



NEW YORK STATE SENATOR

Daniel L. Squadron

Senate Democrats Announce Legislation to Expand Employee-Owned Businesses

DANIEL L. SQUADRON June 1, 2017

| ISSUE: **DEMOCRATIC POLICY GROUP, ECONOMIC DEVELOPMENT, JOBS, EMPLOYEE-OWNED BUSINESSES, REPORT**



Innovative Proposal will Generate New Jobs, Empower Workers and Strengthen New York's Economy

(**Bronx, NY**) Senator Jamaal Bailey was today joined by Senate Democratic Leader Andrea Stewart-Cousins and Democratic Policy Group Chair Daniel Squadron to discuss efforts to provide more good paying jobs for New Yorkers. This proposal is focused on legislation to help expand employee-owned businesses and incentivize more workplaces to utilize this

business model. The legislation was introduced in connection with a report issued by the Senate Democratic Policy Group entitled, *Creating Jobs, Sharing the Wealth Employee-Owned Businesses: A Path for Good Jobs in New York*, which highlights the benefits of employee-owned businesses and how New York State can take advantage of this creative model to create jobs and spur economic growth.

Bill Sponsor, Senator Jamaal Bailey said, “New York State leads in many areas of economic development. It is now time to be forward thinking in terms of economic development via employee-owned businesses. As a law student in CUNY School of Law's Community Economic Development clinic, I closely studied employee-owned businesses as they seemed to be a method of economic development that would help to level the playing field and battle against income inequality by providing better wages and quality working conditions and a more democratic model of corporate governance. Now, as a member of the New York State Senate, I hope to be a part of the movement towards the State of New York supporting employee-owned businesses. By supporting employee-owned businesses, New York State has the opportunity to be a national leader in economic development that provides workers with dignity and prosperity. Under this model, we will be able to create stable jobs that improve workers' wages and benefits, and also provide asset building opportunities through profit sharing, that can assist workers in buying homes, sending their children to college, or simply not having to work exorbitant hours away from their families and homes. Employee ownership not only benefits worker owners through profit sharing and democratic governance, it also benefits whole communities by keeping profits circulating within the communities in which they operate, thereby creating community wealth. Employee ownership is a great economic tool in the constant fight to end income inequality. This legislation is the first step in New York State implementing a true vision of progressive economic development that addresses unequal opportunity, mobility and wealth divides in our great state.”

“Improving New York’s economy by creating opportunities for all hard working New Yorkers is a top priority of the Senate Democrats,” **Senate Democratic Leader Andrea Stewart-Cousins** said. “We must always be looking to the future and searching for innovative ways to create good paying jobs. Thanks to the leadership of Senator Jamaal Bailey, we are advancing an exciting way for state government to invest in New York’s workers while creating new jobs.”

Senate Democratic Policy Group Chair, Senator Daniel Squadron said, “Good jobs, good wages, and sustained growth make employee-owned businesses a great investment for New York. Innovation and opportunity should be our state's economic engine -- and Albany should get on board to expand employee-owned businesses. Thank you to Leader Stewart-Cousins, Senator Bailey, the members of the Democratic Conference Policy Group, and the Democratic Conference for their continued focus on jobs across the state.”

Last year, New York’s net population loss was its largest since 2007 with losses over the last six years larger than any state. One of the major causes of this ongoing problem for New York is the fact that many residents consider stable jobs with good pay as increasingly rare across the state. To address this problem, Senator Bailey and the Senate Democratic Conference have advanced innovative ways to create good local jobs and grow the state economy. As part of this effort, employee-owned businesses, such as worker co-ops, have been identified as a promising path to create and sustain good jobs for New Yorkers.

Employee-owned businesses are businesses where employees own part or all of the company where they work. These businesses create stable, long-term jobs with good wages and outperform traditional businesses in job creation, profits, and benefits for workers and communities.

The Senate Democratic Policy Group report, *Creating Jobs, Sharing the Wealth Employee-Owned Businesses: A Path for Good Jobs in New York*, highlights the benefits of employee-owned

businesses:

1. **Better Job Creators** Employee-owned businesses create jobs three times faster than traditional firms and have shown 11.5% average annual growth from 2002 to 2012 compared to a growth rate of 7.1% for top publically traded companies.
2. **Slash Lay Offs** Recent survey data showed companies owned by employees lay off significantly fewer employees than companies not owned by employees with 12.1% of all private sector workers, but only 2.6% of workers at employee-owned businesses, reporting that they were laid off within the prior year.
3. **Improve Wages and Benefits** Companies that provide for employee profit-sharing show significantly higher wages and increased access to retirement benefits in addition to lower turnover.
4. **Are More Profitable** Studies of companies adopting employee ownership show as much as a 2% gain in annual returns for owners based on employee ownership along with productivity gains of as much as 4%.
5. **Profits Benefit Workers** Because workers at employee-owned firms own a share of the business they work for, increased productivity and profits directly benefit them by translating directly into increased job stability, benefits, and wealth for employee-owners -- which in turn, gives employees the opportunity to invest their earnings in their families and local communities, leading to further, local economic growth.

You can read the full report and analysis here:

<https://www.scribd.com/document/349959492/Policy-Group-Report-Creating-Jobs-Sharing-the-Wealth-6-1-17>

To take advantage of the facts detailed in the Senate Democratic Policy Group report, Senator Jamaal Bailey has introduced **legislation** that will expand the good jobs employee-owned businesses create by:

- Providing low-cost state loans and loan guarantees to employee-owned business to expand their access to capital.
- Establishing a State University-based Office for Employee-Owned Businesses to spark and support the growth of employee-owned businesses.
- Providing state tax relief to encourage business owners retiring or seeking a change of ownership to sell their businesses to employees
- Going forward, ensuring state laws, like Senator Bailey’s legislation, facilitate the creation and expansion of employee-owned businesses, as in California and Ohio.

Senator Leroy Comrie said, “Our shared future in New York will be secured by the innovative investments we make in three essential areas: our people, our communities, and our economy. Fortunately, the Senate Democratic Conference has developed a pioneering and empowering approach—backed by comprehensive legislation—that supports all three pillars. Employee-owned businesses, particularly worker co-ops, are a viable and valuable model of economic development that will truly grow sustainable, good paying, and community-enhancing jobs that will allow people to become strongly rooted in the neighborhoods and careers they love.”

Senator Martin Dilan said, “Employee-owned enterprises have seen success the nation and world over since the 1970’s. Considering New York’s and especially Brooklyn’s, recent

resurgence as a hub for entrepreneurship, you would expect a larger presence of employee-owned businesses. Whatever the reason for that is, whether it's a lack of incentives, access to capital or lack of support, we need to help foster the employee-owned model throughout New York State."

Senator Liz Krueger said, "Although our country is experiencing historic levels of wealth creation, not nearly enough of that wealth is reaching the pockets of the hard-working people who actually create it. Employee-owned businesses are one proven way to ensure that the people who fuel our economy get to enjoy the benefits. I commend Senator Bailey and my Senate Democratic colleagues for this innovative legislation to support a business model that is a true win-win for New Yorkers."

Senator George Latimer said, "Today's economy takes new thinking and that is what Senator Bailey has provided us all. I would like to thank him for taking the lead in chartering new ways to invest in New York businesses that will keep New York residents employed with good paying jobs that provide a future for employees and their families."

Senator Roxanne J. Persaud said, "Economic empowerment is key not only to economic development, but also to reduce the incidence of social instability in our communities. We will continue to work together to create opportunities for innovative entrepreneurship which remains a high priority."

Senator Gustavo Rivera said, "By putting forth this common sense legislative proposal, the Senate Democratic Conference continues to advance innovative policy to create good paying and sustainable jobs for New Yorkers across the State. These efforts will go a long way in expanding employee-owned businesses, which will not only empower New Yorkers to invest in their own communities but, more importantly, strengthen our State's economy."

Senator James Sanders Jr. said, “One important way we can reduce unemployment, grow the economy and create good paying jobs is to increase the number of employee-owned businesses. As the ranking democrat on the Senate’s Labor Committee, I wholeheartedly support this legislation (S.5685) which will provide low cost loans to employee-owned businesses so they can increase their access to funding; and provide tax incentives to business owners to encourage them to sell their stores to their employees, among other provisions.”

Yorman Nunez, Stakeholder Engagement and Education Lead for the Bronx Cooperative Development Initiative (BCDI), said, “We firmly believe this bill is a critical step in building and equitable economy in New York. It calls for the development of an employee ownership center, which is key institutional infrastructure for the development of shared wealth and ownership for local residents. Senator Bailey deeply understands the need to develop an ecosystem of support that enables New Yorkers to build wealth and thrive, and we at the Bronx Cooperative Development Initiative look forward to working with the Senator and his colleagues to grow that network of support.”

Professor Carmen Huertas-Noble, CUNY School of Law, said, “Now, more than ever, state governments must support the widespread expansion of economic democracy and cooperative ownership to help stem the exponential growth of income inequality and all its devastating impacts. Unbridled capitalism has led to widespread homelessness, food deserts, poor educational opportunities, and extremely limited access to health services. Now is the time for our great state to continue to lead the charge of helping to build a more just economy; a democratic economy that liberates instead of oppresses its people.”

###