

# Growing Employee Ownership to Advance Vermont's Economic Development Goals

Founded in 2001, the Vermont Employee Ownership Center (VEOC) is a state-wide non-profit that works to promote and foster broad-based employee ownership for Vermont businesses through three core strategies: outreach and education about employee ownership, transition assistance for businesses seeking to become employee-owned, and training and networking for existing employee-owned businesses. Vermont currently boasts over forty employee-owned companies, which range in size from small co-ops with three employee-owners to 100% ESOP PC Construction, which has a workforce of over 800.

VEOC's success in growing employee ownership, facilitated by key support over the past decade from the Vermont Agency of Commerce and Community Development, significantly advances the State's economic development goals.

## Attracting & Retaining Workers

The opportunity to build an ownership stake in one's workplace is a powerful attractor to job-seekers. At 100% ESOP King Arthur Flour, a recent survey of job applicants found that approximately half cited the company's employee ownership as a significant factor in their interest in the position.

Additionally, a national study from the Rutgers University Institute for the Study of Employee Ownership and Profit Sharing found that 72% of respondents would prefer to work for an employee-owned company and that younger workers were significantly more enthusiastic about this prospect than their elders. Vermont's aging workforce has been identified as a growing challenge for the state; expanding opportunities for employee ownership is one high-impact strategy that can help counter the trend.

Once employees are in positions at employee-owned companies, they are much more likely to stick around. In fact, voluntary turnover at such firms is, on average, half that of their industry peers. The opportunities afforded to workers at all levels at employee-owned companies encourage them to make deeper commitments to Vermont communities.

## Driving Economic Growth

The opportunity for employees to share in the success of the business aligns incentives in a way that can produce powerful results. Large scale studies have demonstrated that employee-owned companies grow, on average, 2 to 4% faster than their peers. Furthermore, for companies that combine employee ownership with high-participation management practices, the impact compounds, leading to growth-rates 8-11% higher than their peers.

## Retaining Businesses & Jobs

A major source of preventable job loss is failed exit planning that results in the liquidation of an otherwise viable business. With proper support, sale to the employees can offer an attractive internal buyer for a company that might otherwise be challenged in finding an external buyer, particularly in rural communities.

When a founder does sell to the employees, rather than to an out-of-state third party, the jobs are more likely to stay here. Through their employee-owners, employee-owned companies have deep roots in Vermont communities, making them less likely to relocate out-of-state.

Furthermore, when hard times hit, employee-owned companies have been found to lay off significantly fewer employees than their peers: in 2009-10, ESOP companies laid off employees at a quarter of the rate of conventional firms. Employee-owned companies serve as a stabilizing force in their communities, while yielding savings for the public in the form of reduced unemployment costs.

## Increasing Economic Security for Vermonters

Employee ownership serves to spread the wealth created by successful businesses, with a variety of positive impacts. Employee-owners retire with, on average, 2.2 times the savings of their peers, and a recent study of early-career workers (28-34 years old) at employee-owned companies found that they have 92% greater net wealth. Employee-owned companies also tend to pay higher wages, provide more training, and offer better benefits than their peers.

When employee-owned companies are sold, the distribution of the proceeds of the sale among the workforce can be significant, with potentially life-changing impact for low-wealth workers in particular.

## The Opportunity

As one of the demographically oldest states in the country, Vermont is on the leading edge of the so-called “Silver Tsunami” of Baby Boomer retirements. This wave of businesses going up for sale poses a significant risk of preventable job loss, should otherwise viable businesses fail to successfully change hands. It also presents an opportunity to significantly expand the scope and impact of employee ownership in the Green Mountain State.

If we can successfully capitalize on that opportunity, not only will Vermont be better insulated from economic risks, but also benefit from an expanding community of growing, high-performance businesses with deep commitments to their workforces and communities. Furthermore, with continued success, employee ownership could become an increasingly impactful element of the “Vermont Brand,” attracting workers from around the country seeking meaningful and rewarding careers in an ecosystem of employee-owned companies that cultivate high quality of life both at work and in their communities.

Note on Research: An excellent summary of the research on employee ownership can be found at [nceo.org/employee-ownership-data/academic-research](http://nceo.org/employee-ownership-data/academic-research). If you're interested in learning more, or for specific citations, feel free to contact [info@veoc.org](mailto:info@veoc.org).