

EMPLOYEE OWNERSHIP

A TRIPLE-WIN SOLUTION

As minority entrepreneurship is exploding, a generation of established business owners face retirement with no plans for succession. Legacy businesses are crucial to community wealth, neighborhood stability, and ensuring that communities of color continue to thrive.

Becoming employee-owned can keep businesses' doors open, save jobs, and anchor benefit in communities.



FOR EMPLOYEES

Building assets and skills through business ownership has remarkable impacts for the employee: median household net worth is 92% higher for employee-owners, employee-owners have 33% higher median income from wages, median job tenure for employee-owners is 53% higher.

FOR BUSINESSES

Democratically-managed, employee-owned business have lower employee turnover and improved longevity. DAWI research shows increased and growing diversity in business ownership, with 70% of worker cooperative businesses started since 2000 by people of color. Employee ownership creates more resilient businesses: during downturns, both ESOPs and cooperatives have lower rates of failure and job loss.

FOR COMMUNITIES

Retaining legacy businesses preserves the delivery of critical goods and services. It anchors jobs, small businesses and community wealth. Employee ownership can stabilize small corridors through investing in a neighborhood's key small businesses.

SUCCESSION PRESSURES

In 2012
900,000 U.S. BUSINESSES OWNED BY PEOPLE OF COLOR

generated
\$1.1 TRILLION IN SALES
and employed
7.1 MILLION PEOPLE



284,000

of those owners are nearing retirement



83%

of those owners don't have a succession plan

CAPITALIZING ON THE OPPORTUNITY FOR LEGACY BUSINESSES

The "Silver Tsunami" refers to the wave of Baby Boomers who will retire by 2025. This includes millions of small-business owners of color. This creates an opportunity in the next decade to save minority-owned businesses by creating new business owners of color -- their employees. Now is the time to leverage the largest generational wealth transfer in history by expanding ownership and narrowing the racial wealth gap.

City governments across the country – starting with New York, San Francisco, and Boston – have made commitments to legacy business preservation and employee ownership. A national support system called the the Workers to Owners Collaborative has emerged, with a network technical assistance providers and lenders supporting transitions nationwide. More information can be found at becomingemployeeowned.org.

The Democracy at Work Institute and National Urban League are collaborating with Citi Community Development on the Legacy Business Initiative, a nationwide effort to retain minority-owned legacy businesses by helping them convert to employee ownership.



Democracy at Work Institute
US FEDERATION OF WORKER COOPERATIVES



National Urban League



CitiCommunityDevelopment.com

MINORITY-OWNED BUSINESS IS A GROWING SOURCE OF COMMUNITY WEALTH

The economic value of minority business ownership is substantial and trending upward. Minority-owned firms are joining the market at a substantial pace.

From 1997-2007, the number of minority-owned firms jumped 107% and the number of black-owned businesses increased by 146%.²

CITY CHANGES ENDANGER MINORITY-OWNED LEGACY BUSINESSES

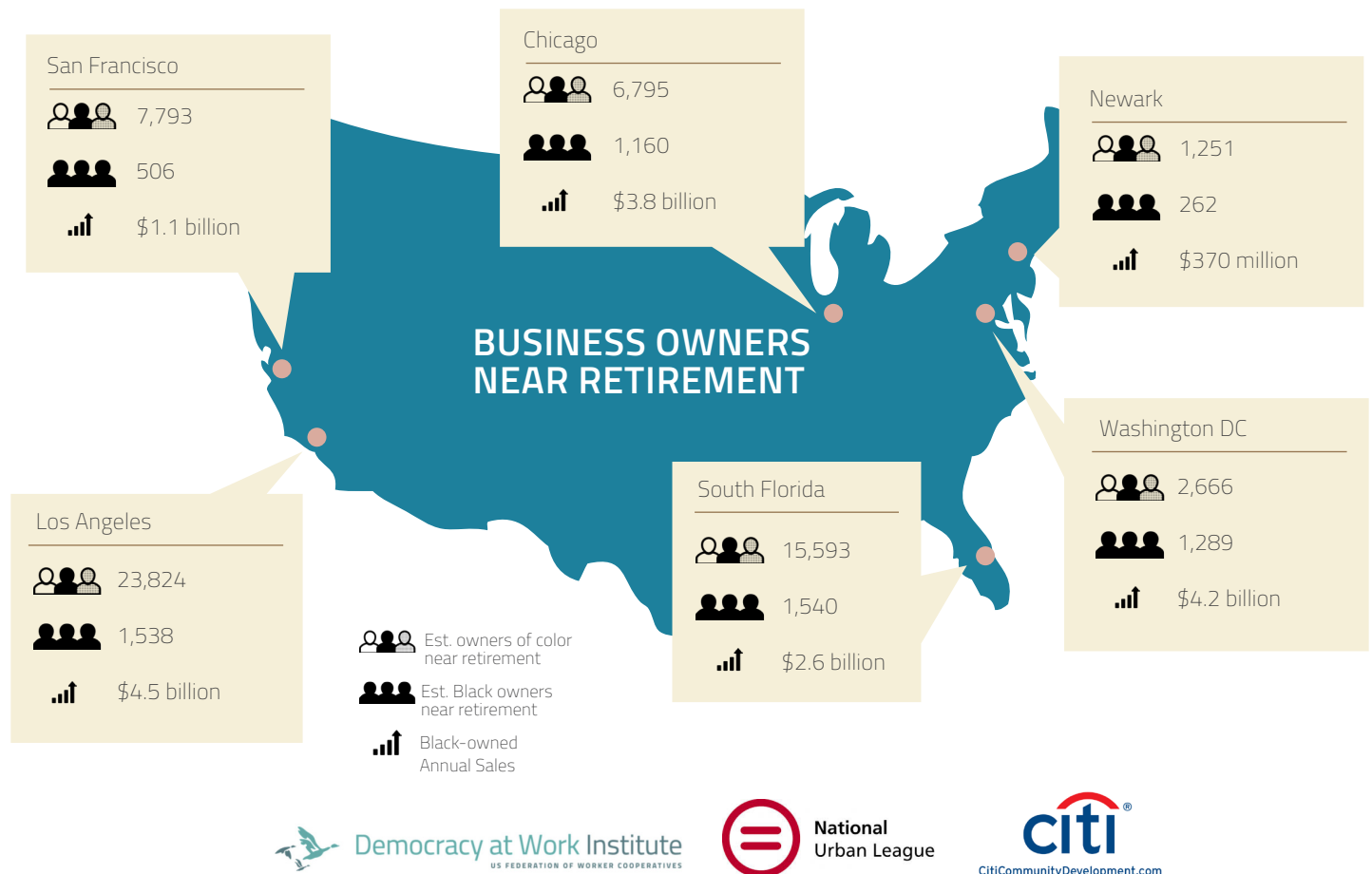
Cities and neighborhoods around the US are at risk of losing significant economic and cultural assets as the baby boom generation of business owners age into retirement.

With rapidly increasing rents and population pressures, small business displacement is a key part of larger displacement and affordability trends.

SHARING OWNERSHIP WITH EMPLOYEES CAN KEEP BUSINESSES IN THE COMMUNITY

Owners don't have to shut their doors or sell for parts at retirement; they can preserve their legacy by selling the business to their employees. Employee ownership is a proven strategy for business retention. Thousands of employee-owned businesses across the country have demonstrated that creating more entrepreneurs by sharing ownership has positive impacts for workers and communities.

Understanding the market can help capital providers play a key role by financing these transitions in ownership. They can also partner with the growing ecosystem of technical assistance providers to build awareness and a pipeline for future transitions.



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To learn more about your role in retaining local minority-owned businesses through employee ownership, contact: Democracy at Work Institute at www.institute.coop, and the Workers to Owners Collaborative at www.workerstoowners.org.

¹ The Legacy Business Initiative used results from the US Census's 2007 and 2012 Survey of Business Owners to examine the broad features of small business ownership by race in ten counties in the Chicago, Washington DC, Newark, Los Angeles, San Francisco and Miami metropolitan areas.

² The Racial Wealth Gap, Aspen Institute, pg. 5. http://assetfund.org/images/pages/AFN_Racial_Wealth_Gap_-_Strategy_Spotlight_2015.pdf.

³ Defined as being over the age of 55.

⁴ <https://www.ownershippeconomy.org/>