

Vermont Employee Ownership Center

Fact Sheet on Employee Ownership and Our Work

April 2015

About the Vermont Employee Ownership Center

The Vermont Employee Ownership Center (VEOC) is a statewide non-profit founded in 2001 to promote and foster employee ownership. Our aims, as stated in our bylaws, are “to broaden capital ownership, deepen employee participation, retain jobs, increase living standards for working families, and stabilize communities.” Our funding comes from a variety of sources, including the State of Vermont’s Agency of Commerce and Community Development, fees from educational events, fees for service, donations and sponsorships.

Why Employee Ownership?

- Employee ownership can **preserve local ownership of Vermont businesses**. Only 25% of businesses with under 100 employees successfully transition ownership; only 50% of businesses with over 100 employees successfully transition ownership. Rather than closing up shop, small business owners looking for a good way to exit can sell to their employees. This keeps businesses – along with the jobs they support and revenues they generate – here in Vermont.
- Employee ownership, like homeownership, **provides a means for ordinary people to build wealth**. Studies have found that retirement accounts in employee-owned companies were, on average, over twice as large as retirement accounts in comparable non-employee-owned companies.
- Employee-owned businesses tend to **pay higher wages and provide better benefits**.
- Employee-owned companies are **less likely to lay employees off**. The 2010 General Social Survey found that 3% of employees with employee stock ownership were laid off in 2009-2010 compared to a 12% rate for employees without employee stock ownership.
- Employee ownership **improves company performance**, especially when paired with employee participation. According to studies, employee-owned companies:
 - grow faster than comparable non-employee-owned companies: ca. 2.5% faster per year on average, and ca. 8% faster in those with highly participatory cultures;
 - are 20% less likely to face bankruptcy or acquisition;
 - increase jobs faster: adoption of an Employee Stock Ownership Plan (ESOP) increases employment by 2.5% per year relative to what would have otherwise been expected.

The Main Forms of Employee Ownership

- Employee Stock Ownership Plan (ESOP). ESOPs are the most common form of employee ownership. They are a special type of tax-qualified benefit plan designed to invest in the stock of the sponsoring company. Employees become beneficial owners of company stock through a trust when the employer establishes an ESOP. Shareholders can receive significant tax breaks for selling to an ESOP. According to The National Center for Employee Ownership, there are currently close to 7,000 companies that have ESOPs, with over 13 million participants.
- Worker Cooperative. Worker Cooperatives are a form of business ownership where the employees in a for-profit enterprise directly own and govern the business on a democratic basis of “one person, one vote.” Typically all workers, including managers, are eligible to be worker-owners after working for a certain period of time and paying a membership fee. About 350 worker co-ops are operating in the United States in every segment of the economy, according to the US Federation of Worker Cooperatives.

Employee Ownership in Vermont

- According to the VEOC’s best estimate, at least 30 companies in Vermont have an Employee Stock Ownership Plan, with over 6,000 plan participants and over \$250,000,000 in plan assets. Some of Vermont’s best-known companies have an ESOP, including PC Construction, King Arthur Flour, Gardener’s Supply Company, Carris Reels, Trust Company of Vermont, Resource Systems Group and Vermont Systems.
- The VEOC estimates that there are approximately ten worker cooperatives in Vermont, including Red House Builders in Burlington, PT360 in Williston, Catamount Solar in Montpelier and Grn Mtn Spinnery in Putney.
- One company, Chroma Technology, is 100% owned by employees through direct stock ownership.

VEOC Accomplishments and Activities

Since its founding in 2001, the VEOC has played a role in bringing employee ownership to 24 companies. Over 800 jobs have been retained or stabilized through these transactions.

Education and outreach

Beginning in 2003, the VEOC has presented an annual full-day conference on employee ownership. The 2015 edition will be at Saint Michael's College on June 2. These events are aimed at employee-owners in established employee-owned companies, business owners and managers considering employee ownership, and anyone interested in the potential of employee ownership to preserve jobs and stabilize communities. The conferences have attracted an average of 150 attendees.

For the past two years, we have presented a general introduction to ownership succession planning that takes a close look at four different ways of selling a business: to an outsider, to family members, to managers or to the larger group of employees. While we get into some technical details, the focus is on stories about each path, told by owners who have successfully sold their Vermont-based businesses. In our just-completed round of these presentations, we visited nine towns around the state and, with help from the local RDCs and Chambers of Commerce, attracted 10-20 attendees to each.

Technical assistance

The VEOC has provided direct assistance to owners and employees in more than 200 Vermont businesses. In many cases, representatives from these companies attended one of our educational events and then decided to learn more.

Some recent activity resulting (at least in part) from our work:

- In 2014 and 2015, we've helped four companies convert to the worker cooperative structure. Three of these were quite small (ca. 5 employees), but one has over 40 employees.
- In August 2014, Harpoon Brewery announced that 48% of the company's stock was sold by the two founders to an ESOP. While Harpoon is based in Massachusetts, it has a brewery and restaurant in Windsor, Vermont. One of the founders attended a VEOC seminar in 2012 and told us that it, along with conversations with leaders of employee-owned companies in Vermont, had helped convince him that an ESOP made sense for Harpoon and its 180+ employees.
- In December 2012, Concepts NREC, a White River Junction-based company with 100 employees implemented an ESOP.
- In June 2012, Chelsea Green Publishing became majority-owned by its new ESOP.
- In May 2012, CCS, a Morrisville-based construction company, implemented an ESOP which purchased 100% of the company stock.
- In January 2011, PT360, a physical therapy practice organized as a worker cooperative opened its doors, with 12 therapists and admin staff as owners.
- In December 2010, Sonnax Industries, an auto parts manufacturing company based in Bellows Falls with 150 employees, became 100% ESOP-owned in a transaction coordinated by a VEOC board member.
- In September 2010, Vermont Aerospace, a Lyndonville-based defense contractor with 225 employees, became 100% ESOP-owned.