESOPs are really a legal and a tax structure that enable third party outside financing of employee ownership. So you don't need to utilize worker capital to create the ownership structure and provide some of the most tremendous tax benefits to employee-owned companies, to companies that you've ever seen out there that really give employee-owned businesses a market advantage over their peers that aren't employee owned, because you got to engage employees and get these really cool tax benefits.

And then finally you have the EOTs, which are the most common form in the UK, and that stands for Employee Ownership Trusts. And they're now becoming more common in the US. And essentially what enables to do is a founder to set a perpetual forever purpose to a company, whether that's the purpose of this company is to always serve the workers and provide them with income or to always take care of the environment. And owner can set that in place. And even when the owner is gone, that company will exist with that purpose. And you have organizations like a Common Trust with a Zoe Slag and Derek Rozo who are trying to scale that and create an investment model around that in the US. So Patagonia recently became an EOT and there's a lot of conversation around that. But that's kind of the world and there's more, but that's the general world of employee ownership.

Alana Semuels (00:49:53)

Well, I'm glad you brought up Patagonia because I had the opportunity to visit them a few years ago. And even before this, you could tell the culture there was just this kind of employees really have a voice. But I think you mentioned in making sure the culture is there, the employee ownership culture is there. But I think as Gina mentioned, when you're just talking about, well, this is a cool retirement benefit, it's really hard to build that culture if it's not already there. Jen, maybe you can talk a little bit about your experience at New Belgium and if there were ways that you found building this culture around employee ownership really worked.

Jennifer Briggs (00:50:30)

Yeah, I think first and foremost, something I've added in all the time is it really does have to have a good sense of trust because one of the things I think the most successful employee ownership cultures have, regardless of what they are, if it's some kind of shared equity, co-op, ESOP, is people have to be able to trust each other and have that place of dignity. Because the minute that happens, you can't have tension. And one of the great things about companies that have open cultures where people are business literate is you can debate issues and you can have dialectic where you're building on an idea. And to be able to have those conversations mean that people have to argue. You have to have a very responsibility centric culture where you're taking on this idea or you're taking on this challenge or this problem and you're able to figure it out in a different way.

So it's not the C-suite or some strategist rolling something down to people. It's people saying, we have a business problem, there's something, there's an idea or there's an entrepreneurial something that we can do and we're going to chew on this and we're going to figure it out. And you have to be able to disagree with each other. So I think sometimes when we talk about culture, people think about parties and perks and all this kind of fun stuff. And in the New Belgium context, everyone would be like, oh, you got a trip to Belgium and you got a bike. And those things were all true. And it was about being able to disagree with each other that I think really made it special, that problems were rolled out. We do once a year strategy sessions with all staff where each one of us in the leadership team would actually come up with what's the one thing that keeps us up at night?

And we'd ask people to help us solve for that. What are these things that, if you've been in that leadership position, a lot of times you don't sleep because you're just trying to solve these problems and when you can bring them into that. So it's that dynamic blend of rights and responsibilities is you keep those in balance and you grow them and nurture them and build knowledge. And so people can be in the seat of a stockholder, if you will, although it isn't a trust, it's a beneficial shareholder. But they can wear that hat, which is sometimes different than your employee hat. And sometimes you might advocate for things that actually you wouldn't advocate for an employee, but you might as a shareholder. And it's fun to put those at tension and to solve for it. It's a really dynamic experience and I think we got that right in a lot of the years.

Alana Semuels (00:53:11)

Yeah, that's really interesting. Well, I remember, I think I went to, it was a worker co-op that was a brewery. And they had a lot of employee feedback and some of the feedback was great. They figured out how to make an outdoor patio to accommodate more people, but then you also had new employees coming in. And every time the new employees would come in and they'd be asked for their feedback, they'd say, let's dispense the ketchup in a new way. And every time the older employees heard that, they're like, oh, not the ketchup again. So I think it's hard to balance hearing from everybody and also being efficient. Jeanne, you've studied a lot of tools that are available in a lot of examples of this. I don't know if you've run across any tools or kind of ways of creating this culture that you found really inspiring?

Jeanne Wardford (00:54:01)

Well, I think both Jen and Todd covered a lot of it. And I think really at the core of it all is that, and it's not unlike any other well run company or organization. When the employees are treated with dignity and respect, when they're given a voice, and as we know in a lot of the work, they oftentimes have the answers and the solutions to a lot of things that we try and figure out in a little bubble. And so from all of the conversations that we've had across all the different models, that always surfaces as one of the most important things. And that when that doesn't happen, then the organizations or the businesses begin to run into trouble.

Alana Semuels (00:54:54)

That makes sense. Well, Todd, I want to go back to you and talk a little bit about private equity. Because I think when a lot of people hear the term private equity, it can sometimes raise red flag. And as someone who used to work for the LA Times, which was owned by Tribune, for those of you who don't know, there's a whole lawsuit when Tribune, I don't remember the exact, but the people who bought Tribune used the ESOP to try to maneuver some stock thing and there's a big lawsuit and people were very unhappy about it. So what role can private equity play in ESOPs and who's making sure that it isn't playing a role that makes employees or the owners unhappy?

Todd Leverette (00:55:40)

So we always say this little courting line where we put the equity back in private equity, but really from a, just like a lot of things. The question of who gets the benefit is really at the core. So whether we're talking about publicly traded companies, whether we're talking about private equity, it's a question of who's creating the value every day and who's able to see that value every day. And we talk about all the time, entrepreneurship in its purest form, so to speak, is supposed to be about risk and reward, right? You're sharing the risk, you're sharing the reward. And what we talked about for a long time is that workers have always shared in all of the risk. All of the downside falls on workers' backs as it does with owners. And I think the pandemic has just made that more clear than ever. But that upside is oftentimes not there.

And so when we talk about traditional or private, from a operating structure, we do what private equity is supposed to do. You find really good high quality businesses, you go in, you work with those small businesses, help them grow, help them with what they're supposed to do, help them be sustainable, help them build strong balance sheets and help create stronger businesses. And the question is, once you've created that stronger business and you've created that difference between where it was and where it is now, who gets to capture that? Who created that and who did that? It's our belief that when we go in the firms, it's the workers, it's the managers, it's the leadership. Because you can still, there's still structure in these firms that are the ones who've done that. And that if you reward them properly what they deserve, they will continue to do that.

So the term extractive in the world of financing comes out of a lot. So a lot of times when we're looking at our product, it's typically a private equity mezzanine debt product. Is it extractive? Is it extractive? And we believe that when you're looking at a company that's been creating value for 30, 40 years and that has made it through ups and downs and has resilience, we're not going to fool ourselves into believing that the five years we're with the firm we created, we turned it around. The company had already turned itself around 10 times and is surviving. And I think the real question is, look at what's the return profile. How much is coming out of the company and going to folks who aren't associated with the company or going to the folks who contributed to capital and how much is going to the folks who are on the ground? So at its core, I don't think it's inherently bad, but that's where you have to dig in and kind of look under the sheets and see where's the value going and who's not getting it and who's getting it.

Alana Semuels (00:58:17)

Yeah, it's interesting because, oh sorry, go ahead.

Jeanne Wardford (00:58:20)

Oh no, I was going to say, he says it's not inherently bad. So I think we're still deciding that, right? Because one of the things that we really don't understand about it is that it's not really a true form of employee ownership when we have private equity involved. And that one of the things is that private equity does what it was designed to do, to use other people's money to make profits for their investors. And so when that happens, regardless of the business structure, I think that sometimes there is some collateral damage that happens. And so that's a part that as we begin to see these partnerships happen, we don't know how to really adjust for that, right? Because that's not really the desired outcome that we want to have.

Alana Semuels (00:59:20)

Yeah. I think maybe in the kind of process of making a company or helping a company get on its feet or be where it needs to be, there may be some drawbacks or cuts that have to happen or changes that have to happen that maybe at the end of the day will benefit the people who are still around, but maybe not the people who aren't there anymore, obviously. And yeah, I don't know. You look like you have a response to that.

Todd Leverette (00:59:51)

No, and I'll say that, and that goes to exactly what Jeanne is saying. When you have the recognizing that there are so many stakeholders to a business, not just the workers, not just the owners, but the community around it. And somebody asked us an amazing question the other day. You're teaching workers to think like owners, but what if you teach workers to think like bad owners and now they're making decisions that are not benefiting the community around them, they're causing environmental harm, they're causing environmental damage. And nobody had ever put it to us that way. You kind of assume you get this democratic system in these companies with these workers and they're going to be better. And what we think the answer is, is that you're more likely to get better community outcomes when the owners of the business ultimately are also the folks who work there. But you're right. There's no guarantee that worker owners will always do the right thing, but you try to help guide them in that process.

And then I'll say with our investment strategy, it's not a model of, and you're right, a traditional private equity could come in and start cutting heads, riffs, as they call them, reduction in forces. And kind of our core model is not to go in and lay people off. That's not creating value, that's not really creating value, just laying folks off. But how can we really help that team grow and help those companies grow? So our first company when we came in, they had about 114 people. And six months later, seven months later, they're at 105. And that's what employee ownership done right can do. And Jeanne, you're right, referring to what it looks like when it's not doing right is the other side. Yeah.

Alana Semuels (01:01:25)

Well, if we're thinking about ESOPs in particular, I can see how there can be some skepticism. I think as Frank maybe said, it's a kind of shiny retirement plan. And I think a lot of time when you say retirement plan, people kind of shrug. But I think on the other hand it is a way for employees to get involved. But Jen, I'm wondering if you could just talk about when you were at New Belgium, were there drawbacks to the ESOP model that you saw? And do you think there are other models that would've worked better for New Belgium or do you think ESOP was kind of the right fit?

Jennifer Briggs (01:02:04)

For us at that time, ESOP was a right fit for the things that we were doing. And the challenge, and I think Todd's alluding to this too, is no matter what your capital structure is, you still have values and you still have a business plan, you still have a strategy. And so making sure that if your marketplace is coming to, is starting to plateau, people need to be aware of that because that can really change how you perceive debt. This doesn't solve for more macro economic issues like consolidation in the industry, and that's happening in the brewing industry of where there's issues with distribution tiers and access to materials. And so there's still a whole host of small business macroeconomic issues that exist outside of this that I think for us as advocates, we also need to advocate for that. One of the things for New Belgium and also one of my co-commissioners on the state of Colorado, commissioner Carrie Sagans, both of the case studies of the companies that we worked for, we didn't become ESOP in a flip of a switch.

So initially, and this is also for Governor Polis's businesses. They started out as gain sharing or synthetic equity programs and then grew into becoming an ESOP. And so I think there's, for certain companies, there's more of a road into becoming more employee-owned over time. And then that way you can evaluate the different steps and where you're at in the economy, where you're at in the marketplace, to be able to make those decisions more precisely. And so I think for New Belgium, switching from 100% ESOP to becoming more part of a global company was more a necessity of the broader economy, not necessarily a reflection of the ESOP. And so business is complex, the economy is complex, and there's a lot of forces that are affecting us outside of that. I think the one thing is for a company to become an ESOP or co-op, they need to be a strong company.

Somebody, a very skeptical person about ESOPs, recently questioned me and felt like ESOPs were a way for owners just to get equity out of the company and then let it fail. Well, that company shouldn't be an ESOP. That's not how this works. And so I think there is some skepticism that is fair, but it also puts a good pressure on all of us in this industry to make sure, or all of this in this movement, if I can call it that, to make sure these companies are well known companies and to support them and make sure they have the tools and make sure that people have an awareness that there's a much bigger system impacting American businesses beyond just this. And so there's a lot of problems to solve here, and I think we can be part of doing it. One company that I work for now, I'm on their board.

I really love it because they're kind of following more of a holding company model, so they have cash, and so they're actually going to start buying other companies, other small companies. And that's one of the things I'm really interested in in the future is if we can see more of those whole co-models where ESOPs are acquiring other companies and bringing them in, fighting some of those economic tensions of purchasing power, access to capital and things that you just can't get as a small business, no matter ESOP or not. And so, I'm hoping that area of this will continue to evolve and we'll see more parent company hold co-models helping other companies come into this where they might not be able to do it on their own.

Alana Semuels (01:05:43)

Yeah, that's an interesting point. I mean, I think you'll often hear about ESOPs or worker co-ops as much smaller businesses. And one thing I've always thought about is I used to live in San Francisco, Silicon Valley. You hear so frequently in tech when an employee joins a company, they just get shares. And the longer they're there, the more shares they get. And then the company IPOs or exits and they just get a lot of money. And that's really nice. And there aren't a whole lot of other industries that have that. I wonder if any of you have seen kind of worker ownership or employee ownership in really big companies, kind of like a Mondragon or really big companies have seen it kind of work well and what makes it work in bigger companies.

Todd Leverette (01:06:30)

Yeah, Alana, appreciate the tech example, and that's kind of one other aspect of employee ownership that's a bit different. Often they get options. You have the options to buy the stock at a certain price and if the price goes up, you get to buy it at the old price. But again, this same idea, this idea of how do you tie the success of the company to the workers? So the workers are now trying to make the company successful. So options are something that's, like you said, used commonly in the tech world. But when you talk about big companies, and somebody in the chat I was scanning mentioned that co-ops can also get quite big. So there's a 2,000 person cooperative home care associates based out of the Bronx that's a very large co-op and does very well with home care services. But a lot of fortune, well a lot of Fortune 500, Fortune 100 companies, have portions of them that are employee owned through the ESOP.

The reason why those companies set it up were different. But take Publix for example. 85% owned by its workers. Through this structure, they're able to instill a lot of this culture. And Publix is oftentimes the number one rated grocery store chain in the United States. Web industries where one of our advisors work, Michael Quarry, who's an expert in the field, has been employee ownership a long time. Very large company, They have forklift drivers who are there who have $1 million. You kind of gave the example, Maureen gave the example of the $1 million store clerk. $1 million in their retirement account driving a forklift. So these sort of stories where you have these big companies that are successful, the folks who've been there a long time in these employee ownership structures, should, again, if it's done the right way, should also have really bright financial futures in front of them and hopefully quality jobs as well.

Alana Semuels (01:08:26)

Yeah. Well, if you think about it, I think there are a lot of examples of this really working out well, but I think there's a question in the chat about this being more popular in Europe. And I think that's true that there's something maybe about the American ethos that I'm going to keep what I made and I'm not going to share it because I made it. Jeanne, I don't know if you've looked at this kind of internationally, but I'm curious if you have any thoughts as to why it might not be as popular here, or if there are any ways to get owners to start thinking about this model?

Jeanne Wardford (01:09:06)

So I don't have any factual data, so I need to say that this is just from my own perspective, is that the way our society has been set up, that this is how it works. Because we know that Mondragon has worked for over a century, and so we look to them for guidance and understanding around how they're making these structures work. But we also know that there are lots of cooperatives throughout the south, that work really well, that are really large and are working like well oiled machines.

Alana Semuels (01:09:46)

I'm sorry, we'll go back to that in a second. I see that Senator Van Hollen has joined us. So we're going to go over to Maureen to introduce him and we'll Jeanne will come back to you in a few.

Maureen Conway (01:10:01)

Thanks, Alana. And this has been a great conversation so far and really excited to come back to it. But we're really thrilled to have Senator Chris Van Hollen from my state of Maryland with us today. Senator Van Hollen has represented Maryland in the Senate since 2016. Before joining the Senate, Senator Van Hollen with a member of the Maryland State Legislature and served in the US House of Representatives. He has been a tireless advocate for addressing inequality and building an economy that works for everyone. So Senator, we're just delighted to have you with us today. Thank you so much for joining us, and we're excited to hear from you.

Chris Van Hollen (01:10:43)

Well, thank you Maureen, and thank you so much for your leadership at the Economic Opportunities Program with Aspen. And thank you for taking a break and inviting me to say a few words. And Harry Stein from my team, my staff has been on board and listening and participating, and he'll continue to do that and provide me feedback. But I want to also thank and give a shout out to Gina Schaefer and Frank Lindsey of A Few Cool Hardware Stores, which has several employee-owned stores in Maryland where you and I, Maureen lives. So I want to thank them and all the other employee-owned businesses and leaders that are joining us today. And I know the focus is on how to improve job quality, so that workers can reach their full potential and get the most out of their careers. We see survey after survey these days, showing many workers dissatisfied with where they are.

We have challenges getting more and more people into the workforce at a time when people are looking for workers. And so it really is essential that we reexamine our models. And I firmly believe that employee ownership should be, must be a part of a solution. And I think it's common sense also backed up by the data that shows that, if you want to have an economy that works for everybody and more shared prosperity, you need to make sure that employees can share in the success of the businesses that they're contributing to. And that, of course, in my view, makes for a better opportunity for the workers' employees, and more successful businesses, certainly over the medium and long run. And I do think that this is more important than ever. We are now witnessing decades of a period where we see continued worker productivity that continues to increase over time, and yet what I call the great separation, where wages have remained relatively flat.

So since 1979, and I think many of you I'm sure have seen the chart, you see worker productivity increasing by 60% over that period of time, whereas real hourly wages have increased by only about 15%. So all that increased worker productivity is not going primarily to the workers. Yes, it's going to investors and stockholders. And the bottom line, it's going to folks who are already at the very top of the income scale, and not being shared more fairly with those who are responsible for those increases in production.

So we need to address that and I do think employee ownership of businesses is a part of it. We now have about 7,000 by our account, 7,000 businesses in the United States that are owned by employees. One of the biggest names in employee ownership is the supermarket chain Publix, which generates 230,000 jobs and is 80% owned by current and former employees.

And so that is a model for how this can be done. And if you look at the national data, employees are benefiting. I mean, again, it's intuitive, but it is important to have the data to back up that intuition. And on a national scale, research shows that employee owners have around three times the retirement assets of non-employee owners. Median household wealth is about 92% higher for employee owners, than non-employee owners. And employees with an ownership stake are more likely to stay with the business they work for than those who don't. So clearly employees are benefiting in these structures, so are the businesses. Here's a quote from a study on employee stock ownership plans, ESOPs by Jared Bernstein, who I turn to often for economic analysis and who now serves on President Biden's Council of Economic Advisors, and I'm, I'm quoting him, "ESOP companies and those with employee ownership in general have been shown to be more robust to the business cycle, with steadier output and employment than comparable firms without employee owners."

Pretty clear statement. And in the same study, Bernstein finds that employee-owned firms benefit from, one; lower rates of bankruptcy, two; lowered default rates on their loans, and three; better performance on sales, job growth and productivity. His analysis, as we say, is not just on paper. It obviously makes intuitive sense for the reasons I mentioned in which have been underscored, which is when employees own the business, they have an ongoing stake in the outcome.

Whereas if you have large outside investors who are sometimes focused just on the short-term profit, not the long-term gain, that does not often redound to the benefit of the employees in the long run. So this would be a big win for employees, it's good for business owners, and it's good for our economy in that it will result in more shared prosperity. In my view, that means it's also good and healthy for our democracy.

So why aren't there more of these? And hopefully as you have this discussion today, and I know that you're planning others in the future, and thank you for that, why aren't there more? Number one, many businesses simply don't know about employee ownership. So conversations like this are really important. Here in Maryland, in fact, close by in Montgomery County where I live, we have a big owner of a car dealership who I know very well.

He is working to try to transfer his business to employee ownership, and he has the resources. This is a pretty large car dealership, but he with all his resources has been having trouble navigating how to do this. And that brings me my second point, which is once you get to better awareness, it can be complicated. It can be legally complicated, employee stock ownership plans, worker owned cooperatives and other employee ownership models each come with regulatory, governance, tax, and legal implications that have to be expertly navigated for lasting success.

So that's another reason we don't see more right now. And third, starting a new business or transitioning on an existing business, transitioning it to employee ownership does take capital, upfront capital. And often usually the employees don't have the ability to put up the upfront capital that's needed. And so that capital needs to come from somewhere else. We are working right now in Congress on trying to address that challenge.

I'm working on it and I'm trying to recruit colleagues on a bipartisan basis, so that we close those gaps in awareness, close the gaps in expertise, and close the gaps in the capital that needs to come to the table. And the goal of our legislation would be to support private investment funds, that finance the establishment and growth of employee owned businesses. So in brief, we would leverage public and private funds, to help build out an investment ecosystem, in which capital gets deployed for the benefit of employees.

And our goal is that when a business is up for sale, we hope that employee ownership is always at least considered as an option with investment funds, that pitch the opportunity and raise the capital and bring the expertise to make it happen. I do want to stress here, and again, the devil is in the details. We want to make sure that as we put public money into this, we have a structure to ensure that the employees are the end beneficiaries. That is the entire goal. The entire goal is to move to these kinds of systems to make sure that we have more shared prosperity.

And that brings with it the other benefits we've mentioned. But we want to make sure that these transactions are structured in that way and we are building safeguards into our proposal to do that. And I want to thank the folks from Aspen, as well as Todd Leverette and his team from Apis & Heritage who are here today.

We've been consulting with them among others, as we work to structure this legislation. So we're hoping to have something ready to introduce in the coming weeks, months at the latest. And welcome your input in this endeavor, because this is one of those key ways, in my view, to make sure that a rising tide lifts all boats, not just the yachts. And I think that is the fundamental purpose behind this effort. And I, again, thank you for the opportunity to join you and hope that we can build momentum behind the movement here. That's what we're working to do with your help.

Maureen Conway (01:21:21)

Thank you so much. We really appreciate you being here, and I think your analysis and ideas really align with what we've been talking about in this session. So really grateful for your leadership and elevating this in a bipartisan way in the Senate and hope you can move that forward. So thank you so much for joining us and sharing that with us.

Chris Van Hollen (01:21:44)

Thank you. I see someone is asking for the name of the bill. We're in the process of finalizing the bill, it has not been introduced, so it does not have a number or yet a final name. But we are working to wrap all that up. And again, welcome folks input. Thank you.

Maureen Conway (01:22:05)

Great. And we appreciate hearing about it and sharing information out as things develop.

Chris Van Hollen (01:22:10)

Absolutely.

Maureen Conway (01:22:13)

Thank you. Great. Well, that was fantastic. And Alana, I just want to sort of bring you and all the panelists back quickly, so we can have some final closing thoughts for this session.

Alana Semuels (01:22:27)

Great. Thanks. Well, as Senator Van Hollen mentioned, this isn't still not very prevalent to have employee ownership in the US. I think Jeanne was going into a little bit of the reasons why that might be, but I'm hoping we can go around to each panelist and just say kind of what they think it will take to significantly grow employee ownership, and what policy makers can do to help this become more prevalent. So Jeanne, let's start with you.

Jeanne Wardford (01:23:02)

Oh, thank you, Alana. I think that was a great presentation by the senator. I think he covered the information that some of what I was going to talk about, in terms of why that I think that it's not more popular. I think the biggest thing right now is that we have to have, I think a couple of levers. Particularly one is we do the education around it and really help in municipalities understand how this can build and stabilize their own economic development in their states is critical.

I think the legislation, but beyond the legislation, what happens is, is that we have to get it into regulatory rules. That's the real lever. The legislation without enacting the rules to make it happen, still leaves us sort of like at a stalemate, because we have the Main Street employee Ownership Act and that passed and was bipartisan. But we're still trying to work on getting that into the regulatory rules, so I think that that's going to be a key part also.

And then also I think the public private partnerships are going to be key also, in terms of helping to build capacity for intermediaries like Aspen, Democracy at Work. And then also using funds to help leverage and support private equity businesses like Todd's, that really have a mission driven purpose to really help BIPOC businesses and employees.

Alana Semuels (01:24:43)

And sorry, I forgot to mention this before, but if you're tweeting, please use the hashtag talk opportunity. Jen, I know you've been thinking about this from the perspective of Colorado and what states can do. So maybe you can tackle this special next.

Jennifer Briggs (01:24:57)

Yeah, I think Colorado specifically, I'm so proud of the work that we've done, but it's really how it's organized in the state, because I think this is what we were talking about before too. Sometimes we do these programs, but they get siloed in a particular area. They're not fully integrated. So if we really want to create a durable system, we have to create a durable system. So that includes state legislation, things that we could do to overcome barriers, the integration of these legislation with the small business administration in a very real way. So when people get advising from the SBA, that they're getting the best information that they can have.

But I also think the universities and our education systems play a really big role in this. Those of us that went to MBA school, it's a very rarely taught about in part of that. There's a couple programs, the one that I worked at UCSD, the Beyster Institute, but they're really not teaching inside the school.

And so I think if we're going to look at this from the long play, is we have to help people. Again, it has to be on the menu of options, but it also has to be taught in a way. We lose a lot of really talented young professionals to private equity and to banking, because frankly, you can make a lot of money there. And so until we can figure this out and how it's a bigger part of that, and how young professionals can see this as a really viable career path, I think it's going to continue to lag behind the other options are available.

There's just so many talented people out there, and I'm really excited for the work, but we need more of them to be doing the work that we're discussing today, and we need more job opportunities for them. We need it to escape the nonprofit world into being something that is really tangible and helps people with their own financial success. So I think the university part is one of the keys here.

Alana Semuels (01:27:10)

Todd, as someone I'm assuming who has a MBA or business degree, any ideas about what can make us more popular, or maybe even what drew you as perhaps a kind of financially minded person to it?

Todd Leverette (01:27:25)

Well, Jen said it, its is it a option? Is it a pathway? Is it presented to you in a way where it can make sense for you where you can do the work, but you can also take care of yourself and your family? It's interesting, you see a lot of opportunities like this where students can go and do the impact work, but they may not be able to financially support not getting a normal salary, or kind of taking a cut. So you start to see the industry not be as diverse as it could be. So as Jeanne was saying, you need to have the opportunities, but also make sure the opportunities can support the young talent that are coming out of these programs or schools. But you know, said it before, I did a law degree and a business degree, and I didn't hear about this employee ownership in a real way until I was working at the Center for Community Based Enterprise in Detroit.

That's a non-profit out there. So putting it in the schools, but then creating the organizations where the folks can go and do it, I think is really key. One thing I want to just briefly on the kind of what is needed. I think Senator Van Hollen, I think Jeanne, I think everybody on this call has really said it. I want people to realize the urgency, which all of us on this call and all the organizations that are working for this are working around. Over the next few decades, 10 trillion worth of business assets are going to change hands.

As the aging baby boomer generation is retiring and they want to exit their businesses, and we have a once in a generation opportunity to actually change the structure of wealth and ownership in this country in a real and meaningful way, and it's going to take more than 7,000 ESOP companies. It's going to take more than a few impact funds to get it done.

We need a nationwide... The way everybody's mobilizing around climate, we need folks to mobilize around this opportunity in a real way, because if we miss it, the ability to... It may not come again in this country. So want people to feel that urgency and hopefully that urgency will get folks researching, looking and creating things to do deal with this issue.

Alana Semuels (01:29:31)

Great. Well, I think that's a great place to end it, but I just want to thank our panelists, Frank Lindsey, Gina Shaefer, Todd Leverette, Jennifer Briggs, and Jeanne Wardford for a really interesting discussion. I'm just going to pass it back to Maureen for some final words.

Maureen Conway (01:29:46)

Thank you, Alana. This has been a fabulous discussion. Thanks to all the panelists. Thanks to my colleagues, Amanda Fins, Matt Helmer, Adrienne Lee, Tony Mastria, Victoria Prince, and Shelly Steward for all their work and supporting this event. Takes a lot of us actually to put these things on. Many thanks to our audience. What a great audience today. Super engaged. Great comments in the chat, great questions. We could obviously have talked longer about this, but I hope you'll continue to watch this space.

Join us on the 17th for our event on worker co-ops. We'll be continuing to talk about opportunities for ownership. So thank you all so much. Please do remember to give us some comments on our feedback survey. It's always super helpful to us as we think about designing these events. We'd love to hear from you, and you can always send us an email at eop.program@aspeninstitute.org. Let us know what you think. Hope to see you again soon. Bye everybody.