

COMMUNITY WEALTH BUILDING THROUGH EMPLOYEE OWNERSHIP

Project Equity Final Report, January 2025

Employee ownership (EO) offers a powerful tool to support wealth building and economic resilience. In March of 2023, the City of Chicago partnered with Project Equity as part of its Community Wealth Building Initiative to build local capacity and support businesses in Chicago on their employee ownership journey.

Why EO?

According to Project Equity's analysis, [50% of businesses in Cook County](#) are owned by **individuals at or near retirement age**, and many more are legacy businesses, greater than 10 years old, all in need of strategies to maintain their business as owners look to exit. In the City of Chicago, Project Equity's [analysis](#) showed that these legacy businesses represent:

10,936

local businesses

\$184B

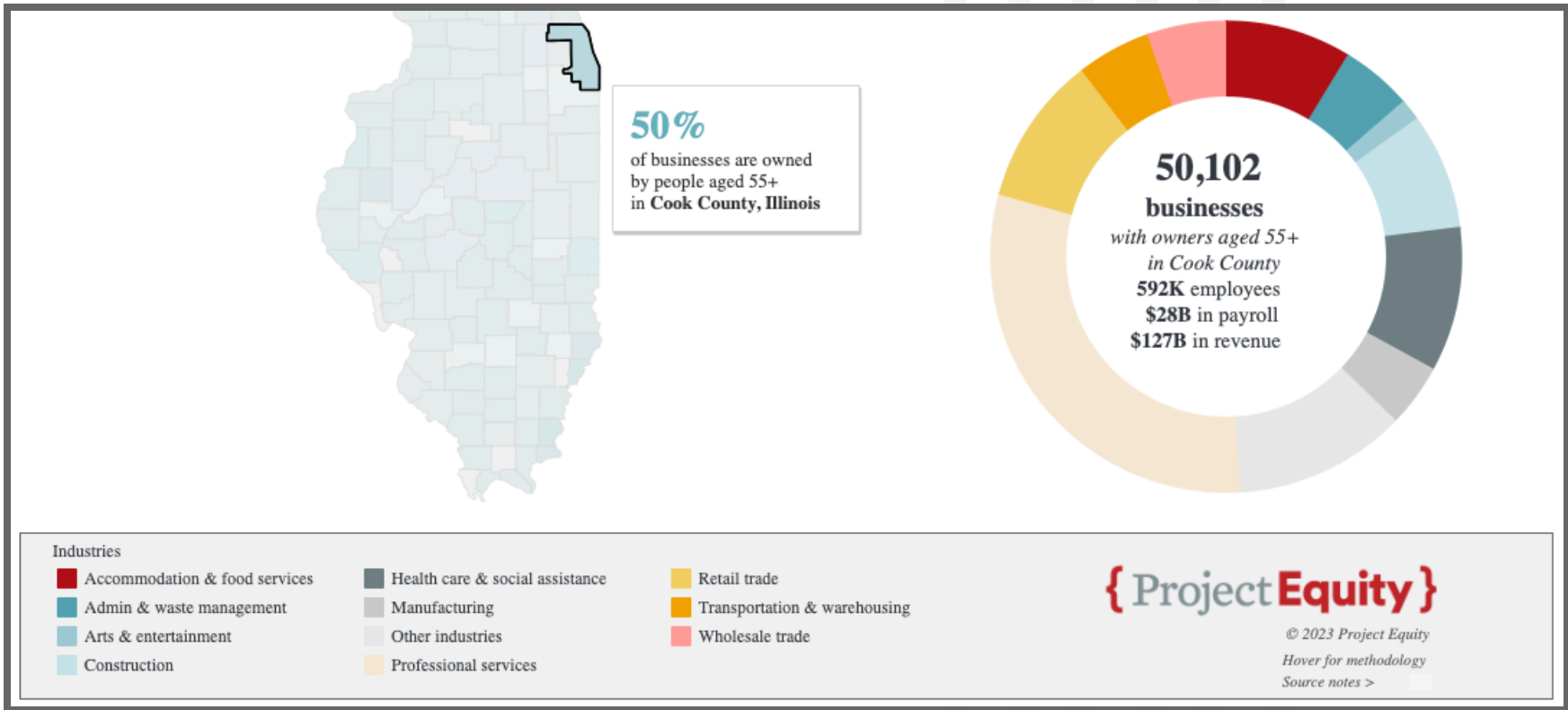
in local revenue

349,000

local jobs

Without a viable exit plan, these local businesses and jobs are at risk. As owners retire, this business retention risk can become an opportunity to build wealth for workers, create a more resilient local economy and support quality jobs through employee ownership.

THE SILVER TSUNAMI OF RETIRING OWNERS IN COOK COUNTY

















Benefits of EO

Transitioning legacy businesses to employee ownership can benefit many stakeholders in Chicago.

EO builds wealth for small business owners

An employee ownership transition gives selling owners greater influence on the timing and pacing of their exit and is a strategy to preserve their legacy while receiving equity.

OPTIONS	 Preserve legacy	 Market value	 Tax benefits	 Retain employees
Sell to family members		?	?	?
Acquisition	?	?		?
Employee ownership				
Close down operations				

EO builds wealth for workers

Equal or better pay and benefits: Millennial workers at enterprises with ESOPs have 33% higher median wages when compared to workers like them at similar companies with traditional ownership structures (NCEO 2017).

Enhanced job security and stability: During the Great Recession, worker-owners were 5 or more times less likely to be laid off than workers who did not share in ownership (Rosen, Kurtulus & Kruse).

Increased assets and economic mobility: A recent survey of 8 successfully transitioned Project Equity worker cooperative clients showed a 20% increase in average wages, with one business having shared \$12,000–\$15,000 in profits per worker in their first five years. Also, participants in a 2019 study reported median retirement savings of \$215,000 in ESOP and

401(k) accounts, compared to \$17,000 in median retirement savings for the average worker nationally. (Boguslaw & Schur 2019).

EO builds stronger local businesses

Lower turnover: Workers at employee-owned businesses have 46% longer job tenure than their peers in firms that are not employee-owned (NCEO 2018).

Higher productivity: Employee-owned enterprises reported productivity levels that were 9–19% higher than levels in traditionally structured similar businesses (Lampel, Bhalla, Jha 2014).

Higher profits: Employee-owned firms have an average profit margin almost 8.5% higher than the average private firm (DAWI 2014).

Greater resilience: In 2020, during COVID business shutdowns, employee-owned companies were less than half as likely to lay off workers and 6 times more likely to say they expected to make a full recovery (Employee Ownership Foundation/Rutgers study 2020).

EO builds stronger local economies

Preservation & creation of quality jobs: Employee-owned companies had higher average employment growth in the pre-recession period from 2006 to 2008 than the overall economy, as well as faster post-recession growth from 2009 to 2011 (Blasi, Kruse & Freeman 2017).

Local spending multiplier: Employee-owned companies are inherently locally owned and, as such, circulate more money into the local economy.

Increased civic engagement: Employee-owned companies are more civically engaged with higher rates of volunteerism and higher voter turnout (Blasi, Schlachter).

Reduced economic inequality: A 2019 study confirmed that people of color working in ESOPs have substantially more wealth than their peers nationwide (Boguslaw and Schur), indicating that employee ownership can help reduce the racial wealth gap.

Partnership with Project Equity

In 2023, the City of Chicago partnered with Project Equity as part of its Community Wealth Building Initiative with a long-term vision to build wealth, economic resiliency, and equity through employee ownership.

Throughout the two years of our partnership, our goals were to:

- **Build awareness and demonstrate pipeline** for employee ownership through activities such as
 - Employee ownership educational events and outreach
 - One-on-one technical assistance to businesses through EO consultations, feasibility studies, & transitions
- **Build sustainable capacity** to support businesses in Chicago to explore and transition to employee ownership by:
 - Designing, piloting and launching an accredited course on employee ownership for business advisors
 - Advising local partners on how to support businesses in Chicago on their employee ownership journey

BUILDING AWARENESS

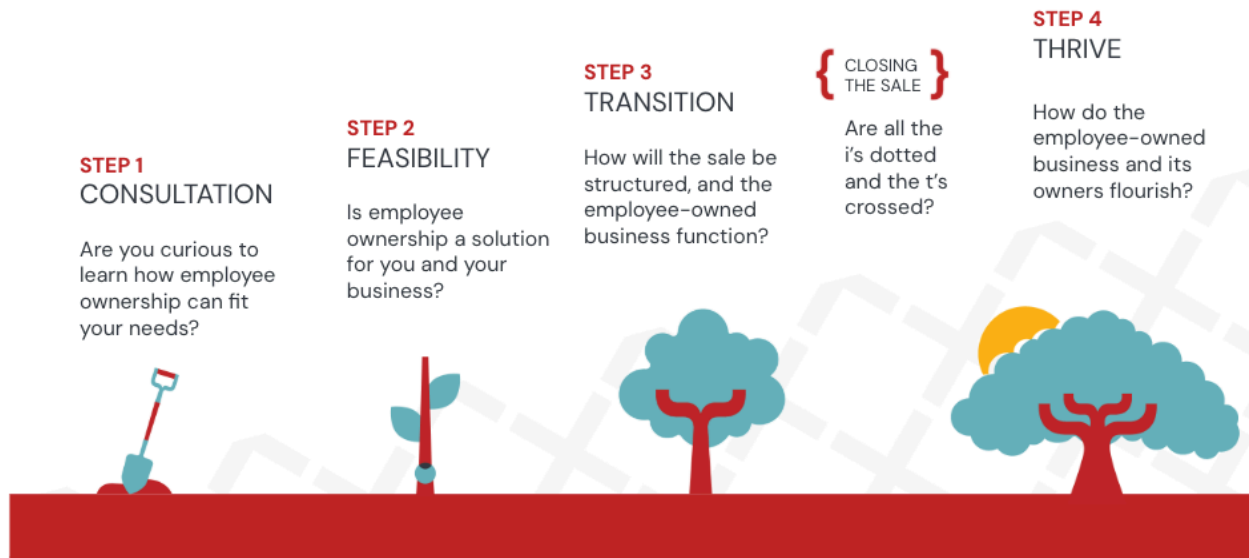
Over the course of our partnership with the City, Project Equity engaged more than 500 business connector organizations and advisors in Chicago to build their awareness of employee ownership through one-on-one engagement and meetings, local advertising and storytelling, data, and educational events. For example, Project Equity:

- Created a [Chicago landing page](#) with stories, resources, and local data to build awareness of employee ownership
- Presented at the Unique CPA conference on August 29, 2023 and at a meeting of Exit Planning Institute's Chicago & Black Construction Owners and Executives on August 30, 2023
- Hosted 4 Employee Ownership 101 webinars with 131 total registrants

DEMONSTRATE PIPELINE

With support from the City of Chicago, Project Equity supported several businesses on their EO journey between March 2023 and December 2024.

PROJECT EQUITY EO JOURNEY



Below is a summary of the businesses in Chicago that received technical assistance from Project Equity over the contract period.

EO consultations

- EO consultations are a series of phone calls with the business owner/s to educate interested owners on employee ownership and determine whether EO might be a viable option for them given their business and goals.
- Over the contract period, Project Equity provided one-on-one employee ownership consultations to **6** businesses in Chicago:
 - A photography business with 7 employees
 - A healthcare business with 37 employees
 - A healthcare business with 30 employees
 - A hospitality and food services business with 12 employees
 - A healthcare business with 15 employees
 - A healthcare business with 3 employees

EO feasibility studies

- For those businesses that are ready to more deeply explore an employee ownership transition, Project Equity provides an in-depth feasibility study. Feasibility studies generally take 3-4 months.
- The goal of the study is to better understand if the business can successfully transition to employee ownership and to provide the business owner with the information they need to determine whether they want to move forward with the sale of their business to their employees. Feasibility studies include a financial analysis, assessment of management transition plans, and employee engagement.
- Over the contract period, Project Equity completed in-depth employee ownership feasibility studies with **3** businesses in Chicago:
 - A photography business with 7 employees
 - A healthcare business with 37 employees
 - A healthcare business with 30 employees

EO transitions

- If a business is deemed feasible for an employee ownership transition, Project Equity can support them on the 9-12 month transition to a new, employee ownership entity.
- One of Project Equity's Chicago clients (the healthcare business with 37 employees) began their transition to employee ownership in November of 2024, and Project Equity will support them through their 9-12 month transition process as well as any additional Chicago businesses that decide to move forward.

BUILDING LASTING CAPACITY AND INFRASTRUCTURE

Over the course of our partnership with the City of Chicago, Project Equity has worked to build lasting capacity with both private sector and non-profit organizations in the city.

Accredited EO coursework for business advisors

Thanks to support from the City of Chicago, Project Equity developed, piloted, and launched the field's first accredited EO ExitPro 101 course in 2023.

EO ExitPro 101 is a course that equips business advisors with the knowledge and tools to effectively advise clients on employee ownership and offers a framework for increasing practice revenue and client retention. The course was developed with input and feedback

from Chicago-based Advisory Council members and is accredited by the Exit Planning Institute, Business Enterprise Institute, and Certified Financial Planner Board for continuing education credit for exit planners and CPAs.

Business advisors in Chicago are now completing this course and increasing their ability to advise their clients on employee ownership. As we wrap up our partnership with the City, this course will remain into the future as an accredited, on-demand resource for continuing education for business advisors in the region.

Learn more here:

<https://project-equity.org/learn/benefits-for-business-advisors/eo-exitpro-101-course/>.

Supporting local nonprofit organizations

Project Equity is also collaborating with community wealth building partner, Revolution Institute, on technical assistance training to support their employee transition services objectives. We are already collaborating on pipeline development efforts in their chosen industries and geography. Future objectives include obtaining funding to support a more formal collaboration. Additionally, Project Equity collaborated with the Democracy at Work Institute, Revolution Institute, and others to host an employee ownership Matchmaker event on August 22, 2024.

Agreement close & thank you

As supporters of strong local economies and connectors to business and workforce, cities play a pivotal role in unlocking the power of EO in their communities. We appreciate our partnership with the City of Chicago and would love to continue to collaborate to build awareness of EO as an important community wealth building strategy and tell the story of future successful EO conversions in the city. Thank you for a successful partnership!