

EMPLOYEE EQUITY INVESTMENT ACT (EEIA)

SUMMARY

The Employee Equity Investment Act (EEIA) would utilize the SBA's existing Small Business Investment Company (SBIC) program to provide loan guarantees for investment funds that are devoted to expanding employee ownership. These investment funds would finance and facilitate the process of selling a company to its employees, and also sustain and expand existing employee-owned firms. As under the current SBIC program, loan guarantees would be provided on a zero-subsidy basis with fees paid by the investment funds, in order to expand access to financing without cost to the taxpayer. Helping small and medium-sized businesses transition to employee ownership preserves local businesses with quality jobs and retirement security.

BACKGROUND

Foreign investors currently own approximately 40 percent of U.S. corporate stock, meaning that much of the profits currently generated by American workers are transferred to foreign stockholders. This share of foreign corporate ownership is set to increase, with nearly half of all private businesses owned by individuals who are at or near retirement age – 2.9 million companies employing over 32 million workers. That means, if nothing changes, many of these owners will sell their businesses to buyers in the mergers and acquisitions (M&A) market – or close their doors – ultimately resulting in the loss of jobs and businesses in local communities.

Employee ownership can be a solution. Employee-owned companies, through Employee Stock Ownership Plans (ESOPs) and worker cooperatives, have proven to be more productive, more resilient during economic downturns, and build more wealth for their workers, particularly low-to-moderate income workers and people of color, than traditional businesses. The average employee owner has over double the retirement assets of a peer in a traditional business. Employee ownership empowers workers, preserves family legacies, and keeps businesses rooted in local communities.

Traditional buyers in the M&A market often initiate transactions with sellers while also providing the finance, but the script is flipped with employee ownership conversions. In nearly all employee ownership conversions, it is the seller who must initiate, but also finance some or all of a transaction, causing them to wait 5-10 years to receive full payment. The Employee Equity Investment Act supports private sector investors who proactively pitch selling business owners on employee ownership transactions, and provide financing so the seller does not need to do so themselves.

ENDORSEMENTS

Stakeholders endorsing the EEIA include The ESOP Association, Ownership America, National Cooperative Business Association, Employee-Owned Contractors Roundtable, Economic Innovation Group, Small Business Majority, and U.S. Impact Investing Alliance.

A full list of endorsements is available [here](#).