Growing Economic Freedom and Prosperity: The Case for Employee Ownership

June 14, 2023

Description

Employee ownership empowers workers to have greater freedom over their economic future and provides them with a greater return on their hard work. By giving workers a stake in the business, workers in employee-owned firms become more invested in the business's success, which in turn helps drive productivity, innovation, and profitability. Speakers will highlight the benefits of employee ownership and the experiences and important contributions of employee-owned businesses to workers and the US economy.

This discussion features special remarks from the Honorable Ben Cardin (US Senator for the State of Maryland) and the Honorable Chrissy Houlahan (US Representative for the State of Pennsylvania). It begins with opening remarks from Maureen Conway (Vice President, The Aspen Institute; Executive Director, Economic Opportunities Program), Joseph Blasi (J. Robert Beyster Distinguished Professor, Rutgers University; Director, Rutgers Institute for the Study of Employee Ownership and Profit Sharing), and Elliot Gerson (Executive Vice President, The Aspen Institute). We conclude with a panel discussion featuring Joseph Blasi, Heather Braimbridge-Cox (President and CEO, Windings, Inc.), Jen Briggs (Founding Partner, GRITT Business Coaching; Member, Colorado Employee Ownership Commission), Alex Brill (Senior Fellow, American Enterprise Institute), and moderator Zach Warmbrodt (Financial Services Editor, Politico). For more information about this event — including video, audio, transcript, speaker bios, and additional resources — visit: https://www.aspeninstitute.org/videos/growing-economic-freedom-and-prosperity-the-case-for-employee-ownership/

About

This discussion took place as part of the Employee Ownership Ideas Forum, co-hosted by the Aspen Institute Economic Opportunities Program and the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University. This two-day event brought together leading policymakers, practitioners, experts, and the media for a robust discussion on how we can grow employee ownership for the shared benefit of American workers and businesses. Learn more at as.pn/eoforum.

The Aspen Institute Economic Opportunities Program advances strategies, policies, and ideas to help low- and moderate-income people thrive in a changing economy. Learn more at as.pn/eop.

The purpose of the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University is to study the various models that have emerged and will emerge of employee ownership shares and profit shares in the corporation and society of the United States and around the world. Learn more: https://smlr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing

Speakers

The Honorable Ben Cardin

US Senator for the state of Maryland

Link to biography

The Honorable Chrissy Houlahan

US Congresswoman for the State of Pennsylvania

Link to biography

Joseph Blasi

J. Robert Beyster Distinguished Professor, Rutgers University; Director of the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University

The Institute is the world's largest academic institute addressing all forms of capital shares for employees and citizens, including broad-based equity compensation plans, ESOPs, worker cooperatives, citizen dividend programs, profit sharing, and gain sharing. It sponsors empirical research, a competitive fellowship program, academic conferences, a Shares Laboratory, a curriculum library, and a policy analysis unit.

Blasi is author of *The Citizens Share* (Yale University Press, 2014), *Shared Capitalism at Work* (NBER and University of Chicago Press, 2010), *In the Company of Owners* (2003, Basic Books), and *The New Owners: Employee Ownership in Publicly-traded Companies* (1990, HarperCollins), with colleagues, among other books and articles. He was Visiting Professor at Princeton University (2014-2015), Yale University (1997-1998), and a member of the School of Historical Studies at the Institute for Advanced Study. He is a faculty member in the School of Management and Labor Relations and is an economic sociologist with an Ed.D. from Harvard University.

Heather Braimbridge-Cox

President and CEO, Windings, Inc.

Respected as a credible voice in Employee Ownership and as a decision maker adept at establishing governance boundaries. Heather earns a seat at the table wherever she serves. She is currently the President and CEO of Windings, Inc. and a member of the company's Board of Directors. Heather joined Windings, Inc. in late 2015 as Chief Financial Officer and rapidly progressed to the President and CEO in 2016. In a short time, Heather continues to lead this 100% employee-owned (ESOP) company in New Ulm, Minnesota to a heightened sense of ownership, self-direction, and accountability.

She is now spearheading major strategic shifts to growing market share through innovation and acquisitions. Heather is a Fellow Chartered Certified Accountant (FCCA) and holds an MBA (International Finance) from Oxford Brookes University, Oxford, England. She has over twenty-five years of senior leadership experience and a proven track record of results driven leadership and effective team management. Heather currently serves on the boards of Ever-Green Energy of St. Paul, MN and Braun Intertec Corporation (100% ESOP in MN) and Loftness Equipment (100% ESOP in Hector MN). Heather recently completed her term as director with Second Harvest Heartland (MN) and the New Ulm Chamber of Commerce (MN). Heather continues to be very active in the ESOP community and with several business industry councils in Southern Minnesota.

Jen Briggs

Founding Partner of GRITT Business Coaching; Member of the Colorado Employee Ownership Commision

Jennifer is a contract executive working on boards and as a strategic advisor focusing on change and brand. Jennifer has been involved in multiple industries including tech, construction, engineering with a primary focus on food and alcohol.

Jennifer is a founding partner of GRITT Business Coaching and her work proves that business can be done differently – purpose-centered, mission-driven, and values-powered using tenants of inclusive capitalism to attain success. She is a Rutgers University Institute for the Study of Employee Ownership and Profit Sharing Executive Fellow and Commissioner and former Chair of the Colorado Commission of the Office of Employee Ownership in the Office of Economic Development.

She holds a Master of Science in Organizational Leadership, graduate studies in Enterprise Project Management, studies in behavioral economics and a Bachelor of Science in Community Health. She was a member of the New Belgium Brewing executive leadership team for over a decade as VP of Organizational Development, a turnaround CEO in the brewing industry, board member to PFS Brands, EEI, Brinkman Construction and served as Chairperson of the Board for GISinc. She was named person of the year in the bev-alc industry by Brewbound and a Signifier by Good Beer Hunting in 2022.

Alex Brill

Senior Fellow, American Enterprise Institute

Alex Brill is a senior fellow at the American Enterprise Institute (AEI), where he studies the impact of tax policy on the US economy as well as the fiscal, economic, and political consequences of tax, budget, health care, retirement security, and trade policies. He also works on health care reform, pharmaceutical spending and drug innovation, and unemployment insurance reform. Brill is the editor of Carbon Tax Policy: A Conservative Dialogue on Pro-Growth Opportunities (2017) and the coauthor, with Alan D. Viard, of The Real Tax Burden: More Than Dollars and Cents (2011).

He has testified numerous times before Congress on tax policy, labor markets and unemployment insurance, Social Security reform, fiscal stimulus, the manufacturing sector, and biologic drug competition. Before joining AEI, Brill served as the policy director and chief economist of the House Ways and Means Committee. Previously, he served on the staff of the White House Council of Economic Advisers. He has also served on the staff of the President's Fiscal Commission (Simpson-Bowles) and the Republican Platform Committee (2008). Brill has an MA in mathematical finance from Boston University and a BA in economics from Tufts University.

Zach Warmbrodt (Moderator)

Financial Services Editor, Politico

Zach Warmbrodt has covered financial services for POLITICO since 2012. His reporting focuses on Washington's relationship with Wall Street and the broader finance industry, including banks, insurers and asset managers. Zach is a graduate of the University of Texas at Austin.

Transcript

Maureen Conway (00:00:04)

Good morning. My name is Maureen Conway. I'm a vice president at The Aspen Institute and executive director of the Economic Opportunities Program. I am so thrilled to welcome you to the Employee Ownership Ideas Forum. We have been working together with our colleagues at the Rutgers Institute for the study of employee ownership and profit sharing on planning this for a while. And we're just really thrilled to see everybody here today. So many thanks to everybody for joining. Whether you just walked over from your office, or whether you traveled here from a different part of the country, or whether you are joining us virtually.

And we do have a great virtual audience today as well. I really want to thank everybody for being part of the conversation. I also want to thank Prudential Financial, JP Morgan Chase and Company, the Feaster Foundation for Enterprise Development, and the J. Robert Beyster Endowment at Rutgers School of Management and Labor Relations for their support of this event. So there are so many reasons to be excited about expanding employee ownership in the United States, and we have lots of folks who are going to talk to you about their experiences and their reasons today.

But let me tell you briefly what's motivated us at The Aspen Institute Economic Opportunities Program. Our mission is to advance policies, practices, and ideas that can open economic opportunity to more people in communities all across the country, so that individuals, families and communities can support themselves, can earn a living, and really are free to lead the lives of their choosing. And in that work, we spend a lot of time thinking about how more low and moderate income people can connect to good jobs. And, we think of good jobs as having three basic pillars. They are jobs that provide decent wages and benefits, provide sort of basic economic stability. They are jobs that offer opportunities to learn and grow for economic mobility and for wealth building. And they are jobs that provide a culture of dignity, of respect for workers, and for their contributions, and are equitable workplaces.

So we really think of these as the three pillars of a good job. But too many workers across the country don't have jobs like that. They lack some of these elements of a good job. But when we look at employee-owned companies, something is actually different happening within those companies. They often have better pay than similar companies, greater chances to build wealth, and a culture that really does actually listen and engage them in the work of the organization. So, as we often say also, good jobs are good business. And we see that employee-owned businesses often have higher productivity, greater employee retention, and greater resilience in the face of a downturn than non-employee owned peer companies. So, we have many reasons to be excited about employee ownership.

But, in addition, we also spend a lot of time thinking about how participation in business ownership is an economic opportunity strategy. And we know that business assets are a huge source of wealth in the country and to really address the issues of wealth inequality, we need to include more people in business ownership. So, these are all the many reasons that we are excited about having this conversation today and really having two days of conversation around how we can expand opportunities for employee ownership.

Okay. I'm going to skip the rest of that part - just moving along. So, I think the question we're going to be thinking about is how can we support and grow more employee-owned companies? We're going to have four conversations lined up today to look at that. We're going to look at some of the research behind employee owned companies. We're going to discuss recent legislation and policy development. We're going to explore the role of government in supporting employee ownership. We're going to think not just about policy making, but also policy implementation. And we're going to think about what are some of the barriers that we still face and what more we can do to grow employee ownership.

We have a great room here, and also joining us online. So, we're trying to have Q&A in all of our panels and we really are encouraging you to participate in the conversation. We're going to have a short break between panels and we also have time at lunch. So we also really encourage you to try to get to know one another, because there's lots of wisdom in this room. So hope that you'll take advantage of that.

Before I introduce my wonderful partner, Joseph Blasi, and colleague in all this work, I need to go over a couple of logistics for our online audience. So all the online audience attendees are muted. But you can use the Q&A button and I was emphasizing we do want to try to take questions. So please use that Q&A button on the bottom of your screen to submit or up-vote questions. We also encourage you to share your views. So if you use the chat function, please contribute things that you're working on related to today's conversations. We love to hear what you're doing. We encourage everybody to tweet about this conversation. The hashtag is #talkownership. If you have any technical issues, please message us in the chat or email eop.program@aspeninstitute.org. The event is being recorded and will be shared via email and posted on our website. Closed captions are available for the discussion. Please click the CC button at the bottom of your screen if you'd like to activate those.

One slight change to our agenda is that Adrienne Eaton, dean at the School of Management and Labor Relations at Rutgers will be providing closing remarks along with Sarah Kay today. So, just wanted to note that on your agenda. And now, it is my delight to introduce my colleague Joseph Blasi. Joseph is the J. Robert Beyster distinguished professor at Rutgers University and director of the Institute for the study of employee ownership and profit sharing at Rutgers University. Many of you know Joseph and know that he is a world-renowned expert in employee ownership and we just wouldn't be here today without his contributions to the field. He's been a wonderful partner for me and for us at the Aspen Institute to work on in planning this event and so many other things that we've worked on together. So Joseph, I am turning it over to you. Thank you.

Joseph Blasi (00:06:44)

Thank you very much, Maureen. And, I'd like to welcome you and the hundreds of people in the livestream audience. And it is, hundreds of individuals, which is really wonderful. And welcome you on behalf of Rutgers University School of Management Labor Relations. And the Institute for the study of employer ownership and profit sharing. It has been an absolute pleasure to work with Maureen Conway and Matt Helmer of The Aspen Institute. This has been a wonderful partnership. We've had a team of 10 people from Rutgers and Aspen working together for months, and we're just delighted to see it all happening right now. At Rutgers, we are very grateful to Mary Anne Beyster and the Beyster Foundation for Enterprise Development, along with the Beyster Endowment at Rutgers, which sustains us into perpetuity. I guess, perpetuity is pretty long and we are enormously thankful to Prudential Securities for their wonderful support to allow this event to be planned, and to thrive, and to be a wonderful success.

In the tone of the historical place where we are, when George Washington assumed the presidency of the United States in 1789, he confronted an almost bankrupt nation. One of the principal exports of the colonies was dried cod in barrels that were caught along the Atlantic coast and exported to Europe, like the microchip export industry today. Although, microchips aren't as smelly. During the Revolutionary War, the British engaged in economic warfare by destroying cod ships, arresting the sailors, demolishing the warehouses, and the areas on the shore used to dry and impact the cod often by families. These were often family businesses. President Washington quickly called in Secretary of State Thomas Jefferson and instructed him to bring the cod fishery back. Jefferson was negotiating the fishery rights issues after the Revolutionary War. Jefferson began a research project on the export industry, maybe the first research project in the United States on profit sharing and employee ownership.

In effect, it was an interesting situation, since we know he did not get along well with Secretary of Treasury, Alexander Hamilton. But, he asked Secretary of the Treasury, Alexander Hamilton to loan him the only political economist in the Treasury Department who was first assistant Secretary of the Treasury, Tench Cox. And, he did research on the cod industry. He helped Jefferson produce, and you can Google it, the report on the American fisheries. You'll see in the first three pages of the report it opens with something from Assistant Secretary of the Treasury, Tench Cox's research. Assistant Secretary of the Treasury studied cod fishing boats, and he found that those were the sailors were paid a fixed wage had lower productivity, than those where the sailors were paid a fixed wage plus profit sharing, which had higher productivity. And this was reported to Jefferson and to Washington. Profit sharing had been a social custom of many cod fishing boats for over a century and a half all along the Atlantic coast.

And in fact, five years ago I went up to New England and found out that in fact, many of the boats were open to ownership shares by employees. Some of the boats were entirely employee owned. Some of the larger ships had ownership shares. So likely, a very early form of employee share ownership. Many of these boats were in the context of small family businesses. The sailors, in fact, at that time, were called sharesmen. Although, both men and women were involved. Ultimately Congress passed and President Washington signed into law his first economic piece of legislation designed by New England Senators. The government provided a tax credit, a reduction in taxes on what were tariffs on supplies that the fishermen and the boats had to buy at that time. The size of the tax credit went up with the size of the tonnage of the boat or ship, in order to get more ships to launch to revive the industry.

But the most interesting part of the legislation were two details that stick in your mind. One is, in spite of the fact that the ship owners said, "Give all the tax credit to us." The cod fisherman appealed to their congresspeople and senators and 40% of the tax credit was guaranteed to go in cash to the sailors. But that's not the most interesting part. The most interesting part of this is in order for the captain of the ship to collect the tax credit at the customs houses, and you've seen them all up and down the Atlantic coast, he had to produce a signed document, signed by all the sailors of the ship that there would be profit sharing on the catch. Okay. And now with this, I am delighted to introduce Senator Cardin.

Maureen Conway (00:12:24)

Excuse me, Senator, I'm supposed to give you some fabulous opening remarks, introduction here. And really, we do want to thank you so much for being here, because Senator Cardin has indeed been a leader in so many ways in our country. He's been a leader on healthcare, retirement, security, environment, fiscal issues. He is from my home state of Maryland. And, Senator, I've had the pleasure of seeing you at many of our local 4th of July parades. So, thank you. And of course, he's been a long standing supporter of employee ownership, who has worked tirelessly to support its growth. Senator Cardin currently serves as chair of the Small Business and Entrepreneurship Committee, which is at the forefront of rebuilding our economy. He is also a senior member of the Senate Forum Relations Finance and Environment and Public Works Committee. Senator Cardin has been a strong champion of small businesses and was critical in getting support to small businesses during the pandemic.

He was also responsible for the extension of increased guarantees and reduced fees in the small business administration's, two largest loan programs. He has made it a priority to find better ways to provide access to credit for qualified small businesses and entrepreneurs, particularly minority-owned, women-owned, and veteran-owned businesses. From 1986 to 2006, Ben Cardin represented Maryland's third congressional district in the U.S. House of Representatives and served for 17 years on the Ways and Means Committee as a member of the Maryland House of Delegates from 1967 to '86. Maybe you didn't want me to go through this whole history. But anyway. But, Senator Cardin, thank you very much for being here today. We really appreciate it.

Ben Cardin (00:14:02)

Well, Maureen, first of all, thank you and The Aspen Institute for your helping to convene this along with, Joe, thank you on behalf of the Rutgers Institute for the study of employee ownership and retirement and profit sharing. I knew I could get the last three words there. Profit sharing. Absolutely. Maryland is known for a lot of things. One of the things is we're a very patriotic state. We have over 400,000 who have served our nation in uniform. So we have a lot of 4th of July parades. Which one were you at?

Maureen Conway (00:14:41)

Takoma Park.

Ben Cardin (00:14:42)

Which one?

Maureen Conway (00:14:42)

Takoma Park.

Ben Cardin (00:14:43)

Oh, well, Takoma Park has its own Independence Day parades at times. So, it's wonderful to be here. Thank you very much for hosting this session on ownership ideas, on how we can advance employee participation in the American Dream. So, let me backup a little bit. When I was in the state legislature many years ago, I got involved in ESOPs. Why? Because Maryland had a lot of ESOPs. In fact, we led the nation in the highest penetration of employee-owned companies of any state in the nation.

So, that got my attention. But more importantly, I visited those locations. And they were all very productive economic enterprises, because their workers had a share in the profits. And the work ethic there was one of which made Maryland's companies more competitive and gave stability. And when we went through economic downturns, these companies were able to go through those and with the cooperation of their workforce were able to solve those challenges. So I was sold on the ESOP program well before I came to Congress. When I came to Congress, I had a chance to work with Congressman Rob Portman. Both of us were in the House of Representatives together. Rob is a Republican. I'm a Democrat.

We worked together on a problem we identified. And that problem was we were going through an economic growth period in this nation and we were looking at the economic indicators in America and just about every indicator we ranked first among all countries in the world on economic growth, job creation, wealth, et cetera. But where we ranked near the bottom was on national savings. And particularly, retirement savings. And we were extremely vulnerable in not having enough retirement savings in this country.

So the two of us decided we would do something about it, and we set up a process in which we brought all the stakeholders together to look at how we could encourage more retirement savings in this country. And we were successful in getting three major bills enacted into law. And I want to tell you, at that time, we didn't have the attention of the leadership of either party or the White House. And we were able to get those bills done, because we worked with the stakeholders. But one of the tools that we looked at as being an extremely helpful tool for retirement security were ESOPs, because you have a transition period when you retire, you have part of the wealth of the company. It was a natural way to supplement retirement security.

So, we were interested in expanding the opportunities for ESOPs in our nation. And as we did that, we recognized there was this disconnect between the Internal Revenue Code and what you needed to do, because the Internal Revenue Code was developed with traditional companies in mind, with stockholders and employees, and did not really fit the model of an employee-owned company. So, we worked to change that. And we were able to get legislation passed that harmonized the tax code to encourage more employee owned plans. And then, S corporations became the preference model for a lot of the smaller companies with pass through income. So we had a lot of S corporations, and how could we harmonize S corporations with ESOPs? And we worked to do that. So, as a member of the finance committee, along with Senator Portman, who became a member of the finance committee, we changed venues from the House of Representatives and the Ways and Means committee to the United States Senate and the Finance Committee. We were able to get major legislation passed to harmonize these provisions.

Now, I'm chairman of the Small Business and Entrepreneurship Committee. And in that role, I worked with the SBA, because the SBA had a hard time understanding ESOP plans and S ESOP. So we were able in recent years to change the SBA laws so that they recognize ESOPs, and allowed the tools of the SBA to be applied to help ESOPs and the transition of S corporations into ESOPs. One example of what we were able to do, and just recently, the SBA issued one of their SOPs, Standing Operating Practices, is to understand that in participation with SBA loans, we require equity investment, but ESOPs don't have equity investments. Their employees are the investors. So, we were able to get a waiver of that requirement for ESOPs. That's just one example of how we've been able to harmonize the different rules.

Most recently, we're having a problem in S corporations that want to transition into S ESOPs. And we've had a major problem particularly with the stockholder of the S corporation wanting to have their employees own the company. Getting evaluations and working on financing, we've been able to resolve those issues to harmonize, to encourage more S ESOPs from S Corporations moving forward. So, we've been working with this today. I don't have Rob Portman in the Senate anymore. He's moved on. I regretted that. But Senator Danes is taking that role on the Republican side. So we have bipartisan legislation in order to try to move forward and to do everything we can to encourage employee stock ownership plans to encourage, to transition of S corporations into ESOPs, and to harmonize our laws, our IRS laws, our SBA laws, to recognize the public value of encouraging employee stock ownership plans.

And I'm pleased to say that it no longer is a divisive issue. We have strong bipartisan support. And I'm optimistic that we'll be able to continue to improve the opportunities that are available. So, thank you for convening this opportunity. We look forward to your suggestions as to how we can have greater opportunities for employee stock ownership plans, recognizing the value it is for wealth accumulation, for entrepreneurship, for buying into the economic progress of our country. It also helps us in regards to retirement security, taking the pressure off of our other social programs such as Social Security. Thank you, and it's always good to be with you, and I hope you have a successful meeting.

Maureen Conway (00:21:45)

Thank you so much, Senator Cardin. That was fantastic. We appreciate you being here. And now, I am delighted to introduce Congresswoman Chrissy Houlahan. Representative Houlahan is an Air Force veteran, engineer, entrepreneur, and educator who is continuing her career of service as the first woman ever to represent Pennsylvania's sixth district in Congress. Chrissy has helped lead several thriving southeastern Pennsylvania companies, including AND1? AND1. A basketball apparel company and B Lab, the organization that launched the B Corporation movement. She went on to serve and teach for America as a chemistry teacher at Simon Gratz High School in North Philadelphia, and led, and scaled a nonprofit helping thousands of underserved students all across America build their literacy skills.

She is committed to working to build a strong, stable economy with good jobs and good benefits for everyone. Many thanks for that. Near and dear to my heart. Since serving her community in Congress, she has been awarded the Abraham Lincoln Leadership for America Award and three Congressional Management Foundation Democracy Awards. Representative Houlahan has been a strong supporter of employee ownership and recently helped introduce the Employee Equity Investment Act with her colleagues. Representative Houlahan, thank you so very much for being here today. I really appreciate it.

Chrissy Houlahan (00:23:16)

And, thank you so much for the introduction, and it is really awesome to be here with you all this morning about this important Employee Ownership Ideas forum. I'm glad to be with you today, and to share a little bit more about my background and interest on this topic, and how much promise I think we all have together to make a difference in this particular area. As you mentioned before, joining Congress, I represent Pennsylvania's sixth congressional district, and it is in southeastern Pennsylvania, just outside of the city of Philadelphia, where you maybe have watched the most recent disaster that happened on our I-95. But our community, my community, is 40% Democrats, 40% Republican, and 20% independent.

So I'm really, really proud to serve that very, very purple community and to bring a real bipartisan- proud to serve that very, very purple community and to bring a real bipartisan and a pragmatic set of solutions and perspectives to our work here in Congress. Prior to joining Capitol Hill, as you mentioned, I helped to scale a variety of different organizations in the Pennsylvania area, many of which became either nationally known organizations or internationally known organizations. And my entrepreneurial background helps me a great deal in thinking about the importance and the potential of making sure that employers take care of their workers, take care and invest in their communities, and are ultimately a force for good, in terms of our opportunities with our for-profit sector.

It's this vision which led me to found and chair a caucus in the House of Representatives, alongside Rep. Dean Phillips. I'm not certain if you'll have the opportunity to talk with him today or if he's already come. It's called the Stakeholder Capitalism Caucus, and it's our mission to make sure that we learn from leaders across the private, public, and civic sectors, who are reimagining capitalism. And who knows and understands that the role of business in corporations in America is to foster inclusion, to generate long-term and lasting growth and to benefit all stakeholders more widely and more equitably.

So this past year, our caucus has hosted a variety of events. One event, which focused on employee-owned businesses from our districts, and focused on how these businesses and this business model can make sure to keep businesses and jobs in our local communities, to empower our workers and to build sustainable, resilient and productive enterprises.I was really proud specifically, to host a group from our community called the Standard Group. This is a company that is a print management and marketing and logistics company that's based in my community of Redding, Pennsylvania. If you have ever played the game of Monopoly, you remember the Redding Railroad. Redding, Pennsylvania is part of my community. The company transitioned to being employee owned in 2017, over a century after its founding. And they continue to be an active and integral part of our community, and a real guiding and North star for the opportunities of doing this employee ownership transition.In talking with local employee owned companies, it's very clear that employee ownership has the potential to solve a lot of problems pressing on us, on our economy as we face today. And I think I heard some of them from the Senator as I walked into the tail end of his conversation. And those things of promise include making sure that we can close racial and gender wealth gaps, making sure that we can protect community jobs amidst our aging workforce. Sometimes we hear that referred to as the silver tsunami, and better supporting employees and their families as well.

To this point, I'm an engineer as you mentioned, so data really matters to me. Data shows that workers who are employed at ESOPs report significantly greater access to training, to involvement in company decision making, to profit sharing and to gain sharing, all of which is of course, really critical to promoting equity in our workplace environments. Also, furthermore, ESOPs and cooperatives have been shown to produce higher wages to promote job preservation for their workers during periods of economic distress, as well as to invest more in their local communities than conventionally owned businesses do.

So despite these benefits, it's clear, and again, I think I heard this Senator referring to this as well, that there are a lot of challenges to expanding the prevalence of employee ownership. Notably, there are financial barriers to mobilizing private investment and other regulatory barriers as well, to accessing service through the small business administration as well. Data again shows that fewer than 15% of business owners have a formal exit plan. I'm going to emphasize that again. Fewer than 15% of small business owners have a formal exit plan in place, and only a very small percentage of those businesses will be passed on to family members or bought by another local community or company.

So, far too often the consequences are that business might be closed because of lack of succession planning and difficulties in finding a buyer, which therefore costs jobs and negatively impacts our communities as well. Importantly, compounding this issue is that when a business is undergoing that ownership transition, traditional buyers, in the mergers and acquisition markets in our sort of traditional capital markets, are often initiating transactions with sellers while also providing the financing as well.

This is not the case when we talk about employee ownership transactions. In fact, with most employee ownership transactions or conversions, it's the seller who has to initiate and also finance in some cases, all of the transactions themselves, which means in many cases that they have to wait between five and 10 years to receive full payment on their investment or on their conversion. So to help solve this, this is I believe also what the Senator was referring to, I was proud to come together with Representative Dean Phillips, alongside Representative Blake Moore and Representative Dusty Johnson. If you heard that, you'll hear two Democrats and two Republicans on the House side, to introduce the bipartisan and bicameral Employee Equity Investment Act. So this EEIA, because we couldn't be here without our acronyms, would utilize the SBAs, existing Small Business Investment company or SBIC program, that would allow us to provide guaranteed loans for investment funds, that would be devoted to expanding employee ownership as well.

So these investment funds would allow us to finance and facilitate the process of selling a company to its employees, and to sustain and expand existing employee-owned firms as well. This would significantly expand access to financing, which is one of the biggest issues that we have, or hurdles that we have. While at the same time, importantly in this environment and particularly if you've been paying attention to the news lately, having zero cost to the taxpayer as well. So I'm really looking forward to working with my colleagues, both on the House side and the Senate side, to work this through the Small Business Committee, and through the House floor and Senate floor to the President's desk for signature, for those who remember your School House Rock. All of those things have to happen in order for a bill to become a law.

And I know that this effort is just one of many policy solutions that we need, to be able to support the expansion of employee ownership as well. But I am very much encouraged, particularly in this very difficult environment, by just how bipartisan this work is and how the work of employee ownership is a real opportunity for legislative help and legislative solutions. I really look forward to working with the Stakeholder Capitalism Caucus as well, and with my colleagues across the aisle to benefit these future employee-owned companies. I would ask of you, and I thank you very much for the opportunity to serve with you today and to talk about these issues. Please, please, please reach out to your various members of Congress and your various senators, and talk to them about the importance of this legislation.

This is a confusing time. What I will share with you is that in every two year cycle, there's about 9,000 pieces of legislation that are introduced every two years. We vote on just a few hundred of them every year on the house side. We pass just a couple hundred of those as well. And then of course, they need to be taken up by the Senate, too. So if you're visualizing that pipeline of 9,000 down to a couple hundred, down to a hundred or so, onto the President's desk for signature, this is an attention deficit disorder issue. We need to make sure that you are drawing attention to these particular pieces of legislation and squeaking, because the squeaky wheel gets the grease in this organization, and in the one that I'm standing, I guess I'm on the Senate side now as well. So I really appreciate the opportunity to serve, but I need your help to make this happen. And so, thank you for inviting us.

Maureen Conway (00:31:49)

Thank you very much, congresswoman. That was fantastic. Really appreciate that and appreciate the call to keep squeaking. And it is now my pleasure to introduce Elliot Gerson, executive Vice President at The Aspen Institute. Elliot is responsible for the institute's policy programs, its public programs, and its relationship with its international partners. So that means he's my boss, he's responsible for me. Elliot also administers, well, used to administer. He tells me he has at long last, stopped administering the US Rhodes Scholarships. We'll see, but he was a Rhodes Scholarship at Oxford, also a US Supreme Court clerk. Practiced law in government and privately, held executive positions in state and federal government, on a presidential campaign, and was president of startups in healthcare and education, and of two leading national insurance and healthcare companies.

I thank Elliot for being here. I know I can always count on Elliot to be here. Elliot is a strong supporter of the work of the Economic Opportunities Program and somebody I know I can always rely on. So Elliot, thank you so much for coming today and I turn it over to you.

Elliot Gerson (00:32:58)

Thank you very much, Maureen. And I think Representative Houlahan left, but she didn't mention one thing that I just happened to mention to her. I had a very privileged life with lots of wonderful jobs and opportunities, but perhaps the most formative opportunity I ever had was working with her father who was a Navy captain, an extraordinary man who worked for the Secretary of Defense in the Carter administration. So it was a special treat to hear her, but it is also an enormous treat to be here.

And I want to thank Maureen for the introduction, and for the great work that she does. And Joseph, and for both of the teams for the work that they've been doing, which frankly couldn't be more important in our economy and the state of our country today. At The Aspen Institute, we are immensely proud of the work of the Economic Opportunity Program, which is focused of course, on expanding opportunities for people in communities across the country. And this relationship we have with the Rutgers Institute for the study of employee ownership and profit sharing has been, from our perspective, enormously exciting, intellectually stimulating, and most importantly, productive to real change in our economy, and the opportunities for those who are left behind in it.

This conversation today comes at a time of tremendous economic flux. As growing numbers of Americans are frankly questioning whether our economy works for them. Even before the COVID-19 pandemic in an allegedly strong economy, workers at the bottom of the opportunity scale were struggling to support themselves and their families. Not only have the incomes of the lowest paid workers stagnated or actually fallen as the cost of essentials such as housing, healthcare and transportation have climbed, but at the same time, wealth inequality has soared. I think back to the time when I worked with the Congresswoman's father, just as I was beginning my own work career about 45 years ago. And think, how much change there has been just in that 45 years, in terms of the gap between those at the bottom starting up, and those at the top and everything associated with that. The changes just in the decades of my adult life have been profound and the consequences, in my opinion for the country, have been profoundly negative.

The divisions in wealth between men and women, between white households and households of color, are particularly striking. White households have roughly 10 times the wealth of black households, and households headed by single women have less than 40% of the wealth of those headed by single men. As the pandemic shut down so much and had so many of us working from home, essential workers, including the frontline healthcare workers, the delivery and truck drivers, and all the other people who worked to keep everyone else moving and alive and well, kept our society functioning. And this is what they have always done, but they are rarely granted the dignity that they deserve for that.

As the economy slowly reopened, many workers started to question the wisdom of going back to that status quo. People have called it various things, either the Great Resignation, or the Great Reshuffle, or the Great Renegotiation. No matter what you call it, it was clear that many workers had simply had enough of low pay, lack of opportunity, and poor working conditions that they'd endured for well too long. The experience though, was quite different for employees at employee owned companies. As we'll hear during this forum, research shows that if you give employees a real share in ownership, they're going to reward the company with higher productivity and higher retention, which in turn brings about, of course, greater business resiliency for weathering the inevitable tough times.

But employee ownership isn't just good for business, it's good for us as a society and a nation, and that is why it is such an important priority for The Aspen Institute. Our mission at the Institute, in the almost 75 years since we were founded, has been to drive change that leads to a free, just and equitable society. Employee ownership strikes me as something that fits absolutely perfectly within this mission. It gives workers a say in their future. It's just, in that it provides workers with ownership and something they have helped build and make successful, and it's equitable and that everyone gets a share of that proverbial pie.

Aspen's founder was named Walter Paepcke. He was a businessman who was also a humanist. As a matter of fact, the Institute used to be called The Aspen Institute for Humanistic Studies. And it was his idea that leaders who come together with moral clarity and apply their leadership, using the values that are so important, to constitute not only a good company but a good community, but a good society. That it is essential for those leaders to apply those values-based principles in everything they do. And if they do, that will benefit society. He took upon himself, his own role as CEO of a major American corporation, to champion these principles in his own workplace.

As leader of the Container Corporation of America, he extended stock ownership, pension plans and culture in employees, very widely to employees. He prioritized promotion from within, and though the company was not employee owned, he was proud of the fact that many of its shareholders were everyday middle class Americans. He cared deeply about the success of his business, and he knew that the success of his business relied on capable and committed employees, and that you won't have such employees unless they are included fundamentally in the success of the business. He knew all those years ago that treating your workers well would create a virtuous cycle of shared success. And in some sense, we are becoming full circle, at least in aspiration, not yet in reality. In 2019, as all of you know, the Business Roundtable redefined the purpose of a corporation, and Aspen had a small role in that redefinition, as serving all stakeholders and not just shareholders. And this explicitly includes investing in employees and providing them with fair compensation. What better way to make good on this, than through employee ownership? We know it has bipartisan support, and you heard that so clearly, just now in the remarks. We've seen that with the Work Act and now with the Employee Equity Investment Act. We know it helps workers, it helps businesses, and it helps our economy.

And this is also about the values we hold, about who and whom we value in our economy. Today, we have record low unemployment and record high GDP, but too many Americans still feel that the economy just is not working for them, that they've been left out of this prosperity. And so, it's more important now than ever to come together and build shared solutions that renew the promise of the American dream for so many people, who have no longer kept the belief that it really applies to them. I'm excited for the conversations you'll have over the next couple of days, and we're delighted to be part of this with Rutgers and The Aspen Institute. Thank you for your commitment to this important work, and I now turn it over to Maureen. Thank you.

Maureen Conway (00:41:22)

All right, you're almost done with me for the moment. I now get to invite our panel to the stage. So I'm going to, and we actually have this nice little code if you want to see people's bios. They're a great panel. I'm not going to go through their bios, I'm just going to welcomethem to the stage. Joseph Blasi, J. Robert Beyster Distinguished Professor, as I introduced before. Heather Braimbridge-Cox, President and CEO of Windings, Inc. Alex Brill, senior fellow, American Enterprise Institute. Welcome to the stage.Is Jen Briggs here? There she is, Jennifer Briggs, Executive Director of CiviCO, founding partner of Grit Business Coaching, member of the Colorado Commission of the Office of Employee Ownership, and former vice president of human Resources at New Belgium Brewing. And delighted to have our moderator here, Zach Warmbrodt from Politico to lead this conversation. So Zach, let me turn things over to you.

Zach Warmbrodt (00:42:37)

Hi, good morning. Again, my name is Zach Warmbrodt, I'm the financial services editor at Politico, and I co-author our Morning Money Newsletter. So I help us keep tabs on financial policy. I just wanted to set the stage a little bit and give a little preview of what we're going to get into. I think as Elliot was kind of getting into a little bit at the beginning, just big picture, it's a weird time for the economy, coming out of COVID-19, with the Fed continuing to hike interest rates, but pausing today because it's even a little unsure about all the forces that are kind of coming together with the labor markets staying strong.

I think it just has people here in Washington and on Wall Street kind of looking around the corner, where's the next recession? And so that's kind of helped focus policymakers minds on, what can we do to support workers and the health of companies? And so just a couple stats to start off with. There's 6,000 ESOP companies, which you can correct me if that's out of date. And that's about 10 million individuals who are in those plans. So just kind of a small number, but policymakers are trying to find ways to make those numbers go up. 10 million workers.

Speaker 1 (00:44:06)

That's what he said.

Zach Warmbrodt (00:44:08)

Yes, 10 million. And so we have an amazing panel here today of people who are just really steeped experts on this, from working with the companies or in academia. And we're going to try to break it down into three different buckets. How does employee ownership impact workers at these firms? What are the bigger impacts for companies in the economy? And then also, what are the policy next steps?

So first, Jen, I wanted to start with you. You spent more than a decade at New Belgium Brewing, which was one of the leading companies in employee ownership. So I was wondering if you could just tell me a little bit about yourself and your experience, and why now is an important time to be talking about this issue?

Jen Briggs (00:44:58)

Well, I had the good fortune before this to go through an exercise with a group I love to work with, around defining your personal purpose. And so if you've never done an exercise like that, it really, like a deep, deep thinking exercise to do that. But you know what, I feel like where my life path has brought me to is here, where we're working at the intersection of economic prosperity and community of vitality, and everything I do for almost the past 20 years has been there. So you're right, starting at New Belgium, and I think this topic is almost hard to talk about, because it's very systemic. And we have, when I was there, I got to go to the White House Summit on Worker Voice. So we had democracy and worker voice, good jobs, and doing some work with the Hitachi Foundation. And Mary Ann Beyster commissioned a documentary called, We the Owners, on three companies, one of which was New Belgium that was profiled.

When the company was sold, and I know this might be a controversial opinion to some of you, it did create that engine of wealth where a lot of people received more than six figure payouts in their ESOP transactions. So when we talk about that churn of business selling, it did serve its purpose to create wealth for a lot of people, and which is pretty incredible. But now serving on boards and corporate boards for ESOPs and continuing this work and continuing to make it just visible, a lot of us in this room, I know many of you are doing the same thing as we want to build more high performing ESOPs. Because the more high performing ops we have, hopefully the more companies will want to become ESOPs, as well too.

So it really has just been, for me at this point in my lifetime of work, of trying to do this and help people understand the power and impact. And it's not just economic. It's that economic system at the macro level. It's the social system at the micro level, but it's also the social system and the financial system at the corporate level. And it's just multi-horizonal. It's really powerful.

Zach Warmbrodt (00:47:04)

And Alex, you're a tax and budget expert who's worked in the House and the White House. How did you get interested in this issue?

Alex Brill (00:47:13)

Yeah, thanks and thanks for having me for this important discussion today. I am at my heart, a tax guy. I think ... I know that always gets a laugh. I never, still don't know why. I know. No one's left though, so, it's okay. So I think a lot about tax policy. Well, what economists call optimal tax policy, and efficient ways to raise revenue. And a lot of that has to do with finding ways to raise the necessary funds, to finance the operations of our government. And to do that in a way that either doesn't cause any harm or causes the least harm, or sometimes even promotes the most good. And so it's not just about the dollars that the government collects and the distribution…about the dollars that the government collects and the distribution of those payments, but about the consequences of those policies for good and for bad. When we think about employee ownership, we have a favorable tax system in place to encourage ESOPs and we have consequences as a result of those policies. And so what I'm very interested in as a tax guy is what are the consequences of our tax policies? And what I've observed and contributed to a bit, but observed in the research a lot is how the existing tax structure, which is favorable for employee ownership, has resulted in these firms, maybe not as many as we wish, but in many, and that those firms are performing very well. We heard some of that from Sandra earlier, and I'm sure we'll hear that all day long. But firms that are ESOPs have a tendency to outperform their non ESOP peers and as a tax matter, that's super interesting, and as an outcome matter, it's super important.

Zach Warmbrodt (00:49:10)

Thank you. Heather, could you talk about your path to leading an employee-owned company, Windings, Inc. And how is that different from your past experiences in business?

Heather Braimbridge-Cox (00:49:22)

Thank you, Zach. You've actually given me a soapbox.

Zach Warmbrodt (00:49:25)

Great.

Heather Braimbridge-Cox (00:49:25)

I am an advocate for ESOPs, and when you hear my story, you'll understand why. I start first with explaining who's Windings. Windings is a custom manufacturer of electric motors. We are located in Southern Minnesota, two hours from Minneapolis, so it's really farm country, but we build electric motors for critical and specialized applications. So you wouldn't find our motors off the shelf or in a ceiling fan or vacuum cleaner, or motors instead would be on the Perseverance Rover landing on Mars or circling the sun and studying the corona or military and commercial flight or surgical tools, give you an idea of how specialized what we do is all about. So we make unique designs really for high pressure, high temperature environments. We became employee owned in 1998, so that's over 25 years ago. I only joined Windings in 2015 when I came aboard as the then CFO.

The employee ownership was quite appealing to me at the time because I had a long career in private equity and I hope there's nobody in the audience who's from private equity. I'm not knocking them. Private equity is a model and it works well, but it works well for the select few. I was that operator who would go in and my job was always to ride the ship, turn things around, pay off the debt, increase the multiples, and find a way to exit in three to five years. And what I found was that every time if I was successful, I would start over every three to four years. And the people who had worked with me to build this business got little to nothing. If anything, we were laying them off because the business was moving out of state or it had changed ownership and they were going in a different direction. And after a while for a leader, it takes a toll on you. How do you, every three to four years, encourage people, "Work really hard and in three to four years you get nothing."

So employee ownership, when the opportunity came, I immediately connected with it and what this could do for a business. And so I moved clear across the country from Mobile, Alabama to the most northern state in the country, Minnesota, and didn't realize it had six months of winter when I did that. But it was because of the employee ownership and what I felt it could really do for a business. So fast-forward, here we are. The company has been doing really, really well. And many of our employees, I have to say, have healthy account balances. The average account balance for our employees is over $170,000. And for those who have been with the business more than 15 years, the average of their accounts is closer to half a million dollars.

We've made several millionaires in this little small town of 14,000 people. The impact we have on our community, think about that. So employee ownership, I'm an advocate and that's been my journey. I'm really passionate about ESOPs, I guess you can tell, but I really believe there needs to be a way to open this up for more people to enjoy the benefits of generating wealth for themselves and their families.

Zach Warmbrodt (00:53:12)

Thank you, Heather. That was really insightful and that was a really good transition to Joseph and a few questions focused on workers. But Joseph, could you give us some information on what the numbers tell us? I mean, what are the outcomes like for workers at employee- owned companies?

Joseph Blasi (00:53:32)

Well, using recent data from the Department of Labor put together by the National Center for Employee Ownership, but these are population data from the Department of Labor. There are 6,447 ESOPs with the combined wealth of $1.8 trillion. And if you just count the employees who are actually functioning employees, not retired, that's an average of $180,292 per employee. Using the general social survey, which is sponsored by the National Science Foundation with data just from 2022, we see that the ESOP workers, after 10 years seniority, have an average of $315,000 in wealth. And Rutgers has done other studies using ESOP administrative data, suggesting that that number is quite significant, more significant after 20 years. Now by comparison, using the 2022 general social survey, looking at all non ESOP employees, and equity compensation plans, employee share ownership plans in the non ESOP rest of the economy in their companies, they have an average employee ownership value of $90,298.But those employees are typically in plans that don't include all or most or even a significant number of the employees of those companies.

So we stand in this particular situation, by the numbers, I mean ESOPs are the leading broad-based format in the country. There are some exceptions, inequity compensation plans, there are few and far between. There has been a massive reduction in broad-based non ESOP equity compensation plans in the United States, so going in the other direction. Now at Rutgers, when we came up with the idea of the Institute, our goal is to study all forms of shares from the purest worker cooperative to the employee receiving restricted stock units at Google and everything in between. And one of the things that I found during my career - 45 years in this field - is that every five years, whether it's Congress or think tanks or the press or thought leaders comes to us and says, "What does the research show?"

And it really bothers me because it's the research that you did five years ago, they forget about it and they want fresh bread out of the oven. So we often keep redoing the same studies. And so we put together this little research brief on employee ownership and ESOPs because ESOPs were part of the 2022 general social survey. And we got data hot off the presses from 2022. And we do see job stability, wage stability, the lower layoffs, the better wealth, the general social survey is a great national random sample of the United States.

And so here it is, we're back after another five years with a new set of data showing the patterns that we've been seeing really over the last 20 years. And I'm not going to go through reading the research brief, but there's some interesting data here. And one that really surprised me when we first found it is that 70% of ESOP workers report that they have profit sharing. So ESOPs really are share companies, not just long-term equity participation, but short-term profit sharing, which is another way that they encourage job quality. So I'll stop with that.

Zach Warmbrodt (00:57:48)

Thank you. And before I forget, I think we will have audience Q and A at the end, so if you have any questions, please have those ready to go. And Heather, I wanted to go to the ground level following up on what Joseph just said. I mean, how do your employees compare to employees of other companies in your space relative to employee ownership? And also what was your experience during the pandemic?

Heather Braimbridge-Cox (00:58:20)

So by now you would've understood that what we do is highly engineered, and so it requires top talent, which means we're competing for the best of the best. A new hire for us, just to assemble motors, could be four to six months of training before they're able to do some of our assemblies. We're putting something on Mars, it can't fail, zero defect. And many of you flying on 320s want to make sure the 320s get where it wants to go, right? Zero defects. So we spend a lot of time and effort training and developing people. So it's quite an investment that the business is making in them. Like most businesses, around the time of the pandemic, I don't think there was anyone who didn't have something to deal with. Our priority was keeping our employees safe and healthy at the time.

So we implemented protective measures overnight. I was very proud to see how our team quickly adapted. I mean, we were distancing and finding ways to work, extended hours to keep our business going. The amazing thing about ESOPs is that everybody is all hands on deck when you have a problem. And that is the best thing for a CEO, I can tell you that. You sleep better at night because you're not the only one thinking about the issue. You've got your entire workforce because they're co-owners with you, helping you to solve that problem. And so we worked really well during the pandemic. We never closed our doors. We kept business going.

And one thing I have to also admit that during the pandemic when we were having shortages in grocery stores, we were buying supplies for our employees, supplies that you would normally not get in the grocery stores such as toilet paper because we could buy it in bulk. We bought it for them. We bought cleaning supplies and so on and distributed them among our employees. And it's because you're such a family, you take care of each other. You do what's best to keep everybody going. We spent quite a bit of time during the pandemic in the downtime training and developing, and while others in the space were laying off, taking pay cuts, and hiring freezes, we were hiring for talent. We wanted to keep all our people because we knew the investment that we had made in them. And we also knew that when the business came roaring back, we would need every single one of them.

And so whatever emergency funds we had set aside for the rainy day, it was certainly raining then, we had to use it. So we used our emergency funds to keep all our people employed. And interestingly, a lot of our employees really appreciated the fact that they were not worried about being laid off during a downtime. And I heard that message repeated many times across other ESOPs, this is how they operate. They think about how to hold everything together during tough times.

Zach Warmbrodt (01:01:39)

Do you have a sense of, to what extent being an ESOP helped you kind of counterbalance The Great Resignation movement? People who, just after COVID, were like, "Well, just kind of changed my whole view on work"?

Heather Braimbridge-Cox (01:01:53)

Well, I believe that impacted a lot of businesses across our space, but we had less of that, I think. Certainly we had people who made decisions for themselves and their families, but we have also had what we call the boomerang employees. So those who did make the decision two years ago are actually coming back today into the workforce. And what a great thing, what a great proposition for employees when you talk about the high engagement culture that we have, the fact that we really do behave like a family. People are looking for that purpose, they're looking for that sense of belonging where they work. And so we found that it worked for us to attract talent even during a very difficult time.

Zach Warmbrodt (01:02:41)

And that kind of tees up. Something I wanted to ask Heather, which is the kind of intangible culture issue. I mean, what have you observed about how employee ownership affects a company culture?

Jen Briggs (01:02:51)

For me?

Zach Warmbrodt (01:02:52)

For you. Jen, sorry.

Jen Briggs (01:02:54)

I'm Jen.

Zach Warmbrodt (01:02:55)

Sorry.

Jen Briggs (01:02:56)

I'm happy to. No, I think you hit it on the nose. But one of the things I think is really important in this discussion is simply plugging in an ESOP does not mean you have an employee ownership culture. And so these participative management systems that we all use are really, really important for that. So you become an ESOP, you do the transaction, the owner's very happy. But unless you're actually working on this type of management style, where I think about the conversation around AI that's going on right now, and some people are just freaking out. If our purpose is to release the human ingenuity of the people we work with in a participative system, all of a sudden that discussion changes because then it's really about how do we make the humans be as innovative and thoughtful as they are.

And so that cultural element, and so the culture is, the way I define it, the pattern of attitudes and actions of a given community. It is not the cakes, it is not the parties, it is not the newsletters. It is the interaction between people. It's the number of high quality connections. It is the business literacy that's held within the company. It's the process of releasing ingenuity. So you get people involved in the value proposition creating, it's everybody understanding the mission and their role in that mission of the company. I work with a company in Missouri right now. I'm on their board, and they're fantastic, creating a winning culture. Everybody knows what winning looks like. They know what the value proposition is, they are galvanized around it. It is a financially transparent company, and they're employing all of these management practices.

And I met with the CEO of a non ESOP company who wants to build a more democratic culture, which is great. And he said, "Wait a minute. So this just means we're going to have to have more meetings?" I was like, "No, no, you're missing the point." The meetings serve a more powerful purpose, which I'm sure is probably similar where you work at is the meetings aren't just some person up there talking. The meetings are about informing people so they can make better choices in their day-to-day jobs. It's actually about reducing the bureaucracy in your company so all the processes serve a purpose, and that's culture. That's the building of culture, and that's the creation of power. So I was on the board of a tech firm who served the Department of Defense. Remember the governments shut down before, and there was that one, what year was it?

We were shut down for three or four months. It was a long time, it felt like. We had several contracts with the Department of Defense, which meant the revenue spigot just got turned off. And when the company and the people all leaned in, everybody understood what was going on. And then the government turned the switch back on, and this company was ready to redeploy all of that human ingenuity immediately. And we got more business as a result of working with the Department of Defense because people were ready. The readiness level was there. And that was the definition of culture is people really understanding it, being committed, having those high quality connections, understanding where value is created, having a strong sense of business literacy and commitment to each other. It's magical, but it takes work and it takes a different kind of leadership style than we typically see.

Zach Warmbrodt (01:06:35)

Picking up a theme of this could help with resiliency of your workforce, it sounds like. And I guess one more kind of worker focus question for Alex. Business owners have a lot of options when they want to exit, but for those that pursue an ESOP conversion, I mean, how does that usually impact workers at those companies?

Alex Brill (01:06:57)

There's not one answer. There's not one experience. I mean, we've heard about the being an ESOP alone is not enough, that the management and the culture have to change as well and be aligned with that framework. And of course, ESOPs are in a multitude of industries. And so the experiences, I think, it's important to know that there's not one outcome here. There are varied outcomes. And sometimes ESOPs don't work out at all in certain instances as it is in everything in our relatively free economy. And Joseph touched on some of this, when we look at averages, when we look at trends over time, we do see good outcomes for workers on average. And I think that's the result of a number of factors. It's the result of some tax policy factors that are advantageous. It's the result often of the cultural, the changes inside.

Some issues I'd sort of put in the industrial organization bucket about where ideas come from, how decisions are made, how people feel about how the decisions are made, whether they have a voice in the decision making process, whether groups can manage themselves as they're more likely to be able to do in an ESOP than in an organization where they don't have skin in the game and they require the additional costs and bureaucracies of middle management. But what we see are outcomes where workers have higher revenue per employee, higher wages on average, lower turnover rates, the retirement benefits that Joseph was describing earlier.

And then the other point, and this is something that a number of people talked about, Heather included, is this issue around resiliency and that the firms themselves are more stable, which is nice for the firm. It's nice for the firm's customers, it's nice for the firm's suppliers, and it's nice for the workers. It's nice to be in a firm that's not going away or it's less likely to be going away. And that gives not only peace of mind, I think, but also draws workers into being more committed because they feel like they're part of something that is more stable and in fact is more stable.

Zach Warmbrodt (01:09:12)

Got it. And I wanted to stick with you as we kind of step back and look at the businesses and the economy and society as a whole. I mean, just looking at the companies that go this way, I mean, what do you know about how this affects job creation or any other impacts beyond resiliency like you were talking about?

Alex Brill (01:09:36)

Some work that I've done and similar work that others have done have looked at what happens to employment during periods of economic shock. And so I don't have the data for the pandemic, but if we look back further in time, what we observe is that there's less volatility in the aggregate for workers in employee-owned firms than there is for the economy overall. And that's also true, well, you might say, "Well, but they're in different industries than the economy is all. Maybe it's leaning towards safer industries anyway." But even if you look within industry, you tend to see more employment stability. And for me, one of the key reasons why that's nice, good is not only for the workers, and people talked about this earlier, it's for the broader community. And so there's a spillover benefit. There's a positive, what economists would call a positive externality.

So the government provides a benefit to encourage employee ownership. Who wins from that? Well, the founder wins. The workers win. That's nice. There's a cost to that incentive. But not only do the players inside the business benefit, but the positive externalities when the community benefits, it's when the sandwich shop across the street benefits from the fact that they're selling sandwiches to a company that's less likely to go bankrupt in a downturn. And those positive benefits are, I think, hard to quantify, but sort of directionally are relatively easy to observe. And that spillover into the rest of the economy because the entire economy will never be an ESOP.

We're not going that way. We shouldn't go that way. We're not going that way. That shouldn't be the aspiration. There are lots of different kinds of business forms. The other ones aren't bad. There's just a benefit associated with ESOPs. And so we want to provide support and durability to our entire local community, or you might say the entire supply chain. And across the supply chain, there are benefits of having businesses that are ESOPs or within a community, there are benefits for that community writ large of there being employee ownerships because of that resilience and the benefits that those workers enjoy.

Zach Warmbrodt (01:11:56)

So I guess to what extent do those community benefits kind of impact society as a whole? Any way you could-

Alex Brill (01:12:03)

I mean, I think-

Zach Warmbrodt (01:12:03)

... tax society as a whole. Any way you could-

Alex Brill (01:12:03)

Yeah.

Zach Warmbrodt (01:12:03)

... illustrate that?

Alex Brill (01:12:03)

I think about it, there's probably a lot of ways. I think there's one way, which is in a macroeconomic business cycle framework, that when the economy is hit with a shock, that shock could be a pandemic, it could be a banking crisis, it could be a terrorist attack, it could be any type of shock that hurts our economy in the aggregate, what happens in Washington is Washington deploys policies to try to help bring the economy back. Talking earlier about Fed policy and the Fed gets to work doing its job, trying to help stabilize the economy. We have automatic stabilizers in our fiscal policies, but in addition, Congress will get to work to try to help get the economy going again and help people out.

The more people can help themselves or the more resilient we are, the easier that task becomes. And so we want to have businesses that are resilient to shocks. And there's evidence, I think, that ESOPs ... because there are shocks coming. I don't know when. Don't ask me when, but there are economic shocks that will come, there are business cycles that will come, and it's nice that those businesses are a little bit more resilient than the average.

Zach Warmbrodt (01:13:27)

And as we saw during COVID, it can often just be an ad- hoc policy response, like the PPP or something, and then there's all kinds of unknown issues that come out of that, as Senator Cardin knows very well. So Heather, I think you were talking a little bit about some recent business successes you've had, expansion. Could you talk a little bit about how employee share ownership has driven those successes?

Heather Braimbridge-Cox (01:13:55)

Well, employer ownership has supercharged our business in unique ways. And I'll just give you some examples because I like to speak to specifics. Everyone at our company is always looking for ways to improve, continuously improve, do a better job, drive the business, improve the bottom line. In the last couple of years, our culture of high engagement and inclusivity, meaning, "Everybody, gather round. How do we attack this problem?" We've been able to reduce waste significantly. Rejects, remember I said zero defects. We can't send a defective part at all out the door. And we were able, the teams, all working, I'm talking about assemblers on the floor who were able to get together, pool their ideas, and we've been able to manage our cost of quality all the way down. We've cut it more than 50%.

There are several improvement initiatives that originate with our employees because they think and act like owners. They understand how it impacts the bottom line, they understand how it impacts them. And you talked earlier, Jennifer, about the importance of helping everyone understand the part and the role they play. I'm the CEO, owner, but I have a machinist who is also an owner. And if you are leading an employee-owned company and you're afraid of being asked questions, it may not be the right place for you because there is what is called distributed leadership.

So everyone is going to ask you questions about the business and how it's operating. And we're transparent, we share, how did we do financially, how did that project go, why did we lose money, or why did we make money? And everyone is so interested in knowing that because they know they can do something about it and they own that. We've improved our profit margins in such a way that we've quadrupled our profits in the last three to four years and we're on a trajectory to double our size by 2025. I mentioned the benefits of the ESOP, but because we're more profitable, they're able to share in the outcome in the near term. So in addition to having financial security around their retirement, we have quarterly bonuses that are paid out to every single person in our business for hitting their milestones and achieving their goals. And that comes out of profits. Their retirement accounts, that comes out of profits. So they earn really good wages and benefits, and we try to stay above market with those so we attract the best talent, but that is where it really gets exciting, when everybody celebrates and we are handing out bonus checks because we did a good job and we did it all together. And when we do it together, we have a stake in the outcome.

Zach Warmbrodt (01:16:55)

And Jen, Heather touched on this a little bit, but I'm curious if you could talk more about what it is like to have the workers in closer proximity to ownership? What are the challenges there? What have you observed?

Jen Briggs (01:17:10)

I think, instead of resiliency, I think about that concept that we've been introduced to in the book, Anti Fragile. I think more about it in that context, but when we have our cap tables that are very diffuse, like public companies, they get very abstract and you don't have that connection for, no matter what role you're in, who are you serving? When you're an employee owner and in a smaller company, or not even in a smaller company, I think employee ownership is interesting because I think it makes the democratic management more scalable. So you can break through that Dunbar's number more effectively to keep a community close together.

But that process of keeping people close, they're closer to their community, ownership is identifiable, we know who we're working for and who we're working with, that is really, really powerful. And when you have a diffuse cap table, you might not know who your shareholders are. You're definitely not working shoulder to shoulder with them. It makes it harder to get that sense of commitment and belonging to really grow something together. And so just whether it's small businesses, medium businesses, the world that we all work in with employee ownership, keeping that connection tight is really important.

And I think about the work that we're doing in Colorado with the Colorado Commission, is focusing on where we can to try to remove barriers to become employee-owned so that we can serve that community, so that we can have a better impact, and so we can preserve, in some cases in Colorado, especially rural Colorado, the economy there is really, really critical. So keeping things close, there's a lot of benefit.

Challenges, there's challenges, too, because ... I'm looking at Chris Mackin right here for people online that can't see me, but we talk about these ideas of balancing rights and responsibilities and we want to make sure that people aren't rights-driven, that there is always the risk and reward, and that we're in this together. It's not just being super happy having parties all the time.And I think, at New Belgium, some people thought, "Oh, you're just a bunch of hippies, having beers together every day," which was opposite from what was true. We were in a ruthlessly competitive market. There were problems every day. We had to look at the consumer marketplace all the time and figure out what are people doing, what are they going to buy, what is the behavioral economics portion of what are we doing and when you have everybody involved in that.

But there will be tension around decisions because you are transparent. People will disagree. And so as a leader, it's part of keeping that balance of rights and responsibilities and it's also part of using tension as productive tension to turn things into better ideas, to turn things into better decisions, and not to back away from the tension, but to lean into it and to use it for the productivity of your company and, ultimately, for your community.

Zach Warmbrodt (01:20:15)

And Heather, do you have a similar experience with those tensions? Any anecdotes on how you navigate that?

Heather Braimbridge-Cox (01:20:22)

I call those healthy conversations. And we don't have to agree, but I think, when a group gets together to solve a problem, you want to hear from everyone. I guarantee you that the people who are on that line know how to fix the problem far better than I ever could. I have attempted to wind a starter and I failed several times. They still have my reject ticket to remind me that I fail at it, but this is where they're experts at that. I'm not. And so I have to rely on them very often in determining the direction we go. And I'm not so proud that I can't realize that I need the people that I work with and for and they need me. And it's that sense of we are in this together. So yeah, you're absolutely right, Jen. You have to be open and willing to share. And that's what I have found in the ESOP environment. If you're not willing to share, if you're not being open, it probably won't work really well for you.

Zach Warmbrodt (01:21:32)

Got it. Well, Joseph, do you want to tie a bow on it for us? What kind of statistics do you have on growth, productivity, profits in comparison to employee-owned companies versus non-employee-owned?

Joseph Blasi (01:21:47)

Well, I think the bow I'd like to tie on it is a little different. We, with support from the Employee Ownership Foundation, put some questions on the general social survey in 2018, right after the election. And we asked people whether they would like an economy of firms based on employee ownership and equal numbers of Republicans and Democrats and Independents, strong numbers in the high 70s, were supportive of that. Jim Bonham called it a unicorn idea. But then we asked them, and this is it because we've been talking about research, about looking at the belly button inside employee-owned firms and at managers and workers, but then we asked members of the population, "Would you be more likely to accept a job from an employee-owned firm or a firm with profit sharing than a same job, but without those characteristics?" And again, a majority, would you be willing to shop and buy from such a firm?

So I think that there's a tremendous gap between broad citizen support for the idea of employee share ownership, which goes back to many of the founders of the American Republic's concern about having broad-based property ownership, there's a gap between broad citizenship support and how much we see it happening. And here we are in Congress and it was great to hear the senator and the representative talk about the fact that they're working to close that gap. And there's a reason why they're working to close that gap, because citizens are far more supportive of these ideas than bureaucrats and the average professional practitioner out there or maybe even the average member of Congress.

Zach Warmbrodt (01:23:42)

Yeah, I think it's telling. There's few issues where Senator Bernie Sanders, Republicans, and Joe Biden all worked together and this was one of the policies that were part of the last big spending bill in December. So I think it speaks to that broad-based political acceptance. So let's look forward, let's get into policy a little bit. Heather, is there anything else policymakers could do to support the environment we've been talking about?

Heather Braimbridge-Cox (01:24:11)

I could start answering that by just stating, we all know nobody gets wealthy from getting a paycheck, at least most people don't. You get wealthy from owning something. And what we're promoting here is allowing employees to own a piece of their business because, in owning a piece of their business, it appreciates over time, they're generating wealth for themselves and their families.

I started to make a long list, but I'll boil it down to just support more research and development in this area. Why? We need to build more evidence around the fact that employee ownership models do benefit not just employees, their families, but the community and the economy. We've already stated that. Increased access to funding and financing we heard a little more about that today. Tax breaks to companies that establish ESOPs or tax credits to businesses that are transferring ownership to employees, we need to make it easier for companies to do this. It's not easy to navigate that landscape today.

And so we need to do more in that area. Improve the awareness and education that we have, support more programs to inform businesses that this is an option. We heard about the silver tsunami that's heading our way. A lot of people don't know what to do with their businesses when they retire and what's going to happen. And why aren't we thinking about transferring that to employees? Many of them don't even know that there is such an option. Streamline regulations, and that's a big area, but just make it easier and cost-effective for businesses to establish and maintain employee ownership. I think I could boil it down in those four.

Zach Warmbrodt (01:26:07)

Thanks. And Alex, is there anything you want to add on what could be done on the tax front?

Alex Brill (01:26:15)

So on the tax front, I don't have a suggestion for more tax relief. One could always develop another tax credit and try to lower the burdens. I think we should embrace the tax framework that exists today. That's not to say that everything is perfect in the system. I think it's fair to ask, what are the barriers? What are the impediments? Some of them are maybe small nits and gnats from the perspective of someone from the outside, but if you're trying to put together a transaction, there could be issues, as you said, on the regulatory front. And Senator Cardin spoke to one of those issues, which I think is important on valuation, and there may be others.I would also say that not all the solutions come from the government. And I would say that this conversation is part of the solution. I've never been at a meeting or a conference where some executives from C corporations sat down at a table and hoped for the moment when their colleagues in the audience one day worked at a C corporation, right? There's not a C corporation advocacy community.

And that's the same thing for partnerships and that's the same thing for everything else, except in this space, where people go out of their way, take time out of their day, travel, tell other people about ESOPs because they hope that they get to have one. I have one, I'm part of one, I want you to be part of one. And that is a big part of the solution and there's a lot of work that goes on in that space. This is part of that work. All the answers don't come from the government. Some of the answers can come from ourselves. And I think that that channel should be recognized and supported, as well.

Zach Warmbrodt (01:28:03)

With that said, I want to look at another part of the government at the state level. Can you tell us, Jen, what's happening in Colorado and maybe what you're seeing in other states, too, on this front?

Jen Briggs (01:28:14)

Yeah, I'll focus on Colorado or states, in general, because I think we know that the states can be laboratories for policy. And so looking at this only from a federal perspective isn't going to be enough. And so the perspective that we've taken, for those of you who don't know what's going on in Colorado, I'll be happy to brief you during the break, but we have an entrepreneurial business person, governor, who established the Commission on Employee Ownership, and then we also have an Office of Employee Ownership inside the Office of Economic Development and International Trade. And that's really, really important.And so what we've looked at is growing awareness, one, and then the second side of it is breaking down barriers. So one of the barriers for ESOPs in particular that we've seen is the cost of an ESOP can be expensive to do that transaction. And also, the accounting policy around, if we compare and contrast how transactional costs are accounted for in private equity versus transactional costs are accounted for in ESOPs, they're very different worlds.

And so some of this is just boring, like Gap. I'm sure there are accountants here who love Gap. I'm sorry if I just offended you, but some of these are those transactional issues. So what can we do to break down those barriers? And so we have a tax credit and a grant to try to help companies that are interested in overcoming those. And I think there's a lot of states who are doing similar work of tax credits, grants, awareness, and doing that work at the state level. And I think that is critically important, getting in touch with those economic developers there.But I think there's another, perhaps, overarching issue of institutional trust that's going on in our country. And I think you hit on it as the government can't do all the work, but ultimately, we need policy.

We need people to look at what is our partnership with the Department of Labor, how are things in accounting working and the mechanism of financial engineering? And we have to do some of that very tedious below-the-radar policy work to get this done, but more importantly, we need to restore our American trust in institutions and understanding how the systems work so we can get people advocating behind it, in general. And I think that is something that we can all do at the state level, probably in a more powerful way than the federal level right now.

Zach Warmbrodt (01:30:38)

Got it. Well, thank you for that overview. And I think we have time to take one or two audience questions, too, if anyone has one. And do we have a mic going around? Okay.

Ken Baker (01:30:53)

Not necessarily ... Ken Baker from New Age Industries and the PA CEO and the EOX. I've been thinking about employee ownership and continued process improvement, and I think there's a connection between those two things in the way of actually making the business, actually, more profitable. And I think that should be actually promoted. One other comment to Alex, if we want to improve taxes, maybe we should tax private equity the way they should be taxed, nudge, nudge, wink, wink.

Speaker 2 (01:31:34)

Yeah, we could do that.

Ken Baker (01:31:35)

Yeah. Alex, why don't you work on that? Because we all know that some of the competition to employee ownership is private equity and private equity is not getting taxed the right way. So anyway, no questions, just

Alex Brill (01:31:54)

I understand the comment.

Zach Warmbrodt (01:31:55)

All right. Well, on that note, thank you so much for being on this panel. It was really insightful and educational.

Jen Briggs (01:32:04)

Thank you.

Zach Warmbrodt (01:32:04)

Can we get a round of applause for our panelists?