

Employee-Owned Businesses Can Boost Local Economies

Forget about the official unemployment numbers: the U.S. economy is on life support, choked into submission by massive imbalances in the distribution of wealth. The once great American engine of productivity is sputtering along at far below capacity, leaving tens of millions without work and tens of millions more underemployed and undercompensated for their labor.

In this time of great fear and economic uncertainty, now more than ever we need new answers to old problems, and this is where [employee-owned business models](#) can and should enter the picture. While employee ownership schemes are normally associated with socialism, in fact this type of dynamic arrangement is compatible with any economic system, as the workers who run thousands of successful coops in a variety of nations can attest.

Putting commercial and business interests directly in the hands of the real producers radically democratizes economic decision making, in a way that inevitably benefits laborers, communities and the American people as a whole.

Business Ownership, the Next Generation

While globalization and corporatization have swept away many small, independent, local entrepreneurs, fortunately there are some hold outs—a lot of them, actually—and that provides an ideal opening for the employee-ownership concept to take flight.

At some point every independent entrepreneur has to decide how to dispose of their business interests. Assuming these men and women care about the health and welfare of their communities, why not sell their businesses to those who have the biggest stake in their continued success?

Start-up worker-owned enterprises do have some record of success. But with employee-owned coops still relatively rare in the U.S., the easiest way to get a co-op movement off the ground here is through the transfer of existing businesses to qualified and responsible employees, who could obtain financing for their purchases through [non-profit advocacy groups](#), banks, credit unions, community development funds, private philanthropists, government initiatives, co-op membership dues or crowdsourcing efforts.

Existing enterprises have a workable infrastructure of business practices already in place, making the odds of success much greater than for employee-owned start-ups. Before any official transfer occurs, owners could offer valuable on-the-job management and entrepreneurial training to their employees, to make sure they're prepared to handle every aspect of running a business.

Advantages of Employee Ownership

Worker-owned enterprises may seem like an impractical idea to many Americans, who've become accustomed to a more hierarchical structure in the workplace. But this type of business arrangement has been tested around the world and emerged triumphant, time and time again.

While they aren't very well known or publicized in this country, according to the U.S. Federation of Worker Cooperatives there are somewhere between 300 and 400 fully operational employee-owned commercial interests up and running in the United States at this moment. They can be found in cities and small towns, in rural areas and in most states.

From the perspective of workers, the benefits of the employee-ownership business model include:

- Higher wages
- Better job security
- Improved workplace safety records
- More democratic decision-making practices
- Free on-the-job training in business and entrepreneurship skills
- Higher self-confidence and self-esteem among workers.

From the standpoint of civic leaders, businesses owned by employees are a true asset to the community. They help:

- Keep business profits in the area, where they can continue to circulate through the local economy
- Reinstate face-to-face accountability for the quality of goods and services provided
- Rejuvenate and rehabilitate locally-based entrepreneurship as an alternative to nationalization and franchising
- Increase the community's collective business savvy and experience
- Improve the area tax base, since higher wages mean increased tax collections
- Build a new localized economic infrastructure at least partially protected from the ups and downs of the national/global economy

An employee-ownership movement could jumpstart a nationwide local economy renaissance, by merging commercial and business activity with community interests. With a reduction in absentee or corporate ownership profits would stay in the community, stability would be preserved and the gap between rich and poor would be gradually and progressively closed.

None of these alleged benefits are theoretical. Numerous studies have revealed that employee-owned enterprises are superior performers in comparison to similarly sized private businesses with more traditional ownership structures. Well-run worker co-ops are more [productive](#), more [profitable](#), more [efficient](#) and more [likely to succeed](#) in a crowded and competitive marketplace.

Turning the Clock Forward

Working men and women sacrifice their blood, sweat and tears to meet their responsibilities to their employers. But they have no real control over whether the businesses they work for live, die, innovate, relocate or close their doors for good at the first sign of a slowdown, or when the parent company decides to shift part of its operations to a lower-wage nation.

Current trends in globalization have us racing to the bottom, where outsourcing and downsizing have turned the “good jobs at good wages” mantra into a mockery. Meanwhile dishonest politicians have been exploiting the public’s fears about the future by making facile promises to bring back lost jobs that for the most part have already been automated out of existence.

No matter what kind of bunk certain political hucksters try to sell us, the truth is we can’t turn the clock back to the 1950s, when America’s postwar global hegemony made its economy the envy of the world. And even if we could go back that wouldn’t do much good for people of color, who weren’t permitted to share in the prosperity of those times anyway.

In the face of global-scale economic malaise and underproduction, employee-owned business models represent one of our last, best hopes for grassroots modernization and the elimination of urban and rural poverty zones. Direct worker involvement in economic management isn’t a panacea, but the track record of employee-owned businesses tells us they can help reverse the loss of purchasing power and the scandalously unfair distribution of wealth that is keeping our economy chained to the walls of the dungeon.