

Introducing Employee Ownership, a Bold Idea Whose Time Has Come

Looming on the horizon is a storm known as [the Silver Tsunami](#), a phrase created to describe the impending wave of Baby Boomer retirements that could cause massive dislocations in the U.S. economy over the next two decades.

There are approximately 77 million Baby Boomers in the United States, most of whom have yet to retire but will soon, and that includes somewhere between four and seven million people who own their own businesses. These individuals employ tens of millions of people, and the economic futures of those workers is far from secure. Since only 20 percent of businesses that are put up for sale ever find a buyer, and only 15 percent of family-owned businesses are passed on to a second generation, we could be facing an epidemic of business closings.

In fact, the Silver Tsunami has already begun to take its toll on the economy. Closures of privately-held businesses have been increasing and employee terminations are accelerating. And even when retiring entrepreneurs find a buyer, communities often suffer; local ownership returns three times as much of its profits to the community as businesses owned by chains or other corporate interests, yet desperate buyers often have no choice but to take the best offer they get, regardless of its source.

In Oakland and the surrounding area, the situation is [a microcosm of this stark and startling reality](#). More than 63,000 Boomer-owned businesses employing 625,000 people are currently operating in the San Francisco Bay Metro area, which represents nearly half of the privately-held companies doing business in the region.

Project Equity and the Employee Ownership Concept

While the consequences could be severe if nothing is done, there is a potential solution to the dilemma of mass business liquidation: employee ownership. For entrepreneurs seeking a safe path to retirement, employee ownership is an eminently practical option with a surprisingly strong track record of success.

In Oakland and the surrounding Bay Area, business owners interested in converting to employee ownership can find expert assistance in their own backyard. They can contact a nonprofit organization called [Project Equity](#), which since its inception four years ago has helped multiple clients in California and elsewhere across the country make the transition to the employee-ownership model.

Oakland-based Project Equity is the brainchild of Alison Lingane and Hilary Abell, two experienced business executives and highly-motivated social entrepreneurs with a passion for promoting employee ownership as a form of sustainable community development. Both have seen first-hand how successful employee ownership can be, and their enthusiasm for the concept is grounded in their knowledge of its practicality and functionality in real-world business environments.

“We try to raise awareness broadly of the model, and we try to raise awareness in mainstream places that wouldn’t normally be talking about worker ownership,” Lingane explained in [a 2017 radio interview](#). She describes employee ownership as “a business form that has decisions being made through the lens of what’s good for workers, for their families and for their communities.”

And employee ownership is an exciting option for entrepreneurs as well. In fact, it offers retiring business owners their best chance at preserving their legacies and maintaining the status quo even after they’ve moved on to new life challenges.

How Employee Ownership Works ... and Why it Works

When a privately-held company is transferred from an individual or ownership group to its workers, management structures and day-to-day practices remain essentially the same, as do employee responsibilities, marketing strategies, inventory choices and all other aspects involved in running a successful and established business. The major difference is that employee owners select a Board of Directors to oversee the overall operation of the enterprise.

Even among Americans who are familiar with worker coops, few realize how strong their history of performance actually is. As [multiple studies have confirmed](#), worker-owned enterprises generally outperform companies that function on the conventional business model, in most if not all categories that measure economic impact and performance.

In comparison to traditional businesses, the benefits offered by employee-owned businesses include:

- Higher productivity
- Less employee turnover
- Higher wages and better benefits
- More stability and longevity
- Enhanced control over workplace conditions
- Building of entrepreneurial skills among workers
- Greater reinvestment of business profits and wages in the community

At present only 300-400 worker coops are in existence in the United States, which is a shockingly low number but also a sign of the concept's tremendous growth potential.

Introducing Project Equity's Incubator Program

The employee-ownership concept might seem too radical or different to many business owners (and workers, for that matter), who are used to thinking within prescribed limits. But Alison Lingane, Hilary Abell and the other team members at Project Equity understand the reticence that can prevent people from exploring uncharted territory, and they've developed a Coop Incubator program to help business owners and employees learn more about employee ownership and successfully complete the conversion if they decide to chart that course.

With the help of Project Equity personnel, owners and employees arrange for a business valuation, negotiate a fair sale price, draw up a purchase agreement, secure financing from banks and/or Community Development Financial Institutions, set up equity buy-in programs for workers, create bylaws and decision-making structures for the new ownership group, and provide training and support to workers and their representatives throughout the conversion process.

"We offer a structured set of services to businesses to help them transition from a traditional business structure to an employee-owned structure," Lingane says in describing the Project Equity Incubator initiative.

The idea is to make the transition to broad-based employee ownership as smooth and seamless as possible, and in most instances customers and suppliers will never realize that anything has changed.

In the Bay Area several businesses have already completed or are in the process of completing the transition to employee ownership, including [Niles Pie Company](#), a bakery in Union City, [A Slice of New York](#) pizza shops in San Jose and the famous reuse and recycling mecca [Urban Ore](#) in Berkeley. Project Equity frequently works with municipal governments to secure legislation and funding in support of the employee ownership model, and their contacts with the Oakland City Council have received a favorable response, suggesting that action on employee ownership in this city could happen soon.

Oakland is Fertile Ground for Employee Ownership

In Oakland, the median cost of a home [has now risen to \\$738,400](#), reflecting a transfer of wealth into the community that will inevitably impact its economic evolution. Existing enterprises should continue to thrive and prosper in the years to come, meaning the time has never been better for business owners, workers and financiers to embrace the employee-ownership concept, since it guarantees the stable, profitable and continuous operation of already-established businesses.

Securing the future of these companies can help lay a foundation for sustained economic growth, by preserving good jobs and keeping wealth in the community, where it remains free to circulate and seed further expansion.

In this region and beyond, Project Equity is prepared to do everything in their power to encourage and support a mass movement toward the employee-ownership model, among retiring Baby Boomer entrepreneurs and others who want to join the revolution. To prompt a sustainable economic transition Oakland needs ideas that are fresh and innovative yet grounded in real-world experience, and that is exactly what the employee ownership concept provides.