

Employee Ownership: A Strategy for Thriving Communities

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Abstract

The article "Employee Ownership: A Strategy for Thriving Communities" by Mauri Ingram, Patricia Kwan, and Alexandra Spaulding discusses the vision of the Whatcom Community Foundation to create an inclusive economy in Whatcom County, Washington, through employee ownership (EO). The foundation aims to enhance economic mobility and prosperity by promoting EO, which involves employees owning a significant portion of a business's equity. The article highlights the benefits of EO, such as better compensation, higher productivity, and greater civic engagement among employee-owners. It also details the foundation's efforts to establish the Washington Center for Employee Ownership (WACEO) to support the transition to EO for businesses across the state.



Photo of the team at A1DesignBuild in front of a sign that reads “WHEN THE LEADER’S WORK IS DONE THE PEOPLE SAY, “WE DID IT OURSELVES” LAO TZU”

Introduction

To thrive, people need to imagine a bright future for themselves and their families, see a path to achieve that vision, and have access to the resources – relationships, education, and money – to make it real.

At the Whatcom Community Foundation, our vision is for *everyone who lives here to thrive*. ‘Here’ is Whatcom County, Washington. While we are a generalist organization, funding and working in all things pro-community – arts and culture, education, environment, health and wellbeing, housing, childcare, and more- we focus on opportunities to cultivate meaningful shifts in economic mobility and prosperity. We identify which roles we are best suited to and dig in. In our community, 38% of the population is either considered ALICE (Asset-Limited, Income-Constrained, Employed – a term coined by United Way) or living in poverty. Both groups—all of whom are our neighbors—lack the means to cover basic expenses, let alone build savings.

The current economy doesn’t work for everyone, and it could.

Our vision of an inclusive economy offers every person the opportunity to prosper. Employee ownership (EO), various types of broadly distributed ownership as defined by a significant portion of a business’s equity owned by its employees, is a powerful tool in the inclusive economy toolbox. EO enterprises yield benefits for workers, businesses, communities, and selling or retiring business owners. They can take several forms: worker cooperatives, Employee Stock Ownership Plans (ESOPs), and Employee Ownership Trusts (EOTs) are the most common. As a result of learning the impact of broad-based employee ownership, several years ago, the Whatcom Community Foundation decided to lead an initiative to create a nonprofit statewide center for employee ownership (Washington Center for Employee Ownership - WACEO). As of the fall of 2024, we have hired the inaugural center director, dedicated \$500,000 in funding over three years, and committed to incubating the organization until it is ready to spin off as its own nonprofit entity.

The data is clear and compelling. Employee-owned enterprises better compensate employees (from wages to benefits), experience higher productivity, spur greater civic engagement amongst employee-owners, and are more resilient. So, in addition to putting more money in the pockets and savings accounts of our local workforce, which unlocks greater agency in workers’ lives, a key to staying out of poverty,ⁱ EO also plays a vital role in preserving local businesses and thereby the vitality of communities. That’s why launching a statewide center to promote and help facilitate early exploration of employee ownership as an option for startups and conversions of existing businesses is an excellent strategy for creating a thriving economy.

Research from the National Center for Employee Ownership shows the employee-owner:

- 33% higher median wage income
- 53% longer job tenure
- 92% higher household net worth
- 2% higher sales and employment growth year after year (NCEO)

· 6x less likely to lay off staff in a “normal” economy and 50% less likely in the last two recessions

In Washington state, baby boomer business owners are already stepping out of their ownership role, putting 67,000 businesses, 682,000 jobs, and billions in payroll and business and tax revenue at risk. That adds a sense of urgency to the work of promoting and facilitating employee ownership.

We began learning more about employee ownership by working initially with the Democracy Collaborative and later with Project Equity, both national organizations working to ensure economic opportunity and widespread prosperity. The latter helped guide our learning journey and planning work. To spread the word about EO and enlist others to help shape and advance the effort, we brought together local economic development practitioners, higher education partners, and representatives from our state commerce department. We hosted a work session with local stakeholders and relied on Project Equity and the former director of the Beyster Institute at the University of California, San Diego, as subject matter experts.

To seed the concept across the state, we reached out to our community foundation colleagues across Washington. They, in turn, connected with their local economic development practitioners. We hosted webinars on the topic of EO designed for professional advisors (CPAs, financial advisors, and attorneys), economic development leaders, local government, and business owners. We promoted the idea broadly through our THRIVE newsletter. Taking the time to articulate a ‘think, feel, and do’ for each audience was helpful when planning to introduce the idea. For example, we wanted professional advisors to think, “This is a relationship and opportunity that will benefit my clients and expand my expertise.” We wanted them to feel valued as skilled service providers and eager to learn more and get engaged with the WACEO. We wanted them to participate in EO professional development and training, routinely present EO as an option for their clients for whom it might be a good fit, and guide relevant clients through the conversion process.

The WACEO is located in Bellingham, Washington, a city of less than 100,000 in a county with a total population of approximately 235,000. Whatcom County is a predominantly rural community. Why locate a center serving the entire state in a more rural area rather than in a major market like Seattle? First and foremost, the idea germinated in Bellingham. Second, it is easy for the rural/urban divide to hamper idea sharing and opportunity. EO is a “purple concept”: it holds appeal for all political stripes. While it can be challenging to see our similarities, common values, and goals, our intention is for an unexpected home base for the WACEO to signal our commitment to both rural and urban geographies and clear the way for more widespread EO expansion.

While the Whatcom Community Foundation made a three-year funding commitment to help launch the WACEO, we are also raising funds from a variety of public and private sources.

Today, we have a WACEO director and a growing steering committee that includes people with a wide range of expertise and perspectives from across the state. Our short-term goals are to raise

awareness across the state among economic development practitioners, the state's Small Business Development Center network, local and state government partners, and business owners; engage professional advisors in learning opportunities; and help business owners begin exploring and understanding EO as an option. In the long term, we will work to integrate EO into every level of business education in the state, from elementary (e.g., Junior Achievement) to higher education. EO is not a fit for every business. Our goal as a Center is to help businesses understand whether it is a fit and, if so, to support the transition.

Depending on your perch – nonprofit, philanthropy, government, or community leader – find out if there are any existing employee-owned businesses in your community. Reach out and hear firsthand their motivation and experience. Local employee-owners are excellent resources and champions. Learning from others at work is also a great place to start. There are more than 20 statewide centers in the US, using a variety of business models. It is a collaborative, generous field. Start conversations about EO with anyone who will listen. Local business associations, your nearest Small Business Development Center, local and state government, a business school if there's one in your area, your neighbor, or your family.

If you're interested in learning more, you will find links to a number of organizations dedicated to growing the number of employee-owned enterprises across the nation in the EO-focused issue of THRIVE. To learn more about the WACEO, visit the website.

¹ Gregory Acs, Amrita Maitreyi, Alana L. Conner, Hazel Rose Markus, Nisha G. Patel, Sarah Lyons-Padilla, and Jennifer L. Eberhardt, "Measuring Mobility from Poverty," U.S. Partnership on Mobility from Poverty, Stanford SPARQ, and the Urban Institute, April 2018, https://sparqtools.org/wp-content/uploads/2018/06/measuring_mobility_paper.pdf