

Employee Ownership Financing Act Factsheet

Sen. Bernie Sanders (I-Vt.)

Workers deserve an ownership stake in the companies they work for, a say in the decisions that impact their lives, and a fair share of the profits that their work makes possible. One effective way to do this is to make it easier for workers to become owners through Employee Stock Ownership Plans (ESOPs) and Worker Cooperatives that are majority owned by employees.

Study after study has shown that broad-based employee ownership creates higher [wages](#), better benefits, and a more secure [retirement](#). They also decrease gender and racial [wealth disparities](#). A recent study confirmed that expanding employee ownership could [quadruple](#) the share of wealth held by the bottom 50 percent of Americans. Employee-owned businesses boost employee [morale](#), dedication, creativity, and productivity, as workers share in profits and have more [control](#) over their own work lives.

Moreover, broad-based employee-owned companies keep jobs local; they have better [job retention](#) and are much less likely to outsource American jobs overseas. They also [improve](#) company performance with 2.3 percent higher sales, 4.4 percent higher productivity, and have 10 percent higher profit margins.

There are more than [6,500 ESOPs](#) in the United States with nearly 15 million participants, according to the National Center for Employee Ownership (NCEO). Unfortunately, the number of employee-owned businesses has been relatively stagnant over the past decade. While there are many causes for this, one of most significant is the [lack of access to capital](#). The Employee Ownership Financing Act seeks to boost these numbers by creating a loan program with \$500 million in capital to make finance options more attainable for workers seeking to buy the businesses they work for.

In addition, when large companies close worksites and lay off employees without notice it has devastating consequences on workers, their families, their community, and the local economy. One way to stop this devastation is to allow workers to buy profitable plants, rather than allow them to close down. This legislation would do just that by amending the Worker Adjustment and Retraining Adjustment Notification (WARN) Act to give workers the opportunity to purchase a closing facility through an ESOP or worker cooperative that is majority owned by employees.

Finally, the legislation would build on the [WORK Act](#), which educates workers and retiring small business owners on the benefits of employee ownership at the Department of Labor and across the country, by codifying the creation of a related Office of Employee Ownership and creating an Employee Ownership Advisory Council at the Department.

The Employee Ownership Financing Act would:

- **Establish the Office of Employee Ownership (OEO) in statute.**
 - Locates the staffed OEO at the Department of Labor (DOL), but outside of the Employee Benefit Security Administration (EBSA).

- Tasks the OEO with establishing and running the Employee Ownership Loan Program, along with continuing the functions of the Employee Ownership Initiative.
- **Creates the Employee Ownership Loan Program.**
 - Enables the OEO to provide loans to create ESOPs or worker owned cooperatives that are more than 51 percent employee owned and to save closing plants via an ESOP purchase.
 - Loan recipients must:
 - Not be owned by private equity;
 - Provide workers with improved workplace democracy and company financials;
 - Offer a diversified retirement investment option;
 - Receive a fair market valuation of the company proving its viability and ability to pay back the loans they receive; and
 - Meet appropriate trustee and board standards.
- **Provides employees the right of first refusal.**
 - Under the Worker Adjustment and Retraining Adjustment Notification (WARN) Act, large companies are required to provide at least 60-days notice of mass layoffs at a single work site. This legislation amends the WARN Act to provide workers with an opportunity to purchase a closing facility via an ESOP or worker cooperative if they receive an evaluation from an independent third party that the business will be profitable into the future.
 - Requires disclosures to employees regarding the financial viability of the facility.
- **Establishes a seven-member advisory council on Employee Ownership at DOL.**
- **Authorizes \$500 million to the program, with \$5 million set aside for implementation costs.**
- **Gives DOL regulatory authority and one year to implement.**