

# EMPLOYEE OWNERSHIP IDEAS FORUM



## Unleashing an Ownership Economy: The Role of Government Agencies

June 14, 2023

### Description

Government has played a critical role throughout the history of the US in launching and supporting employee ownership. Today, the US Departments of Treasury, Commerce, Agriculture, and Labor and the Small Business Administration support employee ownership through financing and lending, regulatory reform, technical assistance, market development, and more, as they help business owners, workers, and local governments across red and blue states to grow worker ownership.

In this conversation, speakers discuss what the executive branch is currently doing to support employee ownership and how those efforts can be improved to offer more workers a shot at the American dream through ownership. It features a panel discussion with Rajesh Nayak (Assistant Secretary for Policy, US Department of Labor), Dr. Karama Neal (Administrator, Rural Business-Cooperative Service, US Department of Agriculture), Melissa Hoover (Senior Fellow, Rutgers Institute for the Study of Employee Ownership and Profit Sharing; Founder and Co-Executive Director, Democracy at Work Institute), David Hincapie (Economic Development Specialist, Veteran Business Development Officer, Washington Metropolitan Area District Office, US Small Business Administration), and moderator Maureen Conway (Vice President, The Aspen Institute; Executive Director, Economic Opportunities Program). For more information about this event — including video, audio, transcript, speaker bios, and additional resources — visit: <https://www.aspeninstitute.org/videos/unleashing-an-ownership-economy-the-role-of-government-agencies/>

### 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](https://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](https://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

### **Rajesh Nayak**

Assistant Secretary for Policy, US Department of Labor

Rajesh D. Nayak is the Assistant Secretary for Policy in the Office of the Assistant Secretary for Policy (OASP) at the United States Department of Labor. Raj previously served in a range of senior roles at the Department during the Obama-Biden Administration, including as the Secretary's Deputy Chief of Staff, Deputy Assistant Secretary for Policy, and Senior Counsel to the Solicitor. Outside of government, Raj has worked in nonprofit organizations both as an attorney and a senior leader, as a Fellow at the Labor & Worklife Program at Harvard Law School, and a consultant. He earned an undergraduate degree in public policy from the University of Chicago and a law degree from Yale.

### **Dr. Karama Neal**

Administrator, Rural Business-Cooperative Service, US Department of Agriculture

Prior to joining USDA Rural Development, Karama Neal served as president of Southern Bancorp Community Partners, a nonprofit community development loan fund and financial development organization promoting economic mobility in rural Arkansas and Mississippi. She spent twelve years at Southern and led their small business, consumer and other development lending, consumer and savings focused public policy work, and a variety of financial development services to help low and moderate wealth families and communities build wealth.

In 2013, Dr. Neal started a statewide grassroots organization promoting passage of the Uniform Partition of Heirs Property Act in Arkansas which was passed in 2015. This work was inspired by her family's ownership of rural heirs' property in the state. Before joining Southern, she had a career in the biosciences and worked for a period in biofuels informatics with a focus on feedstocks and balancing food and fuel priorities. For six years, Dr. Neal served on the board of the Little Rock Branch of the Federal Reserve Bank of St. Louis. After completing her undergraduate degree in biology at Swarthmore College, Dr. Neal later earned a doctorate in genetics from Emory University and a master's in bioethics and health policy from Loyola University Chicago. She also completed executive education in impact investing at the University of Oxford Said School of Business.

### **Melissa Hoover**

Senior Fellow at the Rutgers Institute for the Study of Employee Ownership and Profit Sharing, and Founder and Co-Executive Director, Democracy at Work Institute

Melissa is the founder and Co-Executive Director of the Democracy at Work Institute, which expands worker ownership as a strategy for people locked out of good jobs and business ownership. Under Melissa's leadership, DAWI helped incubate the \$58 million Legacy Fund, and partners with A&H Capital to provide organizational development consulting and impact metrics support to employee-owned portfolio companies. Melissa is an Executive Fellow of the Rutgers Institute for the Study of Employee

Ownership and Profit Sharing, and she advises nonprofits, investors, foundations and policymakers on effective interventions to support employee ownership as a tool for racial and social equity. Melissa helped start and grow the US Federation of Worker Cooperatives, the national grassroots membership organization for worker-owned businesses; she got her start as a cooperative business developer in the Bay Area, helping launch and grow several successful cooperative businesses. She holds a B.A. in History from Stanford University.

### **David Hincapie**

Economic Development Specialist, Veteran Business Development Officer Washington Metropolitan Area District Office US Small Business Administration

### **Maureen Conway**

Vice President, The Aspen Institute; Executive Director, Economic Opportunities Program

Maureen Conway serves as vice president at the Aspen Institute and as executive director of the Institute's Economic Opportunities Program (EOP). EOP works to expand individuals' opportunities to connect to quality work, start businesses, and build economic stability that provides the freedom to pursue opportunity. [Link to Maureen's full biography](#)

## **Transcript**

### **Maureen Conway (00:00:00)**

I was sort of struck by Congresswoman Houlihan talking about, "So everybody knows the rule about the schoolhouse rock of how a bill becomes a law." Kind of walking through that. I was like, "Okay. But it doesn't really stop when it becomes the law, right? Because then the law goes over to the agencies to write the regulations. Then the agencies have to get that out to their field offices that kind of work with the plans and we have sort of community partners that kind of help with that implementation." So that's the other side of it that we're going to be kind of talking about in this panel. Government agencies as you're all aware do a range of things to support entrepreneurship, small businesses, businesses at large through technical assistance, through tax incentives, contracting and procurement incentives, market development and more and we touched on some of those things this morning. In the case of employee ownership there's a lot of different federal agencies that play a role.

We talked a little bit about the Main Street Employee Ownership Act and the work act and how those created new opportunities for the small business administration and the Department of Labor to support employee owned enterprises. In addition, and I think we may have shared a little bit about the Treasury department's state small business credit initiative and that can be used to support broad-based employee ownership. So our colleagues at Treasury shared a little fact sheet about that, they unfortunately couldn't be here today and of course the agriculture department has a long history of supporting cooperatives. Including worker co-ops as part of its work in America's rural communities, and there are other agencies that also can and do support employee-owned enterprises through their procurement processes and other initiatives. Many of them also coordinate with each other as they implement a congressionally improved program. So in this session we're talking a little bit about the ways federal agencies work with partners around the country to support employee owned enterprises. What they're doing as relates to some of the legislation that's passed in the past few years.

So I'm going to quickly do a little sort of names to faces introduction, I'll remind you again that we have that handy dandy QR code on your agenda if you'd like to sort of find people's bios and learn more about them. Because they are a great panel, but my main task right now is just to get through not butchering their names. I will do my best. So next to me I have Raj Nayak, Assistant Secretary for Policy at the U.S. Department of Labor. Next to Raj, we have Dr. Karama Neal, Administrator of Rural Business-Cooperative Service at the U.S. Department of Agriculture. Next to Karama we have David Hincapie.

**David Hincapie (00:02:58)**

I think that works.

**Maureen Conway (00:03:01)**

Okay. Economic Development Specialist in the Washington Metropolitan Area District Office of the Small Business Administration. Next to David we have Melissa Hoover, Senior Fellow at the Rutgers Institute for the Study of Employee Ownership and Profit Sharing and founder and Co-executive Director of the Democracy at Work Institute. So thank you all so much for being here and excited to jump in, and Raj I'm actually just going to start with you. I should note, so this is the coveted after lunch spot. Right? So you'll notice that none of our Congress people who we invited to give opening remarks chose this time slot. But what that means for all of you is that we will finally get to that thing I promised early in the morning where we engage the audience in the Q&A. So do just keep that in mind as we're going through, we will be welcoming your comments and questions. Okay, Raj. So as we have been discussing, and we've discussed a lot this morning and I've discussed with you before. One of the great benefits of employee ownerships is how it really supports good jobs.

That's really important to the Department of Labor and you guys have a whole initiative on good jobs and you've been collaborating with the Department of Commerce on that and building a shared understanding of good jobs. So tell us a little bit about that work and sort of, what are some of the markers of a good job we should be keeping in mind as we think about how employee owned companies can support good jobs?

**Rajesh Nayak (00:04:29)**

Well thank you Maureen. Can you hear me? No? How about this? How about this? Better? Okay, great. I'll just go a little closer. Great to see you all, I feel like I should be offering to introduce the bill or something. But Maureen, thanks for having me today. It's really exciting to be here and I was saying to Maureen when I walked in, just the energy and interest in this issue is really exciting. As you mentioned the administration has been talking a lot about good jobs which is a conversation that I have to say every time we talk about this conversation I think well Maureen's been talking about this for a number of years. We just want to recognize that you and your team have really been at the forefront of these questions. We all know that good jobs provide stability and security for workers and their families. But at the Department of Labor, we started really thinking in earnest about what Maureen talked about and has been talking about for a long time which is what exactly makes a good job?

What are those markers? In the beginning of the administration when a steady stream of employers. Sometimes public sector employers, sometimes private sector employers came to us and said, "Look, how do we find workers in this tight labor market?" Right? Folks were struggling and I know that the labor market has changed and shifted in time and space. But there are still sectors where folks are struggling to find workers, and so that's the thing about good jobs. We know that employers who provide good quality jobs have a clear competitive advantage when it comes to recruiting workers, but also maybe more importantly sometimes retaining workers. That question of how do you find workers is a lot easier if

you're not losing folks on the backend, and when they were asking us for advice we would say, "Well, good jobs are an important strategy for recruitment and retention in addition to creating a more equitable and resilient economy." So our then Secretary Marty Walsh started talking about what makes a good job in his speeches.

We were hearing things from our key stakeholders, at the same time the same conversation was going on at the Department of Commerce who had a whole stakeholder engagement effort around the question too. So as Maureen said, we really joined forces with them to develop what we called our Good Jobs Principles. Eight high level principles that we thought would be a good framework for some of our own thinking about what makes a good job. You can read them all at [goodjobs.gov](http://goodjobs.gov), but the highest level of those eight principles will probably be old news to all of you but I'll walk through them. One is just actively recruiting and hiring qualified applicants, especially folks from underserved communities who may be looked over in other circumstances. Right? This is that chance to really jump out and hire more people. Second, providing family sustaining benefits like health insurance or retirement plan, paid leave and caregiving supports just to name a few. Third, promoting diversity, equity, inclusion and accessibility in the workplace and giving all workers real opportunity. Again, including workers from underserved communities.

Fourth, ensuring that workers can engage in protected concerted activity without fear of retaliation, including forming and joining unions. Five, giving workers job security and safe, healthy and accessible workplaces. Six, building an organizational culture where all workers belong, are valued and contribute meaningfully to the organization to whatever the organization's mission is. Whether it's a private sector mission or whether it is a public sector mission. Seventh, paying all workers a stable and predictable living wage with pay that is fair, transparent and equitable. I'll say this is something clearly the Department of Labor we care deeply about, we care about workers' wages. It's something that every Department of Labor, day in and day out thinks about but we were very thoughtful about saying this is not our lead. This is not number one in part because I think too often all of us might say well good job, it pays well, that's great and I think all of you have been thinking about this question all day and for much longer. Which is when you look behind that pay, what else are the markers of good jobs?

Finally giving workers equitable opportunities and skills to progress that kind of career ladder to progress within an organization and to progress as you're thinking about in other ways into ownership. We'd love to talk more about these principles and what makes a good job as we talk later today and then about our broader Good Jobs Initiative. So thank you again for having me.

### **Maureen Conway (00:08:36)**

Great, thank you Raj. Karama, I'm going to come to you next. Because the Rural Business Cooperative Service has a variety of programs to support business growth and development and to help people connect to jobs, particularly in America's rural communities. Can you give us a little overview of kind of your agency, how it supports rural economic development and how kind of employee ownership fits into that? Also, I know you actually had an experience working at an employee owned company. So maybe you could share a little bit about that too and how-

### **Karama Neal (00:09:04)**

Absolutely. Yeah, thank you so much. Really pleased to be a part of this conversation. When I talked to my colleagues about coming to speak they reminded me as they often do when I have these kinds of conversations, that we are the only public agency that has cooperative in the name. The only federal agency that has cooperative in the name, so we do take that very seriously and of course we're the Rural Business Cooperative Service. Our main goal in collaboration with the other two agencies that are part of rural development at USDA, the Rural Housing Service and the Rural Utilities Service is to help rural

communities thrive. Right? So all the kinds of things that go into that. Whether it's the utilities piece, the housing piece or in our case helping businesses to provide the jobs and provide the economic stability and growth that is so critical for rural communities. We take and think about several priorities in this work and these are reflected, these are part of what you'll see in the USDA strategic plan.

But we have a rural development specific version of that where we think specifically about climate and how do we combat climate change through our work? How do we ensure racial and place-based equity and how do we create new and better markets? For the businesses, for the agricultural producers? For others who are in rural areas so they can sell and market their products and their services more broadly? Of course then building up their business and building up the opportunities in those rural communities? So we have work that focuses broadly around business. I sort of hear two different things oftentimes from the folks who maybe know a little bit, but not a ton about our work. They think, "Well you're in the Department of Agriculture, so maybe all you do is agricultural businesses." That's not quite true. Or they think they know a little bit more and they say, "Well you're the real business cooperative service, you do everything except agriculture and the rest of USDA does agriculture." That's not quite true either, right?

We have a body of work across rural businesses because we know and understand the breadth of activities that happen in rural America. So we have a lot of general business activities, and when I say general business I'm including cooperatives and other types of cooperatives in that. We do have a sort of deep dive work on agricultural producers and food. We also have a deep dive of work on energy and the bioeconomy, and so as we think about those kinds of things. How do we help those sectors? What is the work we're doing? We're thinking about grants, loans, loan guarantee programs. Many of these programs are intentionally open to cooperatives and to cooperative lenders, so credit unions in this particular case. So we're really intentional about thinking about what can we design? What are the various types of programs and supports that we can offer businesses and communities either directly or through intermediaries and perhaps an intermediary lender, an intermediary technical assistance provider? That of course then can support that work.

So I'll talk a little bit about some of the programs, I think there'll be some opportunity to have conversation and of course we welcome your questions. But you asked specifically about my own experience, particularly in employee ownership and I did work for a company. I was actually there to see sort of the ideation around moving to an employer and it was an ESOP model and then the transition and what that conversion looked like, and that was a really exciting process. It was really well received, there was a lot of education that went into that for all of the staff. All of the people who were involved in that, that was a really exciting process and it was really exciting also to see what that investment meant. I appreciated Raj, how you talked about it's not just about good pay. There were some pay things that happened, there were some compensation elements that people were very excited about. But they were also very excited about owning that company and having that sense of ownership in the company and what that meant for them and what that meant for how they made decisions in the company.

What that meant for how they talked about how they spent money on their budget line items. They had a real sense of ownership, we had a real sense of ownership in that particular situation. I think about that experience a lot because a lot of the work that we do at USDA Rural Development in terms of direct technical assistance that we provide, which is not a ton. But we do, do quite a bit of that and a lot of it is based on conversion. So how do we help businesses that particularly in rural communities might be in a situation where they don't have an heir or someone to take their business on or there's no willing buyer in that particular rural community. But of course the people who work there want their jobs and so how can they think about what that conversion looks like? So that experience has been really helpful in thinking about the work that we do now around conversions. So I'll pause there, I'm looking forward to other conversation.

**Maureen Conway (00:13:18)**

Great. Thank you so much, Karama. David, I'm going to come to you next. As I noted earlier, implementation of federal policies doesn't just happen in D.C. in federal agencies, but also out in the offices in communities and you work in one of those district offices. So can you talk a bit about your background and your role with the small business administration and how the work that you do in kind of the district office connects to the ideas of expanding employee ownership?

**David Hincapie (00:13:51)**

Happy to. All right, we're good.

**Maureen Conway (00:13:53)**

You have to pull it close to you.

**David Hincapie (00:13:53)**

A little closer?

**Maureen Conway (00:13:53)**

Yeah.

**David Hincapie (00:13:56)**

Okay. Well I should begin with a short overview, really short of the SBA. People don't actually know us very well despite us being in the news for the past three and a half years. There are 68 district offices across the country, right? I work in the Washington Metro Area District Office with 67 others. All of them except ours are fully contained in a state or they fully contain the state. So Montana has one, California has six, New York has what? Three. Texas has six, so it works like that. We are the local points of contact with the small business world for the SBA. At the district office level we primarily work with our resource partners and these are the four kinds of nonprofit organizations that provide technical assistance to aspiring entrepreneurs and small business owners. Those are the small business development centers, the women's business centers, the veterans business outreach centers and the score business mentors. They're all partly funded by us, they're not part of us but they're partly funded by us or nonprofits.

Usually housed in universities, the SPDCs in particular or colleges and they do the work of offering free business advice to people who want to expand or grow their business or business succession as employee ownership can be. The business owner's going to retire, doesn't know what to do, doesn't know how to plan for it, wants to find a buyer for the business. The SPDCs in particular have expertise in this, that's our point of contact as far as implementation of policy. Then there's the lending programs that we have, SBA does primarily guaranteed lending. We guarantee the loans, and so we're in touch with all the lenders in a particular district office. So someone in the Cleveland District Office, there's a lender relations specialist. Often there's more than one and they're the points of contact with all the lenders informing them of all the policies and the procedures and everything they have to do to do SBA type lending. Right? That's the implementation of any policy that comes out connected to that in particular the Main Street Employee Ownership Act, what came out of that.

That's how we connect and that's how we can be involved in this. It's through the technical assistance provided through those resource partners that we partly fund and through the lending programs that the SBA is a part of. That's how we can connect with business owners in that way. So implementation of policy, we can get more into it later. But I have to say, this is going to be a bottom up thing if it's going to happen. It's not going to be a top-down thing in spite of the hard work of my colleagues here. It's not going to be a top-down thing and it's not going to be a top-down thing because there is no national registry of business owners. There is no list anyone can go to and say, "Where are all the business owners who are older than 50 and whose business has been around for at least 20 years?" I can't do that. Trust me I looked, I can't do that, I can't even do that locally. The big obstacle is finding these business owners.

I have tried and failed for four and a half years to create a groundswell of employee ownership conversions in my district office area and I can't. Because I got to find these business owners and that level of business owner, especially at the smaller level of businesses that we're dealing with. That's a person who's so busy, they don't have time to pay attention to everything that comes into their inbox. Someone is always trying to sell them something, so the only way they're going to hear about this is through some trusted advisor. Some lender they've been doing business with, they've had their business line of credit with for the last 12 years. Maybe their lawyer, maybe their brother, maybe their sister. That's the only way they're going to hear about this. Every business conversion that has happened that I have heard about, whether it's cooperative or ESOP since I started working at the SBA. Every single one the story begins like this, "I didn't know what I was going to do." Then somewhere, somehow someone mentioned ESOP, cooperative and that's how it happened. Totally by accident, nothing top down.

I tried top down at my little level, I failed. They're trying top down, you guys can tell us how much success you're having. This is going to be bottom up at the local level, district office level. That's how we can be involved in this in helping this kind of thing happen.

### **Maureen Conway (00:19:10)**

Great, thank you David. We'll come back and talk a little more about 7(a) and some of those things too. But Melissa, I want to come to you. 'Cause you have a long history and experience in this field and particularly from the nonprofit sector, sort of thinking about how are things working on the ground and that kind of thing. So you have sort of this both working on the ground with folks. But also sort of saying, "This isn't what's working." Kind of communicating that back up to the top level. So maybe you could sort of share a little bit about yourself and your experience as it relates to kind of implementing policies to support employee ownership.

### **Melissa Hoover (00:19:44)**

Sure, yeah. Thank you, I'm so glad to be here. So I'm Melissa Hoover. For the last 10 years I've been the Executive Director of the Democracy at Work Institute which is a national nonprofit expanding worker ownership, employee ownership as a strategy for social and racial equity. Our DNA is really in worker-owned cooperatives, we take a broader approach. But in the capacity of working with co-ops our very first government relationship was with USDA and we've been funded through the Rural Cooperative Development Grant and socially disadvantaged groups grants. These are a mouthful. For a while, and as a baby ED one of the very first things I did when I was a new executive director was go to USDA headquarters and meet with staff. I put on my collared shirt and I went to go meet with the staff there and it was really eyeopening. They were immediately responsive, they warmly received the request to meet. They were curious about what was going on in the field. They wanted feedback about whether the programs were working and how, and that was a really formative experience for me.



Because I had sort of previously thought, it's the bureaucrats in Washington, they're far away, we're just a little agency that they don't... They knew our work and they knew the field and we were thought partners. So I think that was my very first taste of really realizing government is not separate from what we're doing. They are part of it and we're partners in thinking about how to make policy more accessible together. So later on when I wanted to brainstorm with someone about the BNI loan program I knew who to call, they remembered me, we had a good conversation and it was about using the BNI program for conversions. This is the business and industry loan program at USDA, which is one of the many sources of government capital available for these kinds of transactions. So since then I've been keenly aware of agencies as our partners and potential partners, and even though most of the interest that I receive from government comes from local and state government and that's where a lot of the juice is.

Because I think that's where the problems are that the government is trying to use employee ownership to solve. Even though the work starts there, if you do local and state work long enough you bump up into federal agencies. So not only are state's laboratories for policy experimentation, as Jen said earlier. They're also where all of this legislation sort of lands and the funding streams sort of come through, so we've been increasingly engaged with federal agencies. But the early experience with USDA sort of gave me some footing to now work with SBA, to work with Department of Labor in those relationships that come out of the state and local work.

### **Maureen Conway (00:22:38)**

Great, thank you. So we're going to dive in a little more on some of the details of some of the things that your organization is doing. Karama I'm going to start with you this time, and maybe you could just talk a little bit more about some of the history of the agricultural department's work and employee ownership and the specific ways that you work to support this work. But also I know that you work a lot sort of on these inter-agency kinds of things, so maybe you could also share some of that work as well.

### **Karama Neal (00:23:08)**

Happy to, I'm really happy. Thank you so much Melissa for sharing this story, I can't wait to take that back to my colleagues. I'm sure they will continue to remember you and I appreciate that, so thank you. USDA has had... It's almost 100 years, so we had a cooperative marketing division starting in 1926. So like I said coming up on 100 years, initially was very, very focused on agriculture. So agricultural cooperatives and that's the first version of what I shared before, right? You're the Department of Ag, you're probably focused on agricultural cooperatives. At the time they were, the name has changed throughout the years twice. It's been sort of an independent agency within the USDA, once called the Farmer Cooperative Service another time called the Agricultural Cooperative Service. Now of course it's merged into the Rural Business-Cooperative Service. So it has existed in a variety of forms, in a variety of sizes and shapes as one can imagine over almost a 100-year history. But we're pleased, really excited about that history and over the years have really gathered a lot of materials in that kind of work.

So when you think about how do we engage cooperatives, whether they're worker cooperatives or others? I mean it is still that research, we still do a lot of that research, we are the main source for agricultural cooperative statistics. So we do a huge survey, I was just actually talking to my colleagues recently about what a big job that is. A huge survey every year of that and we combine that with other entities across the country who are surveying and compiling statistics on other types of cooperatives. So that between us, you get a real full picture of the cooperative sector in the US. I mentioned already that we provide some level of technical assistance, I mentioned that in the context of conversions but there are other things as well. We don't have a huge, huge staff but that staff is mighty and they do a lot of excellent work. In addition, we do a lot of program administration. So you heard already Melissa

mentioned the Rural Cooperative Development Grant, the Social Disadvantaged Groups Grant. Those are two grants that are specific to cooperatives, right?

Or to cooperative services, cooperative kinds of work. So in those cases we are funding other entities to provide technical support, to help cooperatives develop, grow, start, all those kinds of things. So again, that focus has expanded from simply focusing on agricultural cooperatives back years and years ago to now really a wide breadth of topics. I mean I was looking over the list of probably a dozen or more conversions that my team sent me in preparation for this meeting. I have a few of them highlighted here, if there's time I can share some of those examples. But they were on a variety of things, timber and manufacturing and childcare. Just all kinds of things that folks are working on in a variety of sectors. You mentioned our work with the Interagency Working Group on Cooperative Development, we've been really excited to be able to lead that work. That is something that is in statutes that we are the secretary and then a secretary delegates it down to our agency. It's something that we are excited to do, and so that group we've rejuvenated it in recent years.

If you Google Interagency Working Group Cooperatives you'll find the website, that's probably the easiest way that you'll find it. But there's quite a bit of information there that talks about the other agencies. Federal and non-federal, public and private that are involved in that Interagency Working Group. One of the things we've done recently is really take a sector specific approach to thinking about how that working group works. So when you look at that website you'll see we had recent inter-agency meetings on care. The care economy and cooperatives, the food economy and cooperatives, environment and cooperatives and cooperative conversions. We had specific meetings there, and I think when we think about how do people find out about these things. Sometimes a sector specific approach can be really helpful because maybe your sector is food or maybe your sector is the care economy, you're in the care economy and maybe you hadn't thought about cooperatives. But you had thought about care and you had thought about food and so if you can get in it through that angle, through that lens, that might help open some ideas.

Again in the context of that Interagency Working Group you see a variety of people across the country, both in the federal government and outside of the federal government who are thinking very actively and working very actively on this work. So we have a new set of meetings coming up that are focused on some other topics and so again, we're excited about really bringing folks together to think about cooperatives who are at large. But also in a really sector specific way that we hope will generate, and is starting to generate some additional interest and some folks who might not have been already interested in that work.

**Maureen Conway (00:27:33)**

Great, thank you so much. I love the sector specific approach and particularly care is one that's dear to me and one of my first professional experiences was actually writing a profile of Cooperative Home Care Associates. So I really appreciate how that brought dignity to the work of those care workers. David, jumping over to you. You mentioned earlier the Main Street Employer Ownership Act and also SBAs 7(a) Program, which is such an important source of capital. So I'm wondering if you could talk about some of the recent updates to it that have made it more sort of useful to support employers.

**David Hincapie (00:28:11)**

I have unambiguously good news.

**Maureen Conway (00:28:12)**

Okay, great.

**David Hincapie (00:28:16)**

For the audience, are there any lenders in the audience? There's two, okay. Are there any people who work closely with lenders for the financing? Okay, a little bit more. All right, so this is going to make sense to you. Everybody else, well write it down and that's your homework assignment. So we're removing... We have removed. It's going to go into effect August 3rd I think, the new lending SOP 50 10 7. That'll mean something to the lenders. There's removing the equity injection requirement, so there's no... See, he looks happy about that. Okay. So no equity injection, and I can explain that quickly if anyone needs it. You can use the delegated authority to submit the loan to get the guarantee.

**Maureen Conway (00:29:03)**

Yeah. Do a little overview of that.

**David Hincapie (00:29:06)**

Okay. So there's a requirement when you're getting an SBA guaranteed loan, we call it the project cost. So you're selling the company, it's a small company, the maximum of 7(a) loan is \$5 million. So you're selling the company for \$4 million, there has to be a 10% equity injection coming from whoever the buyer is usually. So I'm selling it to her and she has to provide 10% in cash for the project. We're removing that in the case of an ESOP because it never made much sense to have it because the new owner has no assets yet other than the firm itself. The new owner is the ESOP trust, the only asset it has is the stock of the company. Where is it going to get more cash? So that's removed, that makes it a little easier to get the 7(a) loan. They can use delegated authority. This means lenders who have delegated authority, the preferred lending partners these are usually banks that have enough experience making 7(a) loans.

They're allowed to take the application, make the credit decision, send it to us and because they have delegated authority we trust they know how to underwrite these loans. We do a quick review and they get their guarantee, everything turns on the guarantee. Everything is about that guarantee, 75% guarantee on the loan. If you don't use delegated authority the lender is going to do all that work, they're going to send it to us and then we're going to do it all over again to make sure they follow the underwriting standards. With delegated authority you cut that out, we trust them, it happens faster. Now the third thing and this has been formalized into the SOP is that now the trust must have documentation from the IRS, from the Department of Labor and the treasury that the trust has been created according to all the rules that apply. It's a good trust, it meets the rules. So they get that submitted through delegated authority, no equity injection, the loan happens and we're all happy.

So those are the regulatory changes that have happened and for the people involved with lenders, you'll know that that's a really big deal.

**Maureen Conway (00:31:19)**

Yeah.

**David Hincapie (00:31:20)**

Now, that doesn't mean every lender relations specialist in every one of the 68 district offices is going to know this. Because district offices like every other government or non-government entity, private business is staffed by human beings and human beings have their interests, they have their lane, they have the thing they have become expert at. So this lender relations specialist over here in this district office in Oklahoma knows everything there is to know about lending to general contractors. That lender relations specialist over in Maine knows everything there is to know about lending to fishermen. So you are going to have to educate the lender relations specialist almost as much as they're going to educate you, this is why I said this is bottom up. The SOP is a public document, download it, find the chapters that matter, put your hard focus reading cap on 'cause it's government pros. So learn it and you go to your local district office and you go to your lender relations specialist and say, "I want to know a little bit more about this thing. We want to make more employee ownership happen here in this district office as AO."

That's that's how you're going to get implementation, right? You're going to drive it as much as the agency's going to drive it. Because you may have noticed we don't advertise, there's no advertising for this. How is anyone ever going to know this? Even the lenders aren't going to know this, because lenders they're just human beings with their own lanes and expertise. The examples I gave, there's LRSs in the district office who have their expertise.

**Maureen Conway (00:33:20)**

LRS?

**David Hincapie (00:33:21)**

LRS, Lender Relations Specialist-

**Maureen Conway (00:33:22)**

Thank you.

**David Hincapie (00:33:23)**

In the district offices, right? So the lenders themselves, the loan officers, the underwriters at the banks, they have their expertise. Right? They may not know about this. So you all who are interested in this, we all who are interested in this and want to make this happen. We have to go out to lenders, we have to go out to the district office to the employees of the SBA and say, "Let's make this happen."

**Maureen Conway (00:33:48)**

Yeah, all right. Well Melissa that's a great segue over to you, 'cause I talked earlier about sort of how nonprofit partners can often play an important role in implementation. So I thought it would be great if you could give us a couple of examples of how that's worked kind of in your experience and agencies you've partnered with such as Ag or SBA or others to support employee ownership.

**Melissa Hoover (00:34:12)**

Sure, yeah. So I mean if I could sum it up, and I can't take credit for this phrase. This is a nugget Joseph dropped just off the top of his head and then I'm going to take credit for trying to lodge it in your brains today. I think the role of the community based organizations and non-profits is to connect and perfect. So we're there to connect the policy that gets passed to the people who are going to take advantage of it. As you said people are busy, there's no advertising budget at the SBA. So we are the front lines of that sort of connection, so we help make that policy accessible. We educate as we can, maybe both the lender relations specialists and the borrowers. Right? So there's a role there, and then I think we aggregate their feedback as well or as Senator Cardin said this morning harmonize. Right? So it's a two-way conduit. We can share from the field what is working, what's not working and as a member based org we are the sister organization of a member based trade association.

We have a pool of experience to draw on that we can share from and same with the ESOP Association. So that bottom up I think is really real, that's the partnership. Right? You're doing the top down implementation and then it's really going to move when we push. I think an example of that to some extent is the Main Street Employee Ownership Act, it was a big policy advance. As we know employee ownership is a popular policy proposition, it's bipartisan, it's multipartisan. Yet-

**David Hincapie (00:35:42)**

Pan partisan.

**Melissa Hoover (00:35:47)**

Right, pan partisan if you will.

**David Hincapie (00:35:49)**

Pan partisan, yes.

**Melissa Hoover (00:35:50)**

I might not. But it was unfunded, right? So it passed but it was unfunded and that presents a challenge to everyone. It presents a challenge to the SBA staff, to the field organizations. There's no money there to go behind that kind of will, so there was a comment period, there were listening sessions. The SBA solicited input and I think following up on that input for an iterative process is really critical for actually making use of that policy. The district offices, a lot of the work we do is with those resource partners. So we work with SBDCs and SCORE and women's business centers. The direct relationships that... The SBDCs have formed a special interest section on employee ownership. So around the country, the small business development centers many of them have an interest in employee ownership. So they have this sort of community of practice within SBA. I think that's the kind of thing that really is underrated as a mover of hearts and minds, if not resources yet.

Then I think if we think about how sort of an example within an example, there's a real role for the ecosystem and I'll just give one kind of illustrative example. We convene a national collaborative of practitioners who are supporting conversions to worker ownership, employee ownership called Workers to Owners. It's about 50 organizations all around the country, some of them are rural so they are connected to USDA. Several of them are SBDC, so they are connected to SBA. Some of them are CDFIs,

so they're connected to the treasury department. Still others use workforce development funding, layoff aversion funds to do feasibility studies for business retention so they are connected to the DOL. So in this one body of 50 organizations from around the country you've got a ton of agency relationships and they're sharing information with each other. They're gathering feedback and they're playing that active role in the field for policy implementation. Recently we've been focused on the state small business credit initiative that's coming down through the treasury department and I can talk a little bit more about that when we maybe talk about particular programs and policies.

The important part for me is that there's a space where we can create a hinge between the agencies and the practitioners out in the field and our role I think is to be aware of all the levels at which policy works. I mean sort of maybe work the least at the legislative advocacy level and the most at the agency level and then with the resource partners generally. So building a relationships and being that hinge I think is our charge, I hear it very clearly from you.

### **David Hincapie (00:38:33)**

Can I say something about the local? So about local implementation, and here's a couple of concrete examples from my own experience. With project equity one of the organizations that's very expert in this field, we wondered about how to engage local elected officials and government officials. Right? So we thought okay, we'll start with Northern Virginia. The three counties here, Fairfax County, Arlington and Loudoun County which are in my district offices AO and we included I think Prince William County just south of it. So we had a thing informing them about the Main Street Employee Ownership Act, we invited them and the Main Street Employee Ownership Act and the lending rules and everything. The lending rules were not as good as they are now, right? This is recent changes. I wanted to make clear to these local officials why this should matter to them. Why should they think about this and include this in whatever economic planning and policy they have. So I dug into the Census Bureau's statistics on small business and on payroll. I focused on payroll because this was after the pandemic had begun, so this was in 2021.

Not revenue, I focused on payroll because we had just experienced what happens when people lose payroll. Right? We just saw what happens when people either don't spend the payroll they have or they just lose the money they earn. So I thought this is an important approach to it. So I discovered that in Fairfax County, 92 point something percent of payroll is produced by small businesses defined by the SBA broadly as under 500 employees. But most of us don't think of 400 employees as a small business, so let's think of what we might think of as a stereotypical small business. So under 100 employees, so I calculated that and it was 51 point something percent. 51% of payroll in Fairfax County is produced by businesses with under 100 employees. Half the spending power of the county comes from businesses with under 100 employees. So I got curious, does this hold across the country? I randomly picked a bunch of metropolitan statistical areas with the census and I found these numbers hold except for weird outliers. Super rural counties in Upper Peninsula, Michigan or something like that. Right?

Except for outliers like that this is generally true, 90% or more of payroll is produced by small businesses. Pick your MSA, metropolitan statistical area or counties. Roughly 50%, it goes from 48 to 49, 50, 51, 52. Roughly 50% is produced by businesses with under 100 employees. So I go and I say, "I'm going to tell this to the people at Fairfax County Economic Development Authorities." Or, "I'm going to talk to some city." So for you out there doing work at the local level, this is a way to approach it. This is a way to talk to them and say, "This is why this should be part of your thinking in whatever you're implementing." There is no advertising for what the SBA does, but they could get interested and they can do advertising for it. They could start some small pilot city program or county program and say... Because guess what? It turns out in some states who has access to the database of the business licenses? Cities, counties and in some cases states. Right?

**Maureen Conway (00:42:32)**

And they all care about jobs.

**David Hincapie (00:42:33)**

Right. They all care about that, so you say Madam Mayor. This is true in your city, maybe you can go get a list of business owners that are over 50 and the business has been around 20 years. Maybe they're thinking of retiring, maybe we can do something about this.

**Maureen Conway (00:42:49)**

Yeah. So that's great because I think it is true that they all care about jobs kind of at the local level and even politicians at the national level. Right? So Raj, just kind of to go another a layer. I think Melissa also brought up sort of how the layoff aversion can relate to sort of employee ownership and that kind of thing, right? Because everybody cares about jobs and job stability and also hopefully good jobs, right? So talk a little more about sort of the mission of DOL and how good jobs and employee ownership can potentially fit.

**Rajesh Nayak (00:43:20)**

No, thanks for that. It's a great reminder for research purposes too that that's where you can get a lot of great research on companies that have a local level licensing. So DOLs mission, and I've been at DOL over the course of nine years in two different administrations but I have to actually read this off. "It's to foster, promote and develop the welfare of wage earners, job seekers and retirees of the United States. Improve working conditions, advance opportunities for profitable employment and assure work-related benefits and rights." You could basically sum that up as good jobs, right? That's the whole point. We know that employers play a huge role in that mission, and my guess is employee owners probably know that better than anyone. Right? That they see that connection between good jobs and employers really as well as anyone. The story you told about just the changes it makes if you're looking at even your budget and thinking about how that impacts the business if you have a skin in the game it makes a lot of sense to me.

We do though as a result of that work closely with employers to ensure that for example the workforce system is helping steer workers into jobs where their needs... Get people into the right training programs to get the credentials they might need for those jobs into apprenticeships which is a great kind of learn and earn opportunity. It's also important for us, for our worker protection agencies to work with employers to understand the laws and the rules we enforce to give them clear guidance. I mean when you're talking about government ease earlier I was thinking I've helped to run a nonprofit, right? Looking at government ease is very hard. You kind of need very clear guidance on kind of what you can and can't do. So one thing we've done at the Department of Labor in this administration is we've built what we call the Good Jobs Initiatives. We launched that initiative, which is led by my fantastic colleague Katelyn Walker Mooney who actually we were kind of hoping could join today but she's also tied up. Has three main goals in this initiative.

One is providing easily accessible information to workers about their rights, the first step is so workers know what their rights are. The second is engaging with employers as partners in improving job quality. Those Good Jobs Principles was a co-production of this Good Jobs Initiatives and the rest of our policy team at the Department of Labor. Third, it's supporting partnerships across federal agencies. We work really hard with our federal partners who for example are putting out grants, right? The federal government's investing a lot of money through the Bipartisan Infrastructure Law, through the CHIPS and

Science Act, in the Inflation Reduction Act. We work with the agencies who are putting out the grants and the tax credits under those laws to try to find ways to embed more good jobs into that work. So those are some of the big picture ways where we're trying to use our engagement with workers and employers alike to advance good jobs.

**Maureen Conway (00:46:16)**

Great. So I'm going to do one more round of questions with folks up here and then I'm going to come to you all for questions and comments. So just wanted to let you know and then we'll have a final round of sort of like final thoughts questions before, so I'm just going to get to the Q&A a little earlier. So Melissa, so starting with you this round. So you pay attention to policy but you've connected to sort of the practical work on the ground. I'm just curious, what are some of the positive things that you're seeing right now and what are the sort of continuing roadblocks that you're concerned about?

**Melissa Hoover (00:46:56)**

Yeah. Well a lot of my positive things have been scooped by my fellow panelists already and prior presenters. But I think the most important one I want to lift up are those new 7(a) provisions at SBA, do meaningfully address program barriers for ESOP loans. It's not the sexiest form of policy, right? It's behind the scenes, it's inside baseball, but it does enact the spirit of the legislation and I think that's critically important. So I want to make sure that we recognize that and appreciate and celebrate SBA for doing that, the work that only they can do which is change the SOP. So the second I think bright spot for me is the Department of Treasury and the State Small Business Credit Initiative, including employee ownership as an authorized use of funds. That was just a tiny little thing that got tucked in and treasury honored it and decided to do a really thorough and thoughtful process about how the State Small Business Credit Initiative might be used to support employee ownership. Then the field did its own thorough process, we in our Workers to Owners Collaborative.

Two of our partners just collaborated to finance a transition using the State Small Business Credit Initiative and they will be sharing their lessons and we'll be lifting that up and I think these building blocks are for me really positive. Then the third one I want to recognize is the Department of Labor sort of taking not only a regulatory interest in employee ownership but also promoting interest. Right? Trying to better understand how employee ownership can support quality jobs and worker voice and I think that's such a positive development. As Jim mentioned, the work act does need to be funded in order to sort of get us over one of the challenges that I'm going to identify. But to be able to really do robust state center outreach and then of course you've got the USDA and Interagency Working Group, I think is amazing. There's the Congressional Cooperative Business Caucus, all these sort of educational initiatives at the agency and leadership level. I think some of the challenges are this chicken and egg question, right? You're too small for government programs, but if you're always too small for government programs.

How are you ever going to access government programs? So I think doing these bits and pieces, raising the profile, designing things that are thoughtful that we can actually use sort of helps us address that challenge. I think maybe having the ambition and I'm not a policy person, so this may be a non-starter but to have funded policy initiatives. When we implement something at an agency to say, "It would be great if there were some money behind it." I think we were getting in where we could fit in for a while and maybe there's an opportunity now to put funding behind it. Then I guess third, is just again the unsexy but critical work of building those communication pathways and just sort of orienting ourselves to partnering with government. Understanding the bottom up, top down, understanding that there's a shared interest there in making sure the policy is usable. Yeah.



**Maureen Conway (00:50:19)**

Great. So Karama, I'm going to come to you next. 'Cause you are engaged as you mentioned in a number of different sectors and industries. So what are the opportunities and challenges that you're seeing now as you're sort of leading the work to grow ownership within that?

**Karama Neal (00:50:36)**

Yeah, thank you for that. I think there are a number of things, I mean if you think about opportunities and challenges. I mean if you think about some of our programs we... We heard mention of the Rural Cooperative Development Grant, I mean that's a one-year grant. We'd love to see that be better funded, we have longer duration so folks have time to plan and really implement their programs. So there are a lot of those kinds of things, some of which we have control over, some of which we don't have control over. But they can be important to the work that we're talking about here. I think there's also really an opportunity and I think this is evidenced about what we've heard about with the 7(a) loans. What you mentioned with the Business Industry Guaranteed Loan, programs that aren't specific to cooperatives still can serve cooperatives. Right? So that's a really important thing. Sometimes it's really easy to say, "Well we're a cooperative. So we only look at the ones that have cooperatives in the name, the programs that talk explicitly about cooperatives." That's fine, obviously that's a good place to go.

But it means that if you only do that you're leaving out some other opportunities. Opportunities like 7(a), opportunities like the Business Industry Guaranteed Loan Program, which are broad. But certainly in our case we're very intentional about trying to design all of our programs where it makes sense to include cooperatives, include employee ownership where that makes sense. So that we're very intentional around that and we've been pleased to have gotten some good feedback even in some of our newer programs. We saw that y'all did that and you made it easier for cooperatives to participate and that's a really intentional thing that we're doing. So I think those kinds of opportunities and things that we seek, as we think about some of the other places where we're seeing work and seeing additional opportunity. I mentioned the sector specific approach we have been taking, there's also another round of these Interagency Working Group on cooperative development sector specific meetings that are coming up. These are going to be focused on homeownership, childcare, equity, food and real estate.

So again if you're interested in that just Google that phrase and you should be able to find that and sign up and get more information, I think there's significant potential there. I think those are really the main things. I mean I do think one of the things that we see when we think about there is a challenge. I mean we don't have advertising budgets typically, at least not in any kind of meaningful way. So it is a challenge. I mean we are very excited about this work, we're very committed to this work, we want to see it happen, we want to see it happen well and we're doing the best that we can with the tools that we have to get that word out. So there is certainly a role for a bottom up approach in addition to that top down approach that we're trying to sort of meet in the middle on that. But one of the things I think we can do, an opportunity is to take advantage of where there is a synergy and where there's some activity.

Part of what we see is that in certain communities, kind of like you said before like maybe somebody who's really expert on fishing lending. So there's a lot of good fishing loans in that community, right? How can you take advantage of folks, of situations, of communities, resources, partners who are really expert in conversions? Expert in the childcare economy in the context of cooperatives? Expert in that to help them grow not only in that sector but potentially in that space, right? So maybe you're not a childcare cooperative, maybe you're a home adult care cooperative. So you go and you look to the childcare folks and you say, "Well what can I learn from that and how can I take this and translate it into the sector that I'm working in?" We definitely see places where geographically from a sector specific approach as well where there's sort of nucleating places. Where you've had some excellent success stories and it grows from there, and I think the more we can highlight that.

Connect those sort of hubs of good performance and success stories the better off we're going to be able in terms of growing employee ownership more broadly. Yeah.

**Maureen Conway (00:54:05)**

Yeah, great. So Raj I'm coming to you next, and we've been talking about the Good Jobs Initiatives and I think you can hear kind of the ways in which it connects to a lot of employee ownership themes. So can you talk about some of the successes and challenges of the initiative and how connecting more with employee ownership could maybe contribute?

**Rajesh Nayak (00:54:25)**

Sure. So I mentioned earlier the Good Jobs Initiatives does support these partnerships across federal agencies and we provide technical assistance on grants contracts and other investments. That's work the Department of Labor has actually done on for a long time on an ad hoc basis, this initiative's really about deploying some unique strategies to get that work done. So for one thing, we have formal partnerships now with other agencies. We've entered into MOUs with the Department of Transportation Commerce and Energy. The idea being we're going to support them and help them commit to using their bipartisan infrastructure law funds to support equitable workforce development pathways into good jobs. In those relationships and those partnerships, the results we've seen are real. We've now with them gotten \$97 billion of competitive grant funding out the door that has equity and good jobs markers built in. We've also tried to, for example incentivize registered apprenticeship programs and collaborations with the Department of Labor's Office of Federal Contract Compliance Programs to think about again, bringing more underserved communities into those jobs.

Another strategy is just around engagement we hosted a summit last summer, I think Maureen you were there and maybe some others. Where we had over 350 cross sector stakeholders engaged in a full day conversation exploring what are these strategies for building partnerships to empower working people. We've got small and large employers across the country showcasing how they're recruiting, retaining diverse workforces and really kind of working to invest in higher wages and training and everything else. Thinking about challenges and opportunities down the line, I know you've been talking about this all probably earlier in the day as well as part of the larger SECURE 2.0 package from the FY 2023 Appropriations Act. Which was a really kind of exciting bipartisan package to shore up retirement savings around the country. The Department of Labor's Employee Benefits Security Administration is leading the charge to implement actually dozens of pieces of this law. Our Assistant Secretary for Employee Benefits, Lisa Gomez was hoping to join today. She's out of town in another panel and regrets she couldn't be here. But I know you've been talking about the work act which is one key part of SECURE 2.0.

It directs the Department of Labor to establish this employee ownership initiative that would provide education training and the promotion of employee ownership. Together with state programs and providing guidance on valuation of actual values under ESOPs, so EPSO will be taking this on. We're actually really excited to start working with stakeholders on this important initiative. Stay tuned, Lisa and EBSA will be announcing more about this and how to actually get involved and make your voices heard in the process. So I will say though the flip side of that, the challenge which has been noted is that's a piece of that initiative. The grants have not yet been funded, so that is if you had your local congressman here you could make a pitch.

**Maureen Conway (00:57:25)**

Great. Another pitch for squeaking about something, great. So David, you brought up sort of successes of changes to the 7(a) program and the challenges of a lack of a marketing budget. I'm just wondering from the sort of local perspective if there are other sort of successes or challenges that you'd want to highlight for folks now?

**David Hincapie (00:57:47)**

Like I told you, I've been very public in many places about my utter failure in creating the groundswell. I started at the SBA seven days before the passage of the Main Street Employee Ownership Act, just coincidentally. I started, I saw that it passed, it's something that mattered to me before I was interested in it in an academic way. I saw that and I thought this is great, this is going to be my SBA career. No, four and a half years, two and a half of those dealing with a pandemic, all work on that stopped. So the charitable way of looking at this is that Thomas Edison quote, "I found 1000 ways it didn't work." Maybe I'm wrong, but find the business owners. That's the thing. Find the business owners because even before the lending rules changed, this was possible. It was possible, the problem is finding the business owners. Where are they? We read the statistics, everybody's employed by a small business in America, small businesses drive everything. I believe it all, it's true. Where are they?

**Maureen Conway (00:59:10)**

All right.

**David Hincapie (00:59:11)**

Right?

**Maureen Conway (00:59:11)**

All right.

**David Hincapie (00:59:14)**

I'll just say, in fact they're everywhere. I'm from Southern California and in Southern California we have these industrial parks and I've driven across the country three times. Right? So I've seen this everywhere, and there are all these businesses out there that are ripe for this. In college, I worked at this one place they sold brass fixtures and it was started by... I don't even remember the guy who started it. There were roughly 50 to 75 employees and I worked in inventory control, a part-time job and I'm thinking that guy is retiring now. Who is he selling this business to? They're everywhere. So a great one around here Mid South Building Supply in Springfield, Virginia. You've never heard of it, you were never ever going to hear about it but there's one like that and a dozen others in your county wherever you're from. EA Engineering in Maryland, you've never heard of it, you were never going to hear about it. There's a dozen like that in your county, most of them are not good candidates for them.

Go talk to them, find those business owners and the policies they could be better but they're good enough. You just got to find these business owners and start having that conversation.

**Maureen Conway (01:00:36)**

Okay, great. I really do want to hear from folks in the room. I noticed a little dimming of the lights, I was afraid it was nap time in the back of the room. I wasn't really sure what was going on back there. So would love to hear sort of comments, questions from folks in the room. So I have one in the front and one in the back. We'll start in the back because Matt's there, okay.

**Hilary Abell (01:00:54)**

Is this on?

**Maureen Conway (01:00:54)**

Oh.

**Hilary Abell (01:00:54)**

Okay, great.

**Maureen Conway (01:00:59)**

Hi.

**Hilary Abell (01:00:59)**

Hi everybody. I'm Hilary Abell with Project Equity and really delighted to be here today and wanted to just build on what David was just saying. So a lot of what we do at Project Equity is find the business owners, and I'm encouraged by the fact that we have a lot more throughput now. So we're working with about 40 companies at any given time on either a feasibility assessment, a transition or post-transition support and we hand people off for ESOPs. But we do a lot of recruitment and marketing of ESOPs and then we do the co-op transitions ourselves and have recently done EOTs and we have done some advertising-

**Maureen Conway (01:01:34)**

Employee Ownership Trust.

**Hilary Abell (01:01:36)**

Oh sorry, Employee Ownership Trust, excuse me and also Perpetual Purpose Trust which can have other purposes like an environmental purpose. So I just wanted to sort of add into the mix some of the things that folks in the ecosystem are doing. Like the many members of the Workers to Owners Collaborative, like everybody in the room and we have been doing some advertising. We're starting to get leads from that, we're learning which types of pictures, which types of messages work better and I wanted to lift up local government partnerships. Because we have about nine of them right now and we are finding that economic development message and we do local data studies, and it's usually that the legacy

businesses 20 years older are about 20% of the total businesses in any given community. So we've seen this across a dozen studies we've done, and they represent about two thirds of business revenue and about half of employment. So the case for retaining them, they have an outsized positive impact on our communities and economic development officials are starting to embrace the case for retaining them.

**David Hincapie (01:02:33)**

Those are your Long Beach statistics, right?

**Hilary Abell (01:02:35)**

Yeah.

**David Hincapie (01:02:35)**

I have those memorized, I remember.

**Hilary Abell (01:02:38)**

Yeah, and about a dozen others.

**David Hincapie (01:02:39)**

Yeah.

**Hilary Abell (01:02:39)**

I've looked at the pattern and it always is right about in there.

**David Hincapie (01:02:42)**

Yeah.

**Hilary Abell (01:02:43)**

So it's powerful, we know this to be true along with all the other great data folks have shared. So just wanted to mention those things and say that I think we're all learning a lot at the local level, the state level with California, Washington State, Massachusetts, Pennsylvania's working on a bill, Tennessee and Texas. So I think those laboratories are proving really important and I'll just say two other things real quick. One, is that the Washington State Bill has language that says that individual guarantees, personal guarantees on loans for employee ownership and cooperatives cannot be used in the state. They have to find other proven ways of underwriting of which there are many. So now there's a precedent in law and hopefully we can build on that and maybe 10 or 20 years from now we'll get the SBA to agree with that. I just want to appreciate all of this cross agency participation today, and I saw it at the Good Jobs Initiatives convenings last year.

I think that we now have a real opportunity thanks to the groundwork that the USDA has laid with inter-agency convening to collaborate across government agencies and across sectors. So all of us in the nonprofit and private sector are collaborating with government. So I'm super optimistic and grateful for this day, thanks.

**Maureen Conway (01:03:49)**

Great. Thank you, Hilary. There's somebody right here.

**Dr. Myrtle Alexander (01:03:55)**

[inaudible 01:04:03].

**Maureen Conway (01:04:03)**

Sure.

**Dr. Myrtle Alexander (01:04:05)**

Hello, my name's Dr. Myrtle Alexander Institute for Academic Management. I thoroughly enjoyed everything that was said today because during the pandemic, I had logged onto one webinar that SBA did and then it went quiet for me so I didn't know what was happening. Having read Freedom Farmers like three times in the last three months and looking at co-ops and stemming from my research in Switzerland for a major employee owned organization there, and then coming from the UK. I wanted to know is there a toolkit? I mean, I know the businesses that are out there. Is there a toolkit that we can go to say, okay, here are the guidelines, here's where you start, here's what you're looking for, here's what you need to do. If there isn't one how can we generate one? So that's kind of like where I am. So my research is academics through apprenticeships, through entrepreneurship, and so we're in the process of launching our first academy here that caters through nursery through 12th grade. But 18 to 80 year olds in that segment of the population that is forever underserved.

So I'd like to know, where do we start with regards to a toolkit?

**David Hincapie (01:05:10)**

Do you mean a toolkit for conversions for how to do that?

**Dr. Myrtle Alexander (01:05:13)**

Yes.

**Maureen Conway (01:05:14)**

Yeah.

**Dr. Myrtle Alexander (01:05:14)**

Because when you meet the businesses, how do you introduce them and take them through the guidelines?

**Maureen Conway (01:05:21)**

I want to see if there's a couple more questions before we go to back to the panel. So yeah.

**Erik Forman (01:05:33)**

Hi. So my name's Erik Forman, I'll just share a little bit of context and I've got a couple questions. In 2019, I started working on something called the Driver's Cooperative which right now is a driver owned alternative to Uber in New York City with over 1800 owners. We've had a lot of successes, but one of the challenges we found is that we needed a line of credit because we were doing a lot of business on contracts that had receivables gaps. So I set about getting a line of credit back in January of this year and immediately heard from the banks that you needed a personal guarantee, and that it would need to likely be... So I reach out to the SBA and immediately began getting bombarded with phone calls from lenders who would be just so delighted to lend our business with five to 10 million in revenue annually, tons of money. The thing is we need to provide a personal guarantee, or they said we need to... Which they said could come from either a board officer or a senior manager or a majority of the owners.

I wanted to ask a little bit more about that David, because I'd heard about this issue before and we encountered it ourselves. In the end, I ended up providing a personal guarantee for the co-op. But I'm wondering, since we got different answers from different lenders about what that personal guarantee would need to be what actually is the SBA policy on this?

**David Hincapie (01:06:56)**

Okay.

**Maureen Conway (01:06:59)**

Wait, wait, I'm going to let the gentleman in front of Erik ask his question and then we'll come back. We'll have the toolkit question, the personal guarantee question and the...

**Kevin McPhillips (01:07:09)**

Sorry, I didn't mean to cut the line here. But-

**Maureen Conway (01:07:11)**

No, no, no, I like to take questions in threes.

**Kevin McPhillips (01:07:13)**

Okay. Great. Thanks very much. I'm Kevin McPhillips, I'm with the Pennsylvania Center for Employee Ownership and David, I thought you made an interesting point about how it's difficult to find the businesses that are transacting. But we can find the businesses, we can find those and many of us are doing that. Hilary suggested what some of the things that Project Equity are doing. We're doing a project with 30,000 businesses in Pittsburgh and if you acknowledge or if you understand that one of the biggest problems we have is simply awareness. Not just for those that are preparing to sell their business, but also for the population that may be selling their business at someday in the future and we just don't know that. A study was done some years ago by the NCEO that said that in an analysis they did, 92% of transacting businesses that they spoke to did not know about or consider employee ownership when they transacted their business. That's a big number.

So what many of us are focusing on is trying to get the message to not just those that we can find are ready to sell their business. But that will be selling their businesses eventually and we can get that information, we can do that. Many of us are doing that here.

**Maureen Conway (01:08:32)**

Great. Okay. Now, I'm going to let you guys answer questions. So we have this question about a toolkit for conversion, and we have this question about what is the SBA's actual policy on personal guarantees and maybe the corollary of are they following it? So do you want to start with the personal guarantee and-

**David Hincapie (01:08:51)**

Yeah. Okay. So here's the unambiguously unwanted information, the SBA requires a personal guarantee for 7(a) lending. There's an exception to that with ESOPs, but that's because there's other legislation, other laws that trumped that, right? So an ESOP can't be required to provide a personal guarantee in any way. So how can that change bottom up? Now there is potential for change in that hundreds, thousands of cooperatives received economic injury disaster loans because they're eligible for them. Anecdotally, I know that they are doing better in handling the repayment of those than non-cooperative businesses in general. So I always thought the silver lining as far as cooperative lending to the pandemic was this will demonstrate cooperatives are well-run businesses or at least as well run as any other business and perhaps that can change. Unfortunately it hasn't changed yet, but it's going to come from the bottom up. You have to demonstrate that this personal guarantee thing makes no sense in the context of a cooperative. It defeats the purpose of a cooperative, but that requires changing decades of settled thinking on this. So like I said bottom up unfortunately, I wish there were a better answer.

**Karama Neal (01:10:40)**

Can I chime in on that one as well? And this wouldn't work for you all because I think you said you're in New York City and we're the Rural Business Cooperative Service. I don't want to misspeak, so I won't go into details. But I do know that many of our loans, the BNI Loan, Guaranteed Loan Program and others do offer some flexibilities around that in terms of requirements around personal guarantors. I know this has come up in some of the Interagency Working Group on cooperatives meetings. Where sort of the question is, "How are y'all doing this? How can we do this?" Those kinds of things. I'll take this opportunity, just any of the kinds of things that I've been talking about. I mean, of course you're welcome to reach out to me. But I also would recommend our state offices who are really experts in all of our programs



and we have over 400 state offices across the country, and this is what they do. They're there to help you and to talk with you directly about the kinds of things that you're interested in.

If you go to our website, RD for Rural Development, [rd.usda.gov](http://rd.usda.gov) and you'll see contact just click the state office link and find the one nearest you. So just want to know it's again, not going to be helpful for you in New York City, but there may be some others who are thinking about similar kinds of things in more rural areas.

**David Hincapie (01:11:41)**

One other thing about that. Also, the guarantor doesn't necessarily have to be a person it can be an entity. Right? So if there is some cooperative development advocate of some kind who'd be willing to do that, that can happen as well. It's difficult, you have to work a little harder to get that, but it can happen that way as well and I understand your need for the credit line. It's very important. Yeah. Let's talk some more after this.

**Maureen Conway (01:12:13)**

Anybody working on a conversion toolkit?

**Melissa Hoover (01:12:16)**

The toolkit question. There are any number of toolkits out, there are maybe perhaps too many toolkits. So a lot of the organizations that do conversions make some or all of their process available. Some of them are proprietary, some folks charge for that along those... Somebody's paying for that, whether it's government funding or a foundation or private clients. So some of that is proprietary, but one of the places I know that aggregates the organizations that are doing cooperative and employee ownership conversions is [becomingemployeeowned.org](http://becomingemployeeowned.org). So you can go there, there's some toolkit elements and then there's also links to organizations doing it. I will say that one of the advantages of having a community of practice is that you can sort of harmonize those tools. So the Workers to Owners Collaborative has sort of set a five stage process that's roughly the same for all of these conversions and is working on gathering data about our pipeline, sharing that data out. So I think that it's a pretty nascent field. So we're only a few years in, but we are already seeing data and tool standardization that is in process I would say right now.

**David Hincapie (01:13:31)**

I remember when I was learning a lot about this early on, the Ohio Employee Ownership Center at Kent State has something online. It's a few years old now, but it's still good and give you a broad overview of how that would work in the United States under the current laws here. That's one, and the becoming employee owned is the other really good one. I did a lot of learning from that one there.

**Melissa Hoover (01:13:58)**

That's true. We should mention the National Center for Employee Ownership also has a ton of really incredible and useful tools on their website. I'm sorry, I'm going to... The Rutgers Program, how could I have forgotten? There is a video, a series of videos and an online curriculum through the Rutgers Institute. So yes, my apologies. I'm sure I'm missing others too but that's-

**Maureen Conway (01:14:21)**

Yeah.

**Karama Neal (01:14:25)**

The only thing I would add to that real quickly and it's a little bit broader, is that I mentioned the Rural Cooperative Development Grant. That is a grant to fund cooperative development centers. Many of those centers might be well positioned to provide direct support, they may have toolkits, they may be some of the ones who are doing this exactly, and there's a list of those on our website as well. So just encourage you if you're interested to look at that list as well.

**Rajesh Nayak (01:14:44)**

Then when you're done with all of that, you can go to [employer.gov](http://employer.gov) where you can find out all of the laws that apply to employers and just plain language kind of labor law information for employers.

**Maureen Conway (01:14:56)**

Great. Okay. So last round of questions for you all is just kind of a looking ahead sort of thing and Karama, I'm going to start with you. You're working with a variety of different government agencies, and as you think about what comes next in that work in terms of the work you're trying to do and what are you hoping to see going forward in terms of how agencies can be working together and supporting [inaudible 01:15:23]?

**Karama Neal (01:15:22)**

Yeah, thank you for that question. I mean, I'll just use this to highlight some of the things I've already shared already. Right? I think thinking about the Interagency Working Group owned cooperatives, there's significant momentum there and there's room for it to grow. Right? Particularly as we think about a sector specific approach and how we can draw more people, more entities and to get them more engaged in this work. I think there's a whole lot of opportunity there and as I mentioned, there's another series of these meetings that's coming up starting fairly soon on that. In terms of next steps, thinking about some of our... We have a number of online resources, because we've been around for almost 100 years doing varieties of this work at some level or another. There's a number of those resources that are available and I think making sure that folks have access to that, and know about that. Those educational opportunities I think is a real option as well and I think maybe I'll just close by saying, I think as we are thinking about what's next I think really helping tell this story around what this means. Right?

It's about job retention, it's also oftentimes about wages. How do you tell that story about employee ownership, about worker owned cooperatives in a way that is really compelling? That helps folks who might not be in the sector, might not be in this room right now or listening in right now understand what that potential value is and get excited about investigating that and we're excited to be partners with them and with you all in doing that.

**Maureen Conway (01:16:44)**

Great. Raj, I'm going to come to you next and you mentioned the work act and that it authorizes DOL to establish a network of centers that would provide information, technical assistance and address some of the challenges we've been talking about. So what should folks here understand about what DOLs plans are at this time?

**Rajesh Nayak (01:17:03)**

So I will say, I was taking careful notes about all of the toolkits out there. Anytime the DOL gets a new program, we need to hear from stakeholders in order to know where we need to go and what we need to do with it. A big part of my job at the department day-to-day is rulemaking. I spend all my time... Not all my time. But a huge chunk of my time on our rulemaking efforts and the kind of notice and comment process I find incredibly helpful, because we don't know everything about even the stuff that we do know. The great thing about rulemaking, though it's a long and tedious process is we put proposals out there and then we get comments and we sometimes get 33 comments and sometimes we get thousands and thousands of comments. Thinking about the various pieces and components of the work ahead, EBSA is committed to hearing from stakeholders and finding ways if there are rules coming out of this to do notice and comment rulemaking. But if there aren't rules just to find ways to hear from stakeholders about where we want to go.

Hearing this conversation, the folks on this panel but also just all of you in this room I know there's a ton of expertise out there. So stay tuned for more ways to get involved and to really make your voice heard in this process as we're planning our new activities.

**Maureen Conway (01:18:16)**

Great, thank you. David, I wanted to come to you next and maybe you also just kind of want to summarize because I think you've been giving people a lot of advice. But we've been talking about improving implementation, this fixed policy improve implementation kind of nexus and you've shared some examples of that. So I guess what's the key thing you want folks to take away about that?

**Rajesh Nayak (01:18:42)**

That this is all top down.

**Maureen Conway (01:18:47)**

Oh good, you were listening.

**David Hincapie (01:18:53)**

We've covered the policy stuff quite a bit, so let me bring everybody back to why we're interested in this. Just a quick raise of hands, how many people here have heard of the Marcora Law in Italy? A few. Okay, for those who haven't. There was a law passed about 30 years ago, the legislator's name in Italy in the parliament was Marcora and it allows a laid off person, an unemployed person who's entitled to unemployment benefits a certain number of months at that time LIRA to get it in a lump sum. If they can find nine other people, they get it as a lump sum and that's their starting capital for a cooperative. Now,

this is a nationwide law in Italy and they've improved it once. They've gone back and done some changes to it once. This resulted in an improvement in a region that was already cooperative dense. There's a city Bologna, the region is Emilia-Romagna. How many of you have heard of this place? Oh, a lot of you. Okay. For those who haven't, two thirds of the people who work for a living there work in a cooperative.

They're worker owners and one third of the GDP of that region is produced by worker-owned businesses in the form of cooperatives. So why are we all doing this? All right. Think back to your region, wherever it is you're from. I'm from Los Angeles County, broadly speaking all of LA, Riverside, San Bernardino and Orange County are one big giant suburb. So what would it mean for two thirds of the people who work for a living in those counties to be worker owners in an ESOP or a co-op? And what would it mean for one third of the GDP of that region to be produced that way? Apply that wherever you're from, and I guess you would find it very difficult to even imagine what that looks like. It's so literally unimaginable. But stop and think and let yourself get creative and go, what does my city look like? If that's the case, what does my county look like? What would this place look like the DMV?

I live three metro stops away from here, and so the three counties in Northern Virginia and two in Maryland that I serve Prince George is in Montgomery. What if this region was like that? It's such a beautiful world. So as you're figuring out how to get this to happen, keep that in your mind. I think it'll improve your creativity and help you overcome whatever obstacles. I mean, that's why I keep it in mind and why I haven't given up after four years.

#### **Maureen Conway (01:21:50)**

Yeah. Thank you, that was very inspirational. Really appreciate that. So Melissa, now we come to you.

#### **Melissa Hoover (01:21:58)**

Remind me never to follow David Hincapie on a panel. Preach, yes. So three things I think. I want to thank our partners in government for being here, for giving your time and I really want to thank my brilliant colleagues in this room and beyond. This room wasn't happening 20 years ago, even 10 years ago. So we are an emerging and maturing ecosystem, and I think it's really critical to keep that in mind. We are at a moment in time where your effort matters, it builds institutions and that's what we're doing. We collaborate now the ESOP and worker co-op and employee owned trust and broad based ownership and equity compensation. We collaborate now on advocacy and we're starting to collaborate on implementation, which is I think the game changer. It's easier I think to collaborate on advocacy than it is on implementation, but that's where the real work happens.

I think Joseph is right that the sort of general population support for the concept of employee ownership outpaces the bureaucrats and institutions who are sort of implementing it, and I think that's a good problem to have in a lot of ways. Right? That means we push. My second thought is that there are synergies happening to this idea that we are in a moment. If this legislation passes, gets implemented, gets funded, if the work acts results in this growth in state centers that's certainly going to create a pipeline of borrowers for SBA loan programs. It will resonate into USDA, it'll resonate into other agencies, we're already seeing some of that happen. So there are synergies in policy and particularly in the implementation that the sum is going to be greater than the whole of the parts... Is that the way we say it? Yeah. So I think sort of keep that in mind when you're pushing too and then the last thing, I think policy is a door. Right? It opens a door. We all have a role in making sure that things don't get lost in translation from intention to implementation.

We've heard about the role of the agency staff, we've heard a little bit about the role of the field. I think those hinge points are potential gaps, but they're also where connecting and perfecting policy

happens. So what I mean by that? I mean the hinge point between legislation and implementation. I mean between federal and district office, I mean between the public sector and the nonprofit sector and the private sector. I mean the hinges agency to agency. So I think if we want to keep the door open, we got to keep the hinges oiled. So what I would encourage you to think about all of us and research has a role to play here too, is what are you doing to oil those hinges? To identify where they are and to keep them oiled so that the doors can swing open? I'll leave you with that.

**Maureen Conway (01:25:02)**

That was wonderful. Yes, we're done. But I just want to thank the panel, this was fantastic. Thank you all so much. Thank you all.