

WIOA, Employee Ownership, and Good Jobs

How Workforce Legislation Can Support Employee-Owned Companies and Boost Job Quality

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Introduction

Congress is currently in the process of reauthorizing the Workforce Innovation and Opportunity Act (WIOA), the country's primary mechanism for worker training and skill development. WIOA, which repealed and replaced the Workforce Investment Act of 1998, promised to better serve the needs of employers and workers. The legislation was designed to help workers move "[into high-quality jobs and careers and help employers hire and retain skilled workers.](#)"¹ A decade later, however, it is clear WIOA has often missed the mark in supporting workers' success in accessing quality jobs or in effectively serving the high-road employers who provide good jobs.

The Missing Connections Between WIOA and Good Jobs

Workers who received WIOA services through its adult program earned a [median of just \\$8,272](#)² in the second quarter after exiting the program—about \$33,000 per year, or \$15.91 per hour. Black and African American workers served through the program earned a median of \$7,462 in the second quarter, which comes out to less than \$30,000 per year. Given these meager earnings, it is difficult to make the case that WIOA is effectively connecting most of the workers it serves to quality jobs.

These low earnings for workers participating in WIOA services reveal that the program is also not meeting the needs of many businesses, particularly higher-road businesses that offer good pay and good jobs. What we often see instead is a system that encourages WIOA providers to work with businesses in high-turnover industries and occupations where jobs are plentiful and "in demand."

For example, many WIOA providers steer workers toward training and employment in truck driving where jobs are abundant, and the stated entry-level hourly wage is generally thought of as one that aligns with a good job. But the extraordinarily high rate of turnover in truck-driving jobs is a strong indication that the industry has a [job quality problem](#).³ Although the workforce system may classify truck driving as an in-demand occupation, others note that the number of people with a commercial driver's license (CDL) and qualifications needed for driving a truck is [roughly three times](#)⁴ the total number of truck drivers. Training even more people in operating a truck will not solve whatever industry shortage may exist.

Many high-turnover businesses that provide low wages and job quality do not invest in their workers' training and development, relying solely instead on the public workforce system to bear those costs. To achieve its dual mission of meeting the needs of both job seekers and employers, the system needs to be able to identify and partner with high-road employers that offer quality jobs. One potential avenue for supporting quality jobs and the employers that provide them would be for Congress to allow more funding in WIOA to be used to support employee-owned companies.

Good Jobs and Employee Ownership

Numerous studies have shown that employee-owned companies provide higher-quality jobs. A 2018 [longitudinal study by the National Center for Employee Ownership](#)⁵ showed younger workers in employee-owned companies earned more than \$8,000 more per year, had nearly \$15,000 more in wealth, and were much more likely to have various benefits. More than two-thirds of workers in firms with employee stock ownership plans (ESOPs), the most common form of employee ownership in the United States in which workers acquire shares in the company, reported their [wages are equal to the market wage or higher](#)⁶ than the market wage for their job in their area of the country. Other studies show that employee-owned companies are much [less likely to lay people off and have much lower voluntary quit rates](#).⁷ ESOP Association research also shows that employee-owned companies are much [more likely to provide employer-sponsored training](#).⁸ If legislators are serious about using WIOA to support quality jobs and good employers, then stronger efforts to support employee-owned companies would be a great place to start.

Over the next decade, many business owners are expected to retire and transfer vast wealth in the process as they sell or pass down their businesses. This creates a unique opportunity to increase the number of employee-owned businesses. To realize this opportunity, business support systems need to be supportive and working toward this goal. However, many of these systems, including WIOA, [are not familiar with employee ownership](#)⁹ or set up to meet the unique needs of this business model.

Encouraging Workforce Boards to Improve their Awareness and Collaboration with Employee-Owned Companies

So, exactly how could WIOA be reauthorized to support employee-owned companies? First, WIOA could insert language into the reauthorization that makes partnering with employee-owned companies a stated goal. Under the current law, WIOA encourages providers to work with a range of partners through industry sector partnerships, including small- and medium-sized businesses, labor organizations, business or trade associations, economic development agencies, and more. Adding employee-owned companies as another priority stakeholder would encourage state and local systems to increase their awareness and understanding of this unique business model and its benefits. Legislators could also encourage state boards to take stock of how many employee-owned businesses are in their state during the state planning process. State boards should also be aware of how many business owners are approaching retirement age because retiring business owners provide one of the primary pipelines of businesses that hold potential for converting to employee ownership.

Legislators could go even further in encouraging how state and local systems involve employee-owned companies. In its guidance on the composition of state and local workforce boards, WIOA states that boards should be composed of businesses, including small businesses, that have employment opportunities that include “high-quality, work-relevant training and development.” As businesses that often have a strong understanding of worker training and its intersection with job quality, the participation of employee-owned companies could be a strong asset on state and local workforce boards, and encouraging their participation would be worthwhile.

Helping Employee-Owned Companies Meet their Unique Training Needs

A second opportunity for WIOA to support employee-owned companies is by helping these companies address the high costs of training they provide to build workers' understanding of what it means to be an owner. WIOA has too often been used to subsidize the costs of employers who are unwilling to commit their own resources toward the development of their workforce. Why not support the companies that have shouldered this burden by themselves?

The success of any employee-owned enterprise rests on the development of an ownership culture. Ownership culture creates more participatory workplaces where workers have a greater say. The workers see themselves as owners and understand what that role means. For new employee-owned companies, whether through a startup or through a company that has recently converted to employee ownership, training workers on this role is important but also time and resource intensive.

Training for new employee owners often involves education in financial statements and management so that workers understand the financial picture and performance of the firm and how their work and performance affect the bottom line. Many employee-owned companies conduct training on open-book management or something similar to familiarize workers with profit-loss statements and balance sheets. For ESOPs, workers must also understand the annual statements that show the value they have accumulated through their shares in their ESOP account, which functions as a type of retirement savings. At worker-owned cooperatives, workers play a large role in governance because cooperatives by definition are democratically controlled and managed. Workers in cooperatives, as a result, must understand their bylaws and how to effectively manage an enterprise as a collective.

This training is critical to employee-owned companies' success. Part of a workforce board's responsibility is convening employers to understand their training and development needs. Boards should be encouraged to convene employee-owned businesses in their region to identify what their unique needs are and how the system can support them.

Expanding Incumbent Worker Training to Include Training on Participatory Decision Making and Business Finances

But training incumbent workers and managers in non-employee-owned companies on some of the common practices used in employee-owned companies would be useful too. All businesses can benefit from a workforce that understands the company's finances and how their performance affects the bottom line. This is also transferable knowledge that workers will carry with them throughout their careers. Similarly, training supervisors and workers on participatory decision making that help businesses understand and value the unique perspectives workers have is not just valuable to employee-owned companies. Participatory workplaces that value worker voice and involve workers in decision-making [often provide better jobs and exhibit stronger performance](#).¹⁰ But WIOA is not currently set up to allow this valuable training.

Under the current performance measures of WIOA, on-the-job training or training for incumbent workers must result in a pay increase or be tied to preventing a layoff. Even though many employee owners typically gain access to company stock or some form of profit sharing, WIOA does not currently support this type of training. Adding training on open book management, participatory management, or decision-making and financial education for workers at employee-owned and non-employee-owned companies as an allowable expense in WIOA supports the workers and the firm, the dual customers WIOA is supposedly designed to serve.

Using WIOA to Support a Business's Conversion to Employee Ownership

The third opportunity to support employee-owned companies through WIOA resources is to help support the creation of employee-owned companies. Many employee-owned companies are the result of retiring or exiting business owners who choose to sell the business to their workforce. The process of converting the business and selling it to employees can be complex and costly and can require a long time horizon. In some cases, business owners may choose to avoid these challenges and sell the business to another individual or to private equity. Unfortunately, some may end up shuttering the business. WIOA's rapid response services can play an important role in supporting employee ownership conversions by helping retiring business owners cover the costs of conducting a feasibility study to sell to their workers. Feasibility studies help owners assess the outcomes and practicality of selling to their workers.

Feasibility studies are currently allowed under WIOA to help at-risk firms manage workforce reductions and avoid layoffs. Some local Workforce Investment Boards have used resources to help firms conduct feasibility studies of transitioning to employee ownership. In reauthorizing WIOA, legislators should explicitly state this as an allowable expense. To help further this type of support, legislators should also encourage states to collaborate with their state center of employee ownership to connect with employee-owned companies on their needs and with retiring business owners who may need assistance with a feasibility study.

Partnering with Employee-Owned Companies to Meet the Dual Customer Mandate

For the past few decades, our workforce system has on paper adopted a dual customer approach whereby the needs and success of workers and businesses are supposed to be equally treated. We have seen too often, however, that the needs of businesses, particularly those that do not provide good jobs, have too often been prioritized over the needs of workers. Although the challenge of meeting both needs is certainly difficult to balance and navigate, a renewed commitment to ensuring workers' needs for quality jobs are prioritized is long overdue. One step for the workforce system to take to meet this dual customer demand is to start to engage and partner with employee-owned businesses, where the owners and workers are one and the same.

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About

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¹ <https://www.dol.gov/agencies/eta/wioa>

² https://www.dol.gov/sites/dolgov/files/ETA/Performance/pdfs/PY2022/PY_2022_WIOA_National_Performance_Summary.pdf

³ <https://www.nytimes.com/2022/03/15/opinion/truckers-surveillance.html>

⁴ <https://www.nytimes.com/2022/02/09/business/truck-driver-shortage.html>

⁵ <https://www.ownershipeconomy.org/research/2018-update/>

⁶ <https://www.aspeninstitute.org/wp-content/uploads/2024/04/Employee-Ownership-and-ESOPs-What-We-Know-from-Recent-Research-1.pdf>

⁷ <https://esca.us/studies-and-surveys/nceo-study-finds-employee-ownership-provides-significant-advantages-in-uncertain-economy/>

⁸ <https://www.esopassociation.org/research/employee-training>

⁹ <https://www.fastcompany.com/91077152/can-employee-ownership-improve-capitalism>

¹⁰ <https://www.aspeninstitute.org/wp-content/uploads/2024/03/The-Importance-of-Participatory-Decision-Making-in-Designing-Quality-Jobs.pdf>



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