BLACK EMPLOYEE OWNERSHIP:

A PATHWAY TO WEALTH BUILDING & ECONOMIC OPPORTUNITY

Shawn Santana (left) and Steph Wiley, worker-owners at Brooklyn Packers

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About Project Equity

Project Equity is a national leader in advancing employee ownership (EO) to sustain thriving local economies, honor business owners' legacies, and reduce income and wealth inequality. We educate business owners, their advisors and policymakers about EO, guide companies through ownership transitions, provide financing, and coach new employee-owners for long-term success. Through this work, we help preserve local businesses and jobs, strengthen business resilience, and expand wealth-building opportunities for Black, Latino, and low-to-moderate income workers.

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FOREWORD

This project was born out of a simple yet urgent question: What would it take to make employee ownership an accessible, widespread path to wealth building for Black workers and business owners?

As the chapters that follow make clear, Black households face enduring barriers to building intergenerational wealth. Generations of discrimination and disinvestment in housing, education, employment, and financial systems that drive wealth creation have resulted in the vast gap in assets held by Black and White households we see today. **Cut off from channels through which to build and transmit wealth, entire communities are unable to purchase homes, start businesses, invest in education, or retire with dignity.**

The racial wealth gap presents a stark challenge—not only to the well-being of Black households but to the health of the entire American economy. As business leaders, policymakers, and working people alike increasingly recognize the limits of incremental reforms, there is a growing call for bold solutions that can deliver real wealth-building opportunities for Black workers across professions, industries, and geographies. **Broad-based employee ownership is one of those solutions.**

More than just a way of doing business, employee ownership is a transformative strategy to make the American Dream a reality by delivering material gains in wages, benefits, job security, and working conditions. But its potential reaches far beyond any one workplace. **When workers have a stake in the businesses they help build, they can create more stable lives for their families, plan for and invest in their futures, and fully participate in their local economies in ways that fuel broader growth and dynamism.**

This report—representing the culmination of our collaborative research with Morehouse College and the University of California, Riverside—aims to illuminate both the promise of and barriers to employee ownership as a solution to the racial wealth gap. Through our pathbreaking findings, we highlight the importance of broadly expanding access to the benefits of employee ownership for all while also building targeted on-ramps that meet the needs of Black workers and business owners.

Our hope is that this research adds momentum to a growing movement: one that sees EO not as a niche solution, but as a vital lever for Black economic advancement and shared prosperity.

Evan Edwards

President & Chief Executive Officer
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EXECUTIVE SUMMARY

Broad-based employee ownership (EO) has long been recognized as a powerful tool to retain local businesses, build wealth and improve job quality for workers, and strengthen regional economies. Despite its transformative benefits for businesses, workers, and communities, EO remains vastly underutilized: of the approximately 97 million workers employed at privately-held firms in the United States (Carroll, 2021), just 11% have access to a broad-based EO structure today, including Employee Stock Ownership Plans (ESOPs), Employee Ownership Trusts (EOTs), and worker-owned cooperatives.

EO's limited reach has curtailed its ability to seed positive changes in the American economy, from expanding access to business ownership and wealth-building opportunities for working people to boosting productivity and deepening employee engagement for businesses across all sectors and sizes. But no one stands to gain more from EO's full promise than Black Americans.

Generations of exclusionary policies and discriminatory practices have profoundly undermined the ability of Black communities to build and pass on wealth, contributing to the persistent racial wealth gap between Black and White families we see today. According to the latest data from the Federal Reserve's Survey of Consumer Finances, **the median Black household has just 15 cents for every $1 in wealth held by the median White household** (Perry et al., 2024a).

Closing the racial wealth gap and ensuring all workers have access to the American Dream is a moral and economic imperative demanding bold investments in Black households and communities. While not a silver bullet for racial inequities, EO represents one of the most powerful and underleveraged solutions to help bridge the wealth gap and build a more inclusive economy from the bottom up.

By giving Black employees a stake in the businesses they help sustain, EO can create meaningful pathways to long-term financial security and upward mobility for workers often excluded from traditional routes to wealth. In addition, through the competitive wages, robust benefits, and strong job stability that employee-owned companies typically provide, EO can improve the quality of life for individual Black workers while fostering the vitality of Black communities and a more prosperous economy overall.

Given EO's transformative potential, this collaborative research project set out to answer a key question at the heart of this opportunity: "How can we unlock the benefits of EO at scale while maximizing impact for Black communities?" Through a unique research collaboration between Project Equity and scholars at Morehouse College and the University of California, Riverside, our study took a multi-pronged approach to 1) assess the job quality, wealth-building, and health outcomes associated with EO for Black workers; 2) uncover the primary drivers and barriers that impact the adoption of EO in Black communities; and 3) recommend policy solutions aimed at lowering those barriers and expanding access to EO's benefits for Black workers and entrepreneurs.

This report represents the culmination of that collaborative effort. In the chapters that follow, we examine the roots of the racial wealth gap, the importance of entrepreneurship to Black wealth building, and the potential for EO to expand access to business ownership and economic mobility. We then outline the research questions and methodological approaches that form the backbone of this study. Presenting findings from Morehouse's qualitative fieldwork, we explore perceptions of EO and barriers to its adoption in Black communities.[1] We conclude by recommending a set of policy solutions aimed at scaling EO in ways that are inclusive of—and responsive to—the needs of Black workers and entrepreneurs, followed by a call to action for policymakers, advocates, and other stakeholders committed to advancing a more inclusive economy through EO.

In the section below, we have included a summary of Morehouse College's and Project Equity's key findings and takeaways. We hope you will engage with this work further and help advance the research and action needed to fulfill EO's promise as an engine for dignity, stability, and shared prosperity.

Morehouse College: Uncovering perceptions of and barriers to Black EO

The Morehouse College team led a qualitative field study to understand the range of factors, including structural, financial, sociocultural, and others, that both motivate and impede the uptake of EO within Black communities. Using Atlanta—the city with the highest rate of Black business ownership and the second-largest Black population among U.S. metropolitan areas (Davis, 2025; Martinez & Passel, 2025)—as their research setting, Morehouse employed a three-phase data collection process targeting Black business owners, employees, and worker-owners. The first phase consisted of an online survey designed to capture baseline awareness of and interest in EO. The second phase of data collection involved 30 semi-structured interviews across the three target populations aimed at exploring participants' perceptions of EO, including what aspects they found most appealing, as well as any barriers they saw as limiting its broader adoption. The third phase invited two previously interviewed worker-owners to participate in follow-up interviews with the research team.

Among the business owners and workers they interviewed, the Morehouse team found that baseline awareness of EO was low. **Most participants had little to no prior exposure to the concept of employee ownership, in some cases encountering the term for the first time through the research process itself.** This lack of familiarity emerged as a key barrier to EO's uptake in Black communities. Without visible examples of thriving EO businesses in Black communities to point to, participants shared how challenging it could be to normalize EO as a viable business model and pathway to ownership for Black entrepreneurs and workers.

[1] UC Riverside's full findings on the job quality and wealth-building benefits of EO for Black workers were not available at the time of publication. Once finalized, these findings will be incorporated into this report as an addendum.

As participants learned more, their interest in EO as a tool for economic and professional advancement grew significantly. Business owners emphasized how EO could be a tool to attract and reward talent, deepen employee engagement, and preserve their legacy, while employees saw EO as a pathway to wealth- and skill-building opportunities they would otherwise lack. Worker-owners presented EO as a vehicle to circumvent the structural barriers that limit opportunity for Black workers by building economic alternatives rooted in cooperation and self-determination. **While their motivations varied, participants' reflections underscore EO's broad appeal and how, given the right resources and support, many Black workers and entrepreneurs would be eager to pursue shared ownership.**

While participants voiced a clear interest in EO's benefits, they also spoke to a range of obstacles that, for many, made EO resonate more as an aspirational concept than a viable option. Owners described struggling with daily operational pressures—such as undercapitalization and limited capacity—that left little room for long-term succession planning, while also conveying a hesitancy around relinquishing control over their businesses. For employees, economic precarity and limited access to on-the-job mentorship and training shaped their disinclination to take on the responsibilities of business ownership.

Worker-owners echoed how limited financial resources can prevent Black workers from pursuing EO opportunities, while also noting that prevailing ideas of entrepreneurship—rooted in ideals of individualism and self-sufficiency—can pose barriers to the uptake of cooperative ownership models in Black communities. Though drawn to EO's potential, participants were clear-eyed about the barriers underpinning the gap between interest and implementation.

The Morehouse team's research offers invaluable insight into how Black business owners, workers, and worker-owners understand the potential of employee ownership, as well as its limitations under existing conditions. Critically, **their work suggests that while EO has strong resonance among Black workers and entrepreneurs, its potential cannot be fully realized unless paired with broader efforts to improve Black financial security, strengthen Black-owned businesses, and expand access to job training and skill-building opportunities for Black workers.** Realizing EO's promise will depend on closing the divide between vision and viability by meeting Black communities where they are through policies and programs aimed at lowering barriers and increasing targeted support. With the right tools, resources, and infrastructure, we can move EO from a compelling idea to a practical, scalable tool for advancing Black wealth building and economic mobility.

Morehouse suggests that while EO has strong resonance among Black workers, its potential cannot be fully realized unless paired with broader efforts.

Project Equity: Advancing policy solutions to scale Black EO

To surface actionable policy solutions to scale Black employee ownership, Project Equity conducted in-depth research using a three-pronged approach. First, we performed a comprehensive scan of EO policies at the federal, state, and local levels, cataloging both current and historical efforts to advance EO through policy.[2] Second, we reviewed the literature on Black entrepreneurship to identify structural barriers Black business owners encounter, policy levers to lower those barriers, and opportunities to retool such interventions to accelerate Black participation in EO. Finally, we interviewed several Black-owned firms to ground our policy research in the real-world perspectives of business owners who have navigated the EO landscape firsthand.

Together, these complementary strands of analysis yielded valuable insights into where current EO policies fall short and what kinds of targeted support could most effectively catalyze the growth of Black EO. Based on our findings, we developed a set of 12 targeted policy recommendations organized around four cross-cutting pillars: (1) awareness raising and enabling conditions; (2) accessible technical assistance; (3) equitable capital access; and (4) incentives and ongoing support for EO firms. **These policy recommendations are not a one-size-fits-all blueprint, but a flexible roadmap that leaders at all levels of government can adapt to scale EO into an economy-wide norm while ensuring Black communities can fully share in its benefits.**

These policy recommendations are not one-size-fits-all, but a roadmap that leaders can adapt to scale EO while ensuring Black communities can benefit.

Awareness raising & enabling conditions:
A fundamental challenge to scaling EO is its relative obscurity: awareness of EO remains limited among workers, entrepreneurs, policymakers, and business advisors alike. This awareness gap is particularly acute for Black business owners and workers, who are often disconnected from EO ecosystems and underrepresented in its success stories. Compounding the issue, EO is rarely integrated as a core component of business incubators, entrepreneurship training programs, and other economic and small business development efforts. By overlooking EO, these initiatives fail to harness a powerful tool to build wealth and financial security in historically disinvested communities.

[2] Project Equity's interactive EO policy database is publicly viewable at www.project-equity.org/impact/public-policy/employee-ownership-policy-database/

To bridge these gaps in awareness and institutional integration, we recommend that policymakers:

1. **Commission a study on Black EO:** Fund studies to assess EO interest among Black-owned businesses and firms with large Black workforces, with a focus on EO as a succession strategy for owners approaching retirement.

2. **Establish a dedicated EO program or unit, prioritizing support for Black EO:** Create dedicated EO programs within economic development, small business, or commerce departments or agencies to serve as a central hub for EO resources, with a focus on providing navigation support to Black and other underserved workers and entrepreneurs seeking information and guidance around EO.

3. **Fund EO outreach and resources for Black communities:** Provide direct support to or establish incentives for Black-led EO service providers and business-serving organizations to develop and disseminate culturally resonant EO education and training materials, targeting high-opportunity sectors and geographies.

4. **Embed EO support into programs serving Black entrepreneurs and workers:** Integrate EO education and support into existing economic and small business development initiatives that serve Black entrepreneurs and workers (e.g., minority business incubators, mentorship programs, succession planning initiatives, etc.) to normalize EO as a succession strategy and pathway to business ownership.

5. **Partner with anchor institutions to drive Black EO growth:** Establish public-private partnerships with local anchor institutions to redirect procurement spending toward majority-Black-owned EO firms and facilitate EO transitions among Black-owned vendors and vendors with large Black workforces.

Accessible technical assistance: Access to specialized, high-quality technical assistance (TA) is essential for both EO conversions and startups, which often require legal, financial, and organizational advising. But for many business owners, EO-specific TA can be costly without external financial support and difficult to access outside of regions with robust EO ecosystems. These barriers are even steeper for Black entrepreneurs, who are concentrated in areas lacking local EO service providers and who tend to have limited financial resources. To broaden access to critical support services for Black workers and entrepreneurs interested in EO, we recommend that policymakers:

6. **Expand financial support for EO technical assistance:** Establish grant programs, forgivable loans, or refundable tax credits to help business owners—especially Black and other underserved entrepreneurs—cover the costs of EO-specific TA services, such as feasibility studies, legal and financial advising, and governance training.

7. **Strengthen the capacity of EO technical assistance providers in Black communities:** Invest in capacity-building for EO TA providers—particularly Black-led organizations or those serving predominantly Black communities—through grants, reimbursable contracts, or refundable tax credits to subsidize EO startup and conversion services.

Equitable capital access: Securing affordable, adequate capital is a persistent challenge for employee-owned firms. Shared ownership models often conflict with lending requirements like personal guarantees, and many financial institutions lack familiarity with EO structures. These challenges are magnified for Black entrepreneurs, who face systemic inequities in lending and credit access. Without targeted interventions, Black entrepreneurs will continue to face outsized barriers in securing the financing needed to pursue EO. To expand equitable capital access, we recommend that policymakers:

8. **Align existing capital programs with EO structures:** Audit local, state, and federal small business capital programs to identify policies that are incompatible with shared ownership structures (e.g., personal guarantees), and then modify these requirements to ensure EO firms can equitably access funding.

9. **Establish and fund EO capital programs:** Leverage public capital tools to facilitate the growth of EO, including capitalizing existing EO loan funds administered by mission-driven lenders and offering other credit enhancements like interest rate buydowns or loan guarantees to lower borrowing costs, while prioritizing lending for businesses in historically underserved and redlined communities.

Incentives & ongoing support for EO businesses: Just like conventional businesses, EO firms often require ongoing support and incentives to overcome hurdles that can undermine their long-term success. From supplier diversity programs that exclude EO businesses due to incompatible certification criteria, to rising commercial rents that strain access to affordable commercial space, to a lack of peer networks enabling employee-owners to share resources and navigate common challenges, these gaps in resources and support infrastructure create headwinds for EO businesses that can limit their ability to grow and thrive. To address these barriers, we recommend that policymakers:

10. **Update eligibility requirements for supplier certifications to include EO structures:** Modify requirements for public supplier certification programs to ensure that majority-Black- and -minority-owned EO businesses can qualify for diverse supplier certifications and fully participate in public procurement opportunities.

11. **Prioritize EO businesses in commercial space affordability programs:** Conduct targeted outreach, provide hands-on TA, or offer an application scoring advantage to EO businesses to maximize the wealth-building and job retention benefits of commercial affordability initiatives like no/low-interest financing programs and commercial property acquisition funds.

12. **Facilitate and fund EO peer networks, especially for Black employee-owners:** Support peer networks for EO businesses by investing in the capacity of national and regional backbone organizations to expand existing networks and seed new support infrastructure in areas lacking robust EO ecosystems, particularly in regions with high concentrations of Black workers and entrepreneurs.

CHAPTER 1
INTRODUCTION & LITERATURE REVIEW

I. Understanding the racial wealth gap

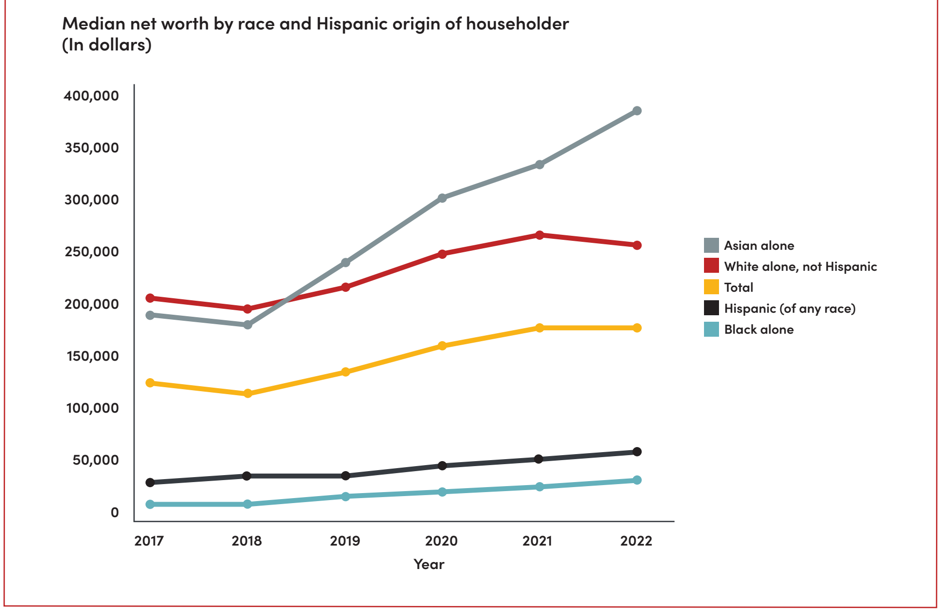
Wealth is often portrayed through images of excess: opulent homes, luxury goods, fine art, and lavish vacations. But wealth isn't the same as affluence—it forms the cornerstone of a good, secure life for people across the economic spectrum. Wealth is measured as the value of an individual or family's assets (e.g., savings accounts, business equity, etc.) minus any debts (e.g., mortgages, student loans, etc.). Unlike income, which reflects a flow of earnings accrued on a regular basis, wealth can grow over time and be transferred across generations, enabling both present-day security and future mobility.

The impacts of wealth on individual and family well-being cannot be overstated (Mann & Chaganti, 2023). Wealth provides a cushion during periods of transition and can empower workers to explore new career opportunities. It allows families to weather unexpected medical costs, invest in their children's education, and purchase a home or relocate to a new neighborhood. Wealth also underpins long-term security, including the ability to retire with dignity. Beyond these material benefits, wealth has also been linked to numerous mental and physical health advantages, including lower rates of stress and anxiety, reduced risk for obesity and cardiovascular disease, and higher life expectancy (Woolf et al., 2015).

The impacts of wealth extend not only over an individual's lifetime but also across generations, often passed down through family businesses, real estate, trust funds, or other assets. This intergenerational transfer of wealth is a powerful driver of long-term economic mobility, helping families to build on past gains rather than begin anew with each generation. However, not all families are afforded this financial head start. Due to deeply rooted structural inequalities, wealth in America remains starkly divided along racial lines, with Black and Hispanic households holding significantly less wealth than their White and Asian counterparts (see Figure 1.1).[1] This report focuses on the most entrenched and well-documented of these disparities: the Black-White wealth gap, often referred to as the "racial wealth gap" (Shapiro et al., 2013).

[1] We acknowledge that the capitalization of "Black" and "White" when referring to race is the subject of ongoing discussion. In this report, we follow APA Style in capitalizing both terms as part of an intentional effort to reduce bias and treat all racial and ethnic identifiers with specificity. For more information, see the APA Style guidelines on Racial and Ethnic Identities: www.apastyle.apa.org/style-grammar-guidelines/bias-free-language/racial-ethnic-minorities.

Figure 1.1 Median household net worth by race & ethnicity



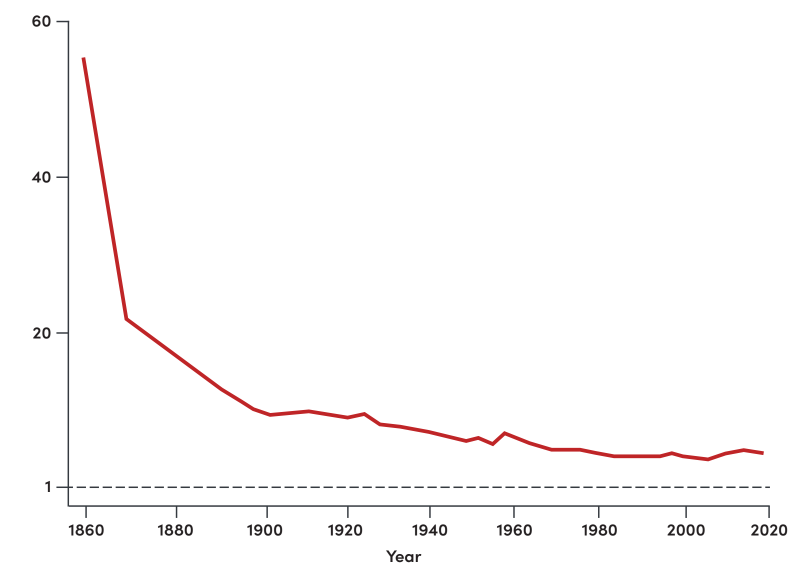
Note: Adapted from "Net Worth, Assets, Debt of Households: 2017-2022," U.S. Census Bureau (2024), www.census.gov/library/visualizations/interactive/assets-and-debts.html.

According to the latest data from the U.S. Census Bureau's Survey of Income and Program Participation, the median net worth for Black households was $31,250 in 2022, compared to $256,000 for White households (U.S. Census Bureau, 2024). While median Black household wealth has increased, the gap separating Black and White households has remained remarkably stable over time (Perry et al., 2024). At its lowest point in 1992 (adjusted for inflation), the racial wealth gap (RWG) stood at $123,910, with the median Black household holding just 14.2% of the median White household's wealth. As of 2022, that figure has only marginally improved to 15.5%, **meaning that for every $1 in wealth held by the median White household, the median Black household has just 15 cents.**

Notably, the RWG persists between Black and White households with otherwise similar characteristics. For example, an analysis of 2019 Survey of Consumer Finances (SCF) data (Hernández Kent & Ricketts, 2021, as cited in Joint Economic Committee Democrats, 2021) found that the median wealth of a White family whose highest level of education was a high school diploma was more than double that of a Black family with a bachelor's degree, and roughly equal to that of a Black family with a postgraduate degree. The same study also found wealth gaps between similar Black and White households across age groups, family structures (i.e., marital status and whether a household has children), and levels of parental education—all factors typically associated with increased wealth.

The stubbornness of the RWG reflects the enduring barriers that Black families have faced in building and transmitting intergenerational wealth—barriers rooted in slavery and reinforced by centuries of discriminatory policies and practices. On the eve of the Civil War in 1860, 90% of the United States' 4.4 million Black residents were enslaved and legally classified as property (Althoff & Reichardt, 2024), barred from earning or accumulating any wealth themselves. At that time, according to groundbreaking research led by economist Ellora Derenoncourt, the White-to-Black per capita wealth gap stood at approximately 56 to 1 (Derenoncourt et al., 2024). The decades immediately following emancipation marked the fastest period of convergence in Black and White wealth, with the gap narrowing to 23 to 1 by 1870 and 11 to 1 by 1900 (see Figure 1.2). However, the rise of Jim Crow laws and legal segregation following Reconstruction sharply curtailed Black economic advancement, as systematic exclusion from homeownership, education, and employment protections, alongside pervasive acts of racial terror, stunted the ability of Black families to build and pass down wealth.

Figure 1.2 White-Black per capita wealth ratio, 1860-2020

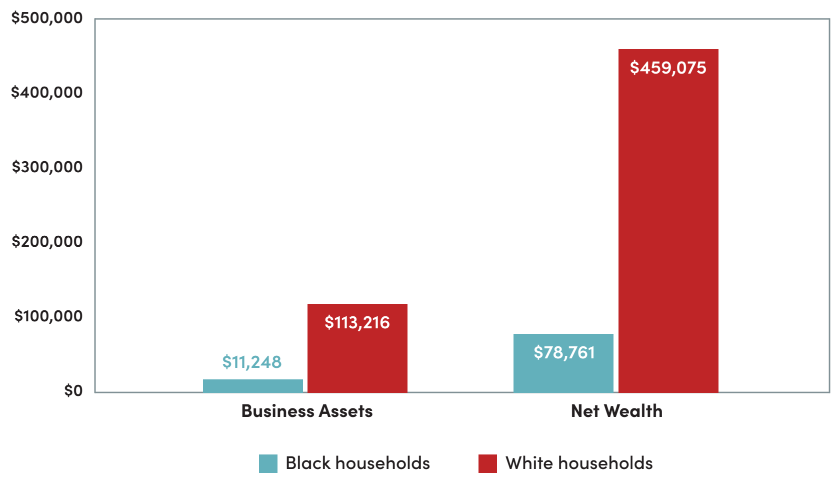


Note: Adapted from Ellora Derenoncourt, Chi Hyun Kim, Moritz Kuhn, and Moritz Schularick, "Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860-2020," The Quarterly Journal of Economics (2024), www://doi.org/10.1093/qje/qjad044.

The New Deal and Civil Rights eras brought legal victories and labor market opportunities for Black Americans, which helped shrink the RWG to 8 to 1 by 1960 and to 5 to 1 by 1980 (McKay, 2022). Since then, however, progress has largely stalled, with more recent data suggesting that the gap between Black and White wealth is once again widening. Derenoncourt et al. (2024) point to differences in the composition of Black and White wealth as a key driver behind this divergence.

Between 1950 and 2020, on average, White households held a significantly larger share of their assets in high-yielding investments such as business equity and stocks (40% vs. 18%), while Black wealth tended to be more concentrated in housing and other non-financial assets (67% vs. 41%). **Because of this, the gap between Black and White business wealth (1:10) is twice as large as the overall household wealth gap (1:5). Without redistributive policy interventions aimed at improving the economic standing of Black Americans, Derenoncourt et al. project that the RWG will grow to an estimated 8.4 to 1 by 2200.**

Figure 1.3 Average household wealth by race (1950-2020)



The racial wealth gap in business assets is twice as wide (1:10) as in overall net household wealth (1:5).

Note: Adapted from Derenoncourt et al., 2024.

The legacies of slavery, segregation, and discrimination, as well as their modern-day manifestations, have produced a vastly unequal economic landscape for Black households. From racial achievement gaps in education (U.S. Department of the Treasury, 2023) to mass incarceration (Grawert & Craigie, 2020) to the enduring effects of residential segregation (Greene et al., 2017), the structural obstacles to Black wealth building remain vast. These barriers are compounded by a labor market in which Black workers are disproportionately concentrated in low-wage sectors with limited benefits, job security, or opportunities for advancement (Weller, 2019). The persistent barriers Black workers face in the labor market, from occupational segregation (Jardina et al., 2023) to outright discrimination (Bertrand & Mullainathan, 2004), not only constrain Black workers' short-term earning potential but also hinder their ability to accumulate wealth over time.

As a result, the median Black household today holds less than one-sixth the wealth of the median White household, limiting the ability to invest in education, start a business, buy a home, or provide a leg up to the next generation. Indeed, researchers from the Federal Reserve Bank of Richmond have found that

Black families are significantly less likely to receive inheritances than White families, and when they do, the amounts tend to be far smaller (Jones & Neelakantan, 2022). This lack of intergenerational wealth has ripple effects across Black Americans' lives, contributing to lower homeownership rates (U.S. Department of the Treasury, 2022), higher and more burdensome debt (Smith-Ramani & McKay, 2022), greater financial precarity (Edwards, 2022), and increased vulnerability to downward economic mobility (Welburn Paige, 2022).

However, the consequences of the RWG are not confined to Black households: according to a 2024 report by Citigroup, racial disparities in income, business ownership, and homeownership cost the American economy an estimated $3.9 trillion between 2020 and 2024, and over $21 trillion since 2000 (Butler et al., 2024). Ensuring that Black households can fully participate in the economy and realize the American dream will require bold strategies that expand wealth-building opportunities for Black families. Business ownership represents one such solution, offering a proven pathway to build equity, enhance job quality, and foster upward mobility for Black workers.

II. The role of Black business ownership

Entrepreneurship has long served as a pathway to upward mobility and financial independence in the United States. While most families do not pursue business ownership—just 14.6% of households held any form of business equity in 2022, up slightly from 13.4% in 2019 (Aladangady et al., 2023)—entrepreneurial activity in the U.S. remains relatively high. According to the Global Entrepreneurship Monitor, 19% of working-age adults (ages 18–64) were in the process of starting or running a business less than 42 months old in 2022, the highest rate ever recorded and well above that of other high-income economies (Kelley et al., 2023). This surge reflects both the enduring appeal of business ownership as a route to economic freedom and a pandemic-era rise in new business formation (Duke, 2024; Van Nostrand, 2024).

The benefits of business ownership are clear: entrepreneurship can provide greater autonomy, flexibility, and personal fulfillment than conventional employment, while also offering the potential to create wealth at a scale rarely achievable through wages alone. 2022 SCF data show that the median net worth of families without a business is about $156,000, compared to $194,000 for families owning a nonemployer business, $576,000 for families owning a business with two to five employees, and $1.3 million for families owning a business with more than five employees (Aladangady et al., 2023). Notably, business equity is positively correlated with household net worth, with the wealthiest 10% of families being 15x more likely to hold business equity than families in the bottom 25% (Headd, 2021).

Despite this promise, access to entrepreneurship and its benefits is deeply unequal. Structural barriers have long impeded the ability of Black Americans to start and scale businesses at the same rate, or with the same success, as their White peers. As of 2021, for example, 96% of Black-owned firms were nonemployer businesses (those without paid employees), compared to 81% of White-owned firms (Perry et al., 2024b). Among employer firms, only 3.3% were Black-owned in 2022—far below Black Americans' 14.4% share of the U.S. population (Perry et al., 2025). Even among employer firms, Black-owned businesses tend to employ fewer workers and generate significantly lower revenues than their White-owned counterparts (see Figure 1.4).

Figure 1.4 Employer business characteristics by race & ethnicity

Race and ethnicity	Share of Employer Business Owners	Share of US population	Number of employer firms	Revenue of employer firms	Number of employees	Annual payroll
Hispanic	7.9%	18.7%	465.2K	$653.47B	3.6M	$143.2B
White	81.1%	74.0%	4.8M	$16,397.4B	59.6M	$3204.8B
Black or African American	3.3%	14.4%	194.6K	$211.8GB	1.6M	$61.2B
American Indian and Alaska Native	0.8%	2.0%	47.5K	$78.5B	333.2K	$14.6B
Asian American	11.1%	7.0%	650.7K	$1,192.95B	5.4M	$238.8B
Native Hawaiian and Other Pacific Islander	0.2%	0.5%	9.6K	$13.77B	68.8K	$3.2B

Source: Brookings' analysis of American Business Survey Data (2022)

Note: Adapted from Andre M. Perry, Hannah Stephens, and Manann Donoghoe, "Driving prosperity: How Black-owned businesses fueled recent economic growth," Brookings (2025), www.brookings.edu/articles/driving-prosperity-how-black-owned-businesses-fueled-recent-economic-growth.

These stark disparities reflect the many interlocking barriers that continue to hinder the success of Black-owned businesses. These obstacles are well documented, including in Project Equity's 2023 report *Strategies to Advance Black Employee Ownership*,[2] but warrant addressing here:

Limited wealth & financial precarity: Black entrepreneurs, on average, have fewer personal assets, lower overall wealth, and less disposable income to invest in their businesses compared to their White counterparts (Association for Enterprise Opportunity, 2017). A 2020 study of Black entrepreneurship in New York City (NYC Department of Small Business Services, 2020), for example, found that 73% of surveyed Black business owners started their business with $25,000 or less, compared to a national average of more than $100,000 for White entrepreneurs. Black business owners are also more likely to have competing personal financial obligations, like supporting aging parents, which can strain available

[2] Hilary Abell, Alison Lingane, and Terron Ferguson, *Strategies to Advance Black Employee Ownership*, Project Equity (2023), www.project-equity.org/wp-content/uploads/2023/07/Strategies_to_Advance_Black_Employee_Ownership_Project_Equity_2023-6-21.pdf.

capital (Association for Enterprise Opportunity, 2017). Unsurprisingly, the Federal Reserve's 2021 Small Business Credit Survey found that Black-owned firms were more than twice as likely as White-owned firms to report being in poor financial condition (Wiersch & Misera, 2022).

Credit gap: With limited personal savings or inherited wealth, Black entrepreneurs are more likely to finance business expenses using personal credit cards than their White peers (Robb, 2018). However, because Black borrowers tend to have lower credit scores (Perry et al., 2022)—due, in part, to structural inequities embedded in credit scoring (National Consumer Law Center, 2024)—they are more likely to pay higher fees and rely on alternative financial institutions with predatory loan terms (Goldman Sachs, 2024). Even among businesses with low credit risk, a recent survey found that only 27% of Black-owned firms received all of the financing they applied for compared to 43% of White-owned firms (Wiersch & Misera, 2022).

Discriminatory lending practices: When Black business owners do seek external financing, research has shown they regularly encounter biased lending practices. A 2022 Federal Reserve study found that Black business owners were twice as likely as White entrepreneurs to have their loan applications outright denied and only half as likely to receive the full loan amount they requested (Federal Reserve, 2022). Other studies have demonstrated that lenders offer Black entrepreneurs less encouragement to apply for capital (Conell-Price et al., 2024), and even when they submit stronger applications, they are often offered inferior loan products and services than White business owners (Scott et al., 2023; Bone et al., 2019). These practices not only limit access to capital but also reinforce a broader mistrust in financial institutions, making many Black business owners hesitant to seek financing altogether (Association for Enterprise Opportunity, 2017; Zinn et al., 2023).

Industry concentration: Black-owned businesses are overrepresented in less lucrative industries. In 2022, 26% of the nation's 195,000 Black-owned employer firms operated in the healthcare and social assistance sector, with additional clusters in transportation and warehousing (9%); administrative, support, and waste management and remediation services (8%); retail trade (7%); and accommodation and food services (7%)—all sectors with lower average revenues and profit margins (Leppert, 2025). While these industries often have low startup costs and fewer barriers to entry, they tend to provide limited pathways to scale (e.g., beauty salons, childcare businesses, janitorial firms, etc.) (Asante-Muhammad, 2021). By contrast, Black-owned firms are underrepresented in high-revenue, high-growth sectors such as finance and insurance (3.2%), manufacturing (1.2%), and information (1.2%).

Geographic concentration: Black business ownership is also geographically concentrated in ways that constrain opportunity. Roughly 90% of Black-owned employer firms are located in urban areas, with 40% of total Black business revenue generated in just 30 counties nationwide (Kramer Mills & Battisto, 2020). Many of these urban areas have long histories of racial segregation and concentrated poverty (Hadden Loh et al., 2020), which can depress local demand and limit revenue potential (Asante-Muhammad et al., 2021).

While cities like New York and Washington, D.C. have the largest number of Black-owned firms, the metro areas with the highest proportional share of Black business ownership are located in the Southeast (Perry et al., 2023), where lower incomes and higher unemployment and poverty rates (Childers, 2023) further strain the long-term viability of Black businesses.

Gentrification & commercial rent affordability: Rising commercial rents and the threat of displacement pose a further threat to the survival of Black-owned businesses. In historically Black neighborhoods undergoing gentrification—a process in which poor, disinvested neighborhoods are "revitalized" by an influx of more affluent residents (Croff et al., 2021)—surging commercial rents can price Black entrepreneurs out of their communities. In Atlanta, for instance, median commercial rents in majority-Black zip codes rose by 93% from 2013 to 2023 (Bethea & Camardelle, 2024). Devalued commercial real estate in historically Black neighborhoods (Rothwell et al., 2022) has become a prime target for speculative investment (Richardson et al., 2023), which can reduce property availability and drive up costs. These dynamics are playing out in neighborhoods nationwide (Lung-Amam, 2021). In Boston, two-thirds of small business owners in BIPOC neighborhoods cited concerns over the threat of displacement, with rising costs posing the greatest barrier (UMass Donahue Institute, 2024). These pressures not only jeopardize existing businesses but also discourage new ones from forming.

Beyond these challenges, Black entrepreneurs often struggle to find affordable, culturally relevant technical assistance (TA) and small business services (Baboolall et al., 2020; UMass Donahue Institute, 2024), build professional networks that connect them to growth opportunities and financing (Howard, 2019), and find trusted mentors who can provide guidance and support (Petri, 2017; NYC Department of Small Business Services, 2020). These obstacles frequently derail Black entrepreneurs before they can get their ventures off the ground, contributing to the persistent disparity in business ownership rates between Black and White Americans (Edelberg & Steinmetz-Silber, 2024). And for those able to launch a business, these barriers often continue to shape outcomes well after starting up.

Facing these headwinds, Black-owned businesses are significantly less likely to survive over the long term. Research by Fairlie and Robb (2009) found that, compared to White-owned businesses, Black-owned businesses are 20% more likely to fail within four years. Subsequent studies have shown similar discrepancies in survival rates between Black and White firms (Jarmin et al., 2014), with a 2020 analysis by the JPMorgan Chase Institute finding that 15.5% of Black-owned firms exited in their first year, compared to 9.4% of White-owned firms (Farrell et al., 2020). These failures carry steep costs: both financial, often leaving entrepreneurs with debt and instability (Ucbasaran et al., 2013), and emotional, with the stress and psychological pain for some being akin to bereavement or divorce (Shepherd et al., 2009; Hwang & Choi, 2021).

While business ownership can drive economic mobility, the higher failure rates and associated risks that Black entrepreneurs face raise serious concerns about its effectiveness in reducing racial wealth disparities. In fact, research by Kroeger and White (2021) shows that unsuccessful Black entrepreneurs (i.e., those who suffer business failures within four years of starting up) are particularly vulnerable to downward economic mobility. According to their findings, a Black entrepreneur starting in the middle wealth tercile has a 50% chance of falling to the bottom tercile if their business fails, compared to a less than 25% chance for a similarly situated White entrepreneur. Strikingly, their analysis shows that Black entrepreneurs, regardless of whether their business succeeds or fails, are more than twice as likely to experience downward mobility (35%) as Black workers (17%) and nearly three times as likely as White entrepreneurs and workers.

Taken together, these findings underscore a sobering reality: **for Black entrepreneurs, business ownership carries disproportionate risk and offers few assurances of upward mobility. As such, simply increasing the rate of Black business ownership will not be enough to bridge the RWG. But what if there were a model that enabled Black workers to share in the rewards of ownership without shouldering all of the risks?** And what if that same model offered an exit strategy for retiring business owners that preserved jobs, anchored wealth locally, and sustained businesses for the long term? Employee ownership is a solution that offers exactly that.

III. Employee ownership as a wealth-building strategy

Employee ownership (EO) refers to a set of distinct but related business structures in which workers own all or a significant share of the company they work for. While the term can encompass a range of models, including stock options, equity grants, LLC membership, and other "alternative equity structures" (RMEOC, n.d.), Project Equity's work focuses on "broad-based" models of EO, in which all employees who meet basic criteria can become owners and share in the value they help create. In the United States, the most common forms of broad-based EO are Employee Stock Ownership Plans (ESOPs), worker cooperatives, and Employee Ownership Trusts (EOTs) (see Figure 1.5).

Figure 1.5 Forms of broad-based employee ownership

Employee Stock Ownership Plans (ESOPs)

- ESOPs are qualified retirement plans used to transfer all or part of the company's shares to a trust, administered on behalf of the employees.
- Employees earn their shares as a retirement benefit.
- ESOPs come with very significant
- tax benefits, which, coupled with regulation, mean they can be a fit
- for companies with more than
- 40-50+ employees, given higher
- set up and ongoing costs.

Worker Cooperatives

- Worker cooperatives are 100% employee-owned and are governed by the people who work there.
- Employees pay a small equity buy-in and the Board of Directors is made up of a majority of employee-owners who are elected by the
- full membership.
- Profit-sharing is built into the model and is based on hours worked. Worker cooperatives have lower set up costs.

Employee Ownership Trusts (EOTs)

- EOTs, sometimes called Perpetual Employee Trusts, preserve the business over the long term for the benefit of the employees.
- Employees don't pay for their ownership benefits, and they
- receive a share of the company's annual profits.
- EOTs have lower set up costs.

There are two main paths to EO: launching a new EO business or converting an existing company to EO. Starting an EO enterprise from scratch allows shared ownership principles to be embedded in the business's governance, culture, and operational structure from day one. However, securing funding for a new EO business can be challenging and, as with any startup, these businesses face early-stage risks. Conversions, on the other hand, enable mature companies to transition to EO while retaining their existing workforce, infrastructure, and customer base. They also provide owners with a succession strategy that can protect their legacy and, depending on the model, carry considerable financial incentives. While both pathways are key to scaling EO, conversions are particularly relevant today as millions of small business owners—who employ more than 30 million American workers and generate $6.5 trillion in economic activity—near retirement age, often with no succession plan in place.[3] Addressing the urgency of the "Silver Tsunami" by deepening local economic resilience through EO is an essential aspect of Project Equity's work.

Broad-based EO is not a new concept in the United States. Worker cooperatives first emerged in the 19th century, drawing inspiration from earlier models developed in England during the Industrial Revolution (Bibby, 2014; Pitman, 2018). Black communities in particular have long engaged in cooperative economic practices in the United States, as chronicled in the seminal work of political economist Jessica Gordon Nembhard (2014). During the civil rights movement of the 1960s, Black worker cooperatives like the Freedom Quilting Bee—established in 1966 in Wilcox County, Alabama, by Black craftswomen seeking to generate income—were integral to struggles for Black self-determination and economic equality. This legacy provides both context and precedent for understanding EO's promise as a strategy for Black wealth building today.

More recently, Employee Stock Ownership Plans were codified in 1974 through the Employee Retirement Income Security Act (ERISA) and have since grown into the most widespread form of EO. As of 2022, there were more than 6,500 ESOPs in the United States covering nearly 15 million participants, of whom roughly 11 million were active participants (i.e., currently employed and covered by an ESOP) (NCEO, n.d.). Employee Ownership Trusts, by contrast, are the newest and least common model of broad-based EO. The first domestic EOT was established in 2014 (FieldFisher, 2016), and the model has since grown to include almost 50 businesses, including perpetual purpose trusts (Broughton et al., 2025). Employee-owned companies today operate across a range of scales and industries, from Atthowe Fine Art Services, a boutique fine art handling company that Project Equity helped transition to a worker cooperative, to Publix Super Markets, the country's largest EO firm with more than 260,000 workers (Publix, n.d.).

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[3] See Project Equity's analysis of the Silver Tsunami: www.project-equity.org/impact/silver-tsunami.

As EO has expanded and taken root in communities across the country, its benefits for workers, businesses, and communities—as detailed in Project Equity's 2020 *The Case for Employee Ownership*[4]—have become increasingly clear. For businesses, EO has been shown to reduce turnover (NCEO, 2023), improve productivity (O'Boyle et al., 2016), increase the likelihood of firm survival (Blasi et al., 2013; Burdin, 2014), and deepen employee engagement (Blasi et al., 2017). Employees at EO firms report stronger job security (Kurtulus & Kruse, 2017), better fringe benefits (NCEO, 2018), and higher job satisfaction and work-life balance (Sockin et al., 2024). In cooperatives and some democratic ESOPs, employees also have a voice in governance and operational decision-making, which can increase workplace autonomy and engagement (Wren, 2020). EO can also strengthen local economies by keeping businesses rooted in their communities, circulating revenues locally, and encouraging practices that enable businesses to weather downturns without resorting to mass layoffs (Billiet et al., 2021; Davis, 2021).

Perhaps EO's most powerful impact, however, is its ability to build wealth and long-term financial stability for workers, as recent research has demonstrated. In terms of wages, a 2017 study found that wages for employee-owners aged 28–34 at ESOP firms were 33% higher than those of comparable workers at traditionally owned businesses (Wiefek, 2017), with more recent research showing a 22% wage advantage overall (NCEO, 2018). While data on worker cooperatives and EOTs are more limited, Project Equity's recent survey of ten worker cooperatives that converted to EO between 2017 and 2024 found that employee wages grew 20% on average in the years immediately following their transitions to EO (Rivera & Abell, 2024).

The retirement security benefits of EO are even more striking. In a 2023 survey of S corporation ESOPs, the median balance held in workers' ESOP accounts was $80,500, more than double the median retirement savings ($30,000) of their non-ESOP counterparts (NCEO, 2023). A previous survey of ESOP participants found that low- to moderate-income workers in ESOPs had median retirement savings of $215,000, compared to a national median of $17,000 (Boguslaw & Schur, 2019). By providing workers with a stake in the value they create, EO offers a path to financial security that is often out of reach in traditional employment structures.

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[4] Hilary Abell, *The Case for Employee Ownership*, Project Equity (2020), www.project-equity.org/publication/case-for-employee-ownership.

Building on this evidence, recent modeling shows how scaling EO could dramatically reshape how wealth is distributed in the United States. Dudley and Rouen (2021) estimate that **if every private-sector firm became 30% employee-owned—the threshold commonly used to define broad-based EO—median household wealth would nearly double. The impact would be especially significant for Black households, whose median wealth would more than quadruple, rising from $24,000 to $106,000** under this scenario. If all companies became even 10% employee-owned, they estimate, the median wealth of Black households would more than double. Given that the wealthiest 1% of Americans currently control nearly 80% of private business equity (Pernell & Wodtke, 2024), a broad shift toward EO would have seismic implications, reducing inequality and wealth concentration while building a stronger middle class and a more prosperous economy for all.

> **If every private-sector firm became 30% employee-owned, Black households' median wealth would more than quadruple, rising from $24,000 to $106,000.**

Entrepreneurship represents a vital strategy for boosting Black wealth, but structural barriers limit who can pursue business ownership and reap its rewards. EO provides a powerful alternative: a way to democratize access to the benefits of ownership by giving workers a stake in the businesses they help sustain. Through the competitive wages, robust benefits, strong retirement security, and wealth-building opportunities that employee-owned companies typically provide, scaling EO can improve the lives of individual Black workers while fostering the economic vitality of Black communities overall. In this way, EO represents far more than a promising business model: it offers a way to unlock access to the American dream for millions of Black Americans by enabling their full participation in the economy, not only as workers but as owners, investors, and leaders. Given EO's transformative potential, a key question emerges: how can we scale EO as broadly as possible in a way that ensures Black workers share in its benefits?

IV. Policy solutions to advance Black EO

Interest in EO is strong across the American workforce. A 2017 survey by Certified EO found that one-third of job seekers would be more likely to apply for a position after learning that the company is employee-owned (Dudley, 2017). Similarly, a 2018 poll conducted by the National Opinion Research Center at the University of Chicago found that 72% of respondents would prefer to work for an EO business over one owned by shareholders or the state, including 74% of Democrats, 72% of Republicans, and 67% of Independents (Kruse & Blasi, 2018).

Yet despite this broad appeal, relatively few U.S. workers currently benefit from EO. Of the roughly 97 million Americans employed at privately-held firms that could be candidates for conversion to EO (Carroll, 2021), only about 11% (11 million workers) have access to a broad-based EO structure. That includes 10.8 million active ESOP participants, approximately 10,000 worker cooperative employee-owners (Blasi & Kruse, 2025), and between 3,800 and 12,000 employee-owners of EOTs and perpetual purpose trusts (Broughton et al., 2025). While these numbers are meaningful, they represent only a small share of EO's full potential.

EO's limited reach is not the result of weak demand, but rather the product of business and policy environments where awareness of EO remains low. Without broad awareness of EO's advantages and supportive policies in place to make it a viable option for workers and entrepreneurs, EO will continue to fall short of its full potential as a driver of shared prosperity, business resilience, and wealth building, particularly for Black communities.

Still, EO has gained momentum in recent years (Anzilotti, 2018; Quart, 2021). From 2012 to 2023, the number of worker cooperatives in the U.S. nearly tripled, from 254 (Hoover, 2012) to 751 (DAWI & USFWC, 2024). ESOP growth has been more modest: according to data compiled by the National Center for Employee Ownership (NCEO, n.d.), the total number of ESOPs decreased slightly over the past decade, from 6,718 in 2014 to 6,548 in 2022, while the total number of ESOP participants increased from about 14 million to 15 million over the same period. Between 2016 and 2022, an average of 264 new ESOPs were established annually.

This uptick in EO interest and activity has coincided with a wave of public policies and initiatives focused on accelerating the growth of EO. At the federal level, the passage of the 2018 Main Street Employee Ownership Act marked a watershed moment in pro-EO policy. The Act instructed the U.S. Small Business Administration to make its flagship 7(a) loan program more accessible to EO businesses and to use its network of Small Business Development Centers to provide EO education and TA.[5] More recently, the 2022 Worker Ownership, Readiness, and Knowledge (WORK) Act created an Employee Ownership Initiative within the U.S. Department of Labor to promote EO models and bolster the capacity of state-level EO programs through funding and resources. While implementation of both policies is ongoing, these measures demonstrate the growing recognition of EO's promise at the highest levels of government.

[5] EO technical assistance includes A range of services spanning the lifecycle of an EO business, from feasibility assessments to determine the right EO model, to legal structuring and financing support during the startup or transition process, to ongoing training for employee-owners on shared governance, financial management, and other key skills.

States and cities have also stepped up support for EO in recent years. California, Massachusetts, and Washington have each adopted comprehensive EO policies that include dedicated state programs, tax incentives and grants for EO businesses, and robust education and outreach efforts. Colorado has emerged as the most EO-friendly state in the country, thanks to a series of policies passed since 2017 that created a state EO office and a suite of financial incentives and TA subsidies for EO businesses (Tabachnik, 2024). According to new research conducted by Project Equity, 33 states and the District of Columbia now have pro-EO policies on the books.[6] Dozens of local governments, including New York City, Los Angeles County, and Minneapolis, have also taken action to support EO, launching local EO initiatives, establishing procurement preferences, funding TA subsidies, and creating outreach programs to accelerate EO adoption.

While these and other policy developments are significant—demonstrating the range of policy tools available to expand and mainstream EO—their impact on Black workers remains uncertain. **Most EO policy measures have not directly addressed or accounted for the structural barriers faced by Black workers and entrepreneurs.[7] And without deliberate efforts to address these barriers, EO policies risk reinforcing, rather than remedying, existing inequities.** Past policy efforts offer cautionary lessons in how well-designed programs can miss the mark in terms of their impact on Black communities if they fail to account for systemic racial disparities.

The Paycheck Protection Program (PPP) offers one such example. Launched during the COVID-19 pandemic to keep small businesses afloat amid government lockdowns and supply chain disruptions, PPP suffered from a number of design flaws that disproportionately impacted Black-owned firms. The program's reliance on traditional financial institutions to screen applicants and issue loans hurt Black business owners lacking established banking relationships (Lederer & Oros, 2020). Complex documentation requirements further disadvantaged Black entrepreneurs, who are less likely to have access to lawyers, accountants, or professional advisors (Chernenko et al., 2023). And with 96% of Black-owned businesses being sole proprietorships (SBA, 2024), the exclusion of nonemployer firms significantly limited Black participation altogether. As a result, Black-owned businesses received smaller loans (Atkins et al., 2022), were denied loans at a higher rate (Chernenko & Scharfstein, 2024), and were more likely to cease operating during the first few months of the pandemic (Fairlie, 2020) than entrepreneurs of other races.

[6] See Project Equity's Employee Ownership Policy Database for further details: www.project-equity.org/impact/public-policy/employee-ownership-policy-database.

[7] A small but notable exception is Minnesota's Community Wealth Building pilot program, launched in 2023, which offers low-interest loans (as well as loan-readiness technical assistance and legal services) to EO businesses whose ownership is majority Black or other designated minorities (MNDEED, n.d.).

Such disparate outcomes are not inevitable. Policymakers can help to maximize EO's impact on Black households by designing and implementing policies that are responsive to the distinct needs, experiences, and perspectives of Black communities. This will require not only addressing barriers to EO adoption but also deepening our understanding of how EO currently supports—or fails to serve—Black workers and entrepreneurs. This project contributes to that understanding by examining how EO can promote job quality and wealth building for Black workers, while identifying persistent challenges limiting its uptake.

Through a unique research collaboration between Project Equity and scholars at Morehouse College and the University of California, Riverside, this study sets out to: 1) assess the job quality, wealth-building, and health outcomes associated with EO for Black workers; 2) uncover the primary drivers and barriers that impact the adoption of EO in Black communities; and 3) recommend policy solutions aimed at lowering those barriers and expanding access to EO's benefits for Black workers and entrepreneurs.

This report represents the culmination of that collaborative effort. Bringing together distinct but complementary insights from UC Riverside's quantitative research,[8] Morehouse's qualitative fieldwork, and Project Equity's policy analysis, it illuminates both the opportunities and challenges to expanding EO in Black communities—and charts a path forward.

In the chapters that follow, we examine the history of the racial wealth gap, the importance of entrepreneurship to Black wealth building, and how EO can expand pathways to business ownership and economic mobility in Black communities. We then outline the core research questions that guided each project partner's distinct research scope, as well as the tools and methods used to address those questions. Drawing on Morehouse's qualitative fieldwork, we explore perceptions of EO among Black workers and entrepreneurs, as well as the barriers shaping its adoption in Black communities.

Informed by these findings, as well as insights drawn from Project Equity's policy research and analysis, we propose a set of policy recommendations aimed at lowering barriers to scale for Black EO and catalyzing the uptake of EO in Black communities. We then conclude with a call to action for policymakers, advocates, and ecosystem stakeholders who share our commitment to reimagining the rules of ownership. As momentum grows around the movement for EO, we offer this report as both a resource and roadmap for building a more inclusive, equitable economy that gives all workers a stake in the businesses they help build and a pathway toward the American Dream.

[8] UC Riverside's full findings on the job quality and wealth-building benefits of EO for Black workers were not available at the time of publication. Once finalized, these findings will be incorporated into this report as an addendum.

CHAPTER 2
RESEARCH GOALS & QUESTIONS

I. A unique research collaboration

This project represents a unique collaboration between Project Equity—a national nonprofit dedicated to advancing employee ownership (EO)—and researchers at Morehouse College and the University of California, Riverside (UCR). Since its inception in 2014, Project Equity has been a leader in the movement to expand EO from a niche business model to a broader wealth-building strategy for Black, Brown, and low-to moderate-income (LMI) workers. Through our direct impact work, we guide businesses across the country through every stage of the EO transition process, from initial education and exploration to crafting bylaws to securing financing to make their transitions possible. By providing advisory services and hands-on technical assistance enabling businesses to become employee-owned, Project Equity is demonstrating the transformative potential of EO to strengthen businesses, improve job quality, deepen local economic resilience, and create pathways to business ownership for working Americans.

However, unlocking EO's benefits at scale demands a broader effort to build partnerships with stakeholders who can embed EO within the fabric of local and national economic development strategies. A key component of Project Equity's work to scale EO is our cross-programmatic Black Employee Ownership strategy, aimed at extending the promise of the American Dream to all Black workers and entrepreneurs by transitioning Black-owned businesses and businesses with Black workers to EO.

To advance this initiative, Project Equity has strategically partnered with Morehouse College—the nation's only historically Black private liberal arts college for men—since 2022 to make EO part of the Black wealth-building agenda in Atlanta, the city with the highest rate of Black business ownership (Davis, 2025) and the second-largest Black population among U.S. metropolitan areas (Martinez & Passel, 2025). Project Equity's collaboration with the Morehouse Sociology Department's International Comparative Labor Studies (ICLS) program, as well as the Morehouse Innovation & Entrepreneurship Center, has focused on raising awareness of EO within Atlanta's Black communities, supporting Black-owned businesses and businesses with Black workforces in becoming transition-ready, and identifying new ways to embed EO within local economic development efforts. This partnership has already yielded two groundbreaking studies on using EO to close the racial wealth gap[1] and strategies to advance Black EO.[2]

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[1] Cynthia M. Hewitt and Kyle K. Moore, *Employee Ownership for Black Workers: Closing the Racial Wealth Gap*, Morehouse College International Comparative Labor Studies (2023), www.project-equity.org/wp-content/uploads/2023/07/MH_BEO_April-2023_final_web.pdf.

[2] Hilary Abell, Alison Lingane, and Terron Ferguson, *Strategies to Advance Black Employee Ownership*, Project Equity (2023), www.project-equity.org/wp-content/uploads/2023/07/Strategies_to_Advance_Black_Employee_Ownership_Project_Equity_2023-6-21.pdf.

This new research project deepens Project Equity's partnership with Morehouse and establishes a new relationship with UCR. Combining each partner's complementary expertise in EO, racial equity, and economic mobility, **our collaborative study leverages the unique strengths of each institution to ensure a comprehensive approach to understanding how EO can serve as a vehicle for wealth building and economic security for Black workers and entrepreneurs.**

II. Goals of this project

This study aims to advance our collective understanding of EO's impact on Black workers and entrepreneurs, identify key challenges limiting its expansion in Black communities, and propose policy solutions to enhance EO's effectiveness as a tool for Black wealth building. Specifically, we seek to:

- Update and deepen knowledge about the job quality and wealth-building benefits of EO for Black workers.
- Uncover perceptions of EO and barriers to its adoption among Black workers and business owners, including structural challenges, policy gaps, and sociocultural factors.
- Identify policy solutions that can better support Black workers and entrepreneurs in accessing and benefiting from EO, with a focus on targeted, actionable strategies.

> **Our collaborative study leverages the unique strengths of each institution to demonstrate how EO can serve as a vehicle for economic security for Black workers.**

Our collaboration builds on existing research into the wealth-generating potential of EO summarized in Chapter 1, while filling critical gaps in our understanding of the racialized dynamics of EO. **By investigating EO's benefits for Black households, as well as barriers to EO's uptake within Black communities, this study aims to strengthen and refine policy approaches that can maximize EO's economic impacts for Black workers.**

III. Research questions & hypotheses

To achieve these objectives, our multi-pronged study explores three distinct but related sets of questions.

Quantitative research (University of California, Riverside)

Led by Dr. Robynn Cox, Associate Professor of Public Policy at UC Riverside and President of the National Economic Association, the UCR team's quantitative research focuses on answering the following questions:

1. What is the prevalence of profit-sharing and ESOP participation by race?
2. What factors explain employment at employee-owned firms, and do they vary by race?
3. Are there differences in net worth by EO status within and between races?
4. Does employment at employee-owned companies (as measured by profit-sharing and ESOPs) help to close the racial wealth gap?
5. What is the relationship between employment at employee-owned firms and the likelihood of being diagnosed with chronic health conditions by middle age?

Comparing Black and White workers, the UCR team hypothesizes that employment at an EO firm will have a positive effect on wealth accumulation within racial groups and will contribute to reducing the racial wealth gap between racial groups. Additionally, because of the connection between wealth and health, the team hypothesizes that individuals employed in employee-owned firms will experience better health outcomes and be less likely to develop chronic illnesses by middle age.

Qualitative research (Morehouse College)

Dr. Taura Taylor, Assistant Professor of Sociology, and Dr. Cynthia Hewitt, Avalon Professor of Sociology and Director of the Morehouse ICLS program, direct the Morehouse team's qualitative research, which aims to address the following questions:

1. What are the primary drivers of and barriers to Black business owners and owners of businesses with substantial Black workforces adopting EO?
2. How do structural, financial, sociocultural, and other factors influence awareness, interest, and decision making regarding EO transitions?
3. What are the lived experiences of Black workers and business owners who have explored or undertaken an EO transition, and how do these experiences shape perceptions of EO as a wealth-building strategy?

The Morehouse team hypothesizes that while EO presents an attractive wealth-building strategy for Black workers and business owners, its uptake is undermined by a number of barriers, including lack of awareness, limited capital access, insufficient professional support, and other systemic and historical challenges that may prevent Black entrepreneurs and workers from pursuing EO.

Policy research (Project Equity)

The Project Equity team, composed of Yvonne Yen Liu (Project Consultant & Principal Investigator), Tyler Rivera (Manager, Policy & Impact), and Max Chaoulideer (Senior Manager, Ecosystem Development & Policy), lead the project's policy research, which centers on the following questions:

1. What public policies and programs exist to support the growth of EO at the federal, state, and local levels, and how can these tools be updated or expanded to ensure Black entrepreneurs and workers benefit equitably from employee ownership opportunities?

2. What new policy interventions are needed to address the barriers Black business owners and workers face in adopting EO?
3. How can existing public policies and programs designed to support Black business owners be leveraged to create conditions more conducive to the growth of EO in Black communities?

The Project Equity team hypothesizes that public policies and programs meant to expand EO run the risk of failing to create impact for Black workers and business owners—and may unintentionally reinforce existing racial inequities—if they are not intentionally designed and implemented in ways that address the systemic and historic barriers that Black Americans face. If EO is to play a transformative role in narrowing the racial wealth gap, the Project Equity team hypothesizes, policymakers must craft EO policies with a deliberate focus on the needs and perspectives of Black workers and entrepreneurs.

This study aims to provide a holistic understanding of how EO can serve as a pathway for Black wealth building.

Each component of this collaborative project—the quantitative research on the economic benefits of EO for Black workers by UCR, the qualitative research into the perceptions of and barriers to EO within Black communities by Morehouse, and the EO policy landscape analysis by Project Equity—offers a complementary perspective on the challenges and opportunities surrounding Black EO. **By combining these distinct approaches, this study aims to provide a holistic understanding of how EO can serve as a pathway for Black wealth building, while also identifying the barriers that limit its expansion in Black communities.** The following chapter details the research design employed by each of the project partners, including our respective data collection and analysis methods.

CHAPTER 3
RESEARCH DESIGN & METHODS

Reflecting the unique research interests and technical capabilities of each project partner, this project took a mixed-methods approach to assess the current landscape of, and future opportunities to expand, employee ownership (EO) for Black workers and entrepreneurs. The study is structured around three distinct but complementary components: quantitative research led by the University of California, Riverside (UCR) team, qualitative research led by the Morehouse College team, and policy research led by Project Equity. This blended research design enabled a holistic analysis of the opportunities and challenges Black workers and business owners face in pursuing EO as a pathway for wealth building.

I. Quantitative research methods (University of California, Riverside)

To assess the economic and health benefits of EO for Black workers, the UC Riverside research team analyzed data from the National Longitudinal Surveys (NLS), a series of long-running, nationally representative surveys sponsored by the U.S. Bureau of Labor Statistics. The NLS follows a sample of individuals from specific birth cohorts over time, tracking information on a wide range of topics, including household composition and demographics, income and assets, labor market activities, and health issues. By following individuals through major life transitions and employment changes, the NLS provides a rich dataset for examining the link between EO and workers' physical and financial well-being. This section describes how UCR leveraged NLS data to measure differences in economic and health outcomes between workers with and without access to EO, with a particular focus on disparities between Black and White workers.

Data description

The UCR team analyzed data from two distinct survey cohorts: the 1979 National Longitudinal Survey of Youth (NLSY79) and 1997 National Longitudinal Survey of Youth (NLSY97). The NLSY79 consists of a sample of individuals born between 1957 and 1964. The baseline survey was taken in 1979 when participants were ages 14-22, with follow-up surveys conducted annually until 1998 and every two years thereafter. The NLSY97 includes a sample of individuals born between 1980 and 1984. The baseline survey was collected in 1997 when respondents were ages 12-17, with follow-up surveys conducted annually until 2011 and every two years thereafter.

Both NLS surveys capture data on a wide array of topics, including household composition and demographics, parent information and childhood experiences, human capital (e.g., educational attainment, achievement scores, training outside of traditional schooling, etc.), household income and assets, criminal history, and physical and mental health. Both datasets also oversample Black respondents, allowing for robust comparisons between Black and White workers over time.

Key to this study, the NLS surveys collect extensive information on participants' labor market activities, including information on their current and former employers, job roles, tenure, wages, and access to fringe benefits. While both cohorts track participants' access to profit-sharing benefits (beginning with the 1988 survey of the NLSY79), the NLSY97 is a particularly valuable data source as it also captures employment in firms with ESOPs. Prior research (Cox, 2020; Wiefek, 2017) has similarly leveraged NLS data to explore the relationship between EO and workers' economic well-being. This study builds on and extends that evidence base by incorporating both the NLSY79 and NLSY97 cohorts to provide a more comprehensive picture over time, disaggregating findings by race to focus specifically on Black workers' outcomes, and expanding the analysis of health outcomes.

Sample creation & preparation

To enable meaningful comparisons by race, the UCR team restricted the NLSY97 sample to non-Hispanic Black and non-Hispanic White respondents. After additional exclusions for respondents with missing ASVAB scores and individuals who were not surveyed in 2015, the final sample included over 5,200 individuals. Given the challenge of missing data on several key baseline variables, the research team used multiple imputation by chained equations (MICE) to fill in gaps and reduce potential bias in the analysis.

The team used the same demographic restrictions for the NLSY79 sample. Given that their analysis centered on a set of outcome variables measured at various points in adulthood—specifically at ages 40 and 50, as well as in the calendar years 2016 and 2018—the UCR team excluded some respondents from their sample, including individuals who were incarcerated during the year in which the outcome variable was measured and respondents who had died before 2012. They also limited their sample to individuals who were employed at some point before the age of 40 to isolate the effect of labor market experiences on long-term outcomes. To address missing data on key background and control variables, they used the same MICE method to estimate the missing values based on the observed data.

Descriptive analysis

To investigate the relationship between access to EO benefits and workers' physical health and financial well-being, UCR began with a descriptive analysis of the NLSY79 and NLSY97 cohorts. Focusing on the most recent year of available NLS data, they first calculated baseline summary statistics by EO status to understand differences in the mean characteristics of individuals with and without access to EO (i.e., profit-sharing benefits or ESOPs).

Next, they used logistic regression techniques on the NLSY97 dataset to determine the factors that predict employment at an ESOP firm, and whether those predictors differ by race. These models controlled for a host of variables potentially predictive of ESOP employment, such as education level, parental education levels, criminal justice involvement, marital status, and industry of employment. A step-by-step approach was used in these logistic regressions, enabling the team to understand the role of specific factors by progressively adding more variables.

UCR then tested the within-race effects of EO status on income, wealth, and health outcomes (i.e., comparing Black EO workers to Black non-EO workers, and White EO workers to White non-EO workers) by using cross-sectional regression analyses and controlling for a range of variables that could predict both EO access and outcomes. For wealth outcomes specifically, the team also used logistic regression to estimate the probability of being in different wealth quintiles by EO status and race.

Finally, the research team used Oaxaca-Blinder decomposition techniques to measure the effect of EO status on gaps in wealth, income, and health outcomes between racial groups. Specifically, this approach allowed the team to estimate how much of the gap between Black and White workers' outcomes can be explained by differences in observable characteristics (e.g., education, work experience, industry of employment, criminal history) and how much is attributable to unexplained differences. This analysis is key to understanding whether and how much EO participation can contribute to a narrowing of racialized disparities.

Causal inference analysis

Given the longitudinal nature of the NLS data, the UCR team was also able to apply causal inference methods to test whether EO access directly causes changes in workers' income, wealth, and health outcomes, rather than simply being correlated with them. To determine causality, they used difference-in-differences-based models comparing individual outcomes before and after EO exposure to help isolate the impact of EO status from other confounding factors.

Because an individual can enter and exit EO firms across different years, EO status was treated as a binary variable in these analyses: individuals who reported having either profit-sharing benefits or an ESOP at any point in their employment history were classified as having worked at an EO firm. Once EO status was assigned to an individual worker, it remained fixed in all subsequent years, allowing the team to measure the impact of EO benefits over time.

Event study analyses were conducted separately for the NLSY79 and NLSY97 cohorts. In each case, the team controlled for region-specific time trends, an important step to factor in potential regional differences in economic conditions, labor market dynamics, and the prevalence of EO firms. To account for limitations of traditional event study methods, they also employed more recently developed techniques as robustness checks. Finally, to strengthen the validity of the causal analysis, the team applied several advanced statistical techniques, including inverse probability weighting to account for sample imbalance, and a Difference Generalized Method-of-Moments (GMM) estimator to address potential bias from endogenous factors.

Limitations

While UCR's study reflects a rigorous research design, a few limitations affect the potential generalizability of their findings. First, while the scope of this project as a whole addresses all three major models of broad-based EO, UCR's analysis is limited to ESOPs and non-broad-based profit sharing. This is a shortcoming of the NLS surveys, which do not include questions regarding employment at worker cooperatives or Employee Ownership Trusts (EOTs). Of the EO data that are available through NLS, responses are self-reported and based on a single question about available workplace benefits. Although the NLS wording specifically references "employee stock ownership plan(s)," it is possible that some respondents may have misinterpreted the question or confused ESOPs with similar-sounding employee stock purchase plans (ESPPs) or other equity grant programs. There is no reason to expect respondents would misrepresent their access to profit-sharing and ESOPs, but this constraint should be taken into account when interpreting the findings.

Second, and also due to the nature of the NLS, the available data focus primarily on early- to mid-career individuals. NLSY79 respondents ranged from 57-66 at the time of the 2022 survey (the most recent year for which data is available), while NLSY97 respondents were 36-42 at the time of the 2021-22 survey. Since ESOPs are structured as retirement plans, their most significant financial benefits often accumulate later in workers' employment journeys as account balances grow over time. As a result, this analysis may underestimate the long-term wealth impacts of EO as workers age and approach retirement.

Finally, selection bias remains a potential concern. It is possible that workers who end up at EO firms differ in meaningful but unmeasured ways from those who do not, and that positive outcomes associated with EO might reflect endogenous characteristics of the individuals or the firms that tend to adopt EO, rather than the effects of EO itself. While the research team employed advanced statistical methods to minimize this risk, it is worth noting the possibility of unobserved differences influencing the findings from this analysis.

II. Qualitative research methods (Morehouse College)

To deepen understanding of the factors shaping EO uptake among Black business owners and workers, the Morehouse College research team conducted a qualitative study grounded in the lived experiences of Atlantans navigating EO. Specifically, their study investigated the awareness, motivations, attitudes, barriers, opportunities, and incentives related to the adoption of EO among business owners, workers, and worker-owners in Atlanta's solidarity economy ecosystem. Informed by the principles of community-engaged research, the Morehouse team's study builds upon work previously completed by Dr. Cynthia Hewitt with support from Project Equity to understand the potential impact of EO as a wealth-building strategy for Black workers in Atlanta. This section outlines Morehouse's research design and analytical methods.

Participant recruitment

Using Atlanta as their research setting, Morehouse recruited participants from three key populations: 1) Black business owners; 2) Black employees of conventionally-owned businesses; and 3) Black employee-owners of worker cooperatives and other participants in the solidarity economy. While their study focused on the intersections of race and relationship to EO, Morehouse also aimed to capture a diverse sample of experiences and perspectives across various intersecting social statuses, including ethnicity, age, gender, and education level.

Interview participants were recruited through multiple channels, including flyers distributed at various in-person solidarity economy events in the Atlanta area, as well as bulletins posted on social media platforms such as LinkedIn, Instagram, and Facebook. The research team also partnered with several Atlanta-based entrepreneur support organizations to promote the study, including the Russell Innovation Center for Entrepreneurs, the Metro Atlanta Chamber of Commerce, and the Atlanta Black Chambers. In addition, the team worked closely with Georgia attorney and solidarity economy law professor Julian M. Hill to recruit worker-owners to the study.

The research team initially aimed to complete interviews with 50 participants across the three target populations. However, due to challenges with outreach and availability, only 30 interviews were conducted, with a majority of participants being cooperative worker-owners and other solidarity economy stakeholders. Interview participants were provided with a $150 gift card to compensate them for their time and contributions.

Data collection

Morehouse's data collection occurred over three phases, beginning with an online survey designed to capture baseline perceptions of EO, including knowledge gaps, perceived financial and structural challenges, and potential incentives for participation. The survey was developed using Qualtrics and consisted of approximately 45 to 58 questions, depending on the participant's employee/ownership status. To distribute the survey, Morehouse partnered with local community organizations, business associations, and cooperative networks in Atlanta, and also used targeted email outreach and social media promotion. In addition to providing preliminary data on respondents' awareness of and perspectives on EO, the survey served as a screening tool for identifying potential participants for in-depth interviews in the second phase of the study.

The second phase of data collection involved 30 semi-structured interviews with 28 participants across the three target populations. Interviews were held via Zoom and lasted approximately 60 to 75 minutes, exploring participants' lived experiences, motivations and concerns surrounding succession planning, understanding of EO models, perceived risks or benefits associated with EO, and intergenerational wealth-building aspirations. Interviews followed a semi-structured protocol to maintain cross-participant comparability while providing flexibility to explore emergent themes. Participants were given an informed consent agreement detailing the purpose of this study and their rights as participants to review and sign in advance of the interview. With consent, interviews were digitally recorded and professionally transcribed. To ensure confidentiality and protect participants' identities, pseudonyms have been used in place of participants' names.

The third and final phase invited two EO experts and two previously interviewed worker-owners to participate in follow-up conversations to elaborate on their experiences with and perspectives on EO. Lasting approximately 30 minutes, these shorter, more targeted conversations allowed the research team to individualize prompts based on participants' first interviews in greater depth, such as recent milestones, challenges, and new collaborations.

Data analysis

Morehouse employed a modified version of grounded theory methods to analyze participants' perceptions and experiences related to EO. Grounded theory methods offer social science researchers a flexible yet rigorous approach to identify or construct theory from qualitative data that has been systematically collected and analyzed (Chun Tie et al., 2019). This approach allowed the research team to harness individual participants' lived experiences and perspectives to generate nuanced insights and broader hypotheses regarding the factors influencing EO adoption among Black communities.

To manage and organize interview data during the coding process, the research team used Nvivo, a qualitative data analysis software. Coding is a methodological tool used to identify and analyze key patterns or themes within qualitative data, allowing researchers to distill complex narratives into high-level insights. Interview data from this study were iteratively coded over three phases: open, axial, and selective coding. In the open coding phase, transcripts were tagged using a preliminary set of codes drawn intuitively from the data without imposing preconceived categories or theoretical frameworks. During axial coding, the research team returned to each interview transcript to refine their initial codes based on patterns and insights that emerged in the open coding process. Finally, in the selective coding phase, the team synthesized across codes to inductively construct narratives about the key factors shaping EO awareness and uptake among the target populations.

To further strengthen the rigor of their data analysis process, Morehouse established an Atlanta-based "Advisory Circle" composed of two attorneys with expertise in worker cooperatives and three cooperative worker-owners. The Advisory Circle provided iterative feedback on the team's survey and interview protocol design, participant recruitment strategies, and preliminary findings. The Advisory Circle's review and insights aided the research team in critically evaluating and refining their interpretations of the interview data, helping to mitigate against researcher bias.

Limitations

The Morehouse team encountered a central challenge that may have shaped their study's findings: difficulty recruiting a broad cross-section of participants. In particular, it proved challenging to recruit business owners and employees from conventional firms, limiting the overall sample size and skewing the composition of participants toward worker-owners and solidarity economy stakeholders. As a result, the relatively small and non-random sample restricts the generalizability of the findings to broader populations. However, the depth and quality of the interview data nevertheless offer valuable insight into barriers hindering the adoption of EO within Black communities, as well as opportunities to lower these barriers through specific policy interventions.

III. Policy research methods (Project Equity)

To surface opportunities for more inclusive EO policies designed specifically to meet the needs of Black workers and entrepreneurs, Project Equity designed a research process centered around three core components. First, we conducted a systematic audit of the EO policy landscape, cataloging past and present public policies designed to advance EO at the federal, state, and local levels. Next, we reviewed the extant literature on Black entrepreneurship, with a focus on identifying the structural barriers that Black entrepreneurs face as well as policy solutions to mitigate those challenges and support the success of Black-owned firms. Finally, we conducted in-depth interviews with several majority-Black EO businesses, producing a series of case studies that explore their EO journeys and the role public policy played in shaping their experiences. This multifaceted approach helped illuminate where current policies fall short and what types of support are most needed to expand EO access in Black communities. The insights from this research directly informed the policy recommendations featured in Chapter 5, grounding the recommendations in both rigorous analysis and lived experience.

Policy database methodology

Project Equity's policy research began with an in-depth assessment of the public policy landscape currently surrounding EO. We first surveyed the literature on EO-supportive policy in the United States, reviewing journal articles, white papers, policy briefs, and other publications. We used keyword searches in academic databases and search engines to identify relevant sources, noting the public policy tools, geographies, and levels of government discussed in each source. This broad literature review enabled us to establish a baseline understanding of the existing EO policy landscape and the range of tools already being leveraged to advance EO.

We then narrowed our focus to the development of a comprehensive database of EO policies. Other compilations of EO policy measures exist, such as those created by the Democracy at Work Institute, National Center for Employee Ownership, and University of Wisconsin Center for Cooperatives.[1] However, no prior database offered coverage of EO policies across all levels of government, nor policies affecting all three major broad-based EO models. Recognizing the value such a tool could provide to EO advocates, policymakers, practitioners, researchers, and business owners, Project Equity engaged in a structured, multi-phase approach to developing our federal, state, and local-level EO policy databases.

We began by defining the scope of each database, determining which policies, programs, and legislative measures to include based on their relevance to expanding and supporting EO. Starting with the state-level EO database, we then began the process of systematically identifying, reviewing, and cataloging past and current EO policies. We utilized government websites, legislative tracking tools, and existing policy databases to locate relevant policies, conducting keyword searches for terms including “employee ownership,” “worker ownership,” “worker cooperative,” and “employee stock ownership plan,” among others. We cataloged enacted legislation, proposed bills, executive orders, funding allocations, and agency programs designed to support EO. For each policy, we captured key information, summarized the core provisions, and categorized each entry using a standardized set of policy tags. These categories—such as accessible capital, affordable technical assistance, education and awareness, and incentives for employee-owned businesses—allowed us to organize the database and analyze policies based on their specific focus areas and intended impacts.

Our approach to the federal-level policy research closely mirrored that taken to build the state-level database. Developing the local-level database, on the other hand, involved first selecting the municipalities to include in the database, given the difficulty of comprehensively cataloging EO policies across the tens of thousands of municipalities and counties nationwide. To determine which localities to feature, we returned to our initial literature review and pinpointed the cities and counties most frequently cited as having established or emergent EO policy initiatives, supplemented with additional online searches. After settling on a list of 30 localities to include in the local-level database, we conducted targeted research to identify relevant EO policies and programs, drawing on a broad range of secondary sources, given that many local EO initiatives are not formally codified in statutes or ordinances and are less systematically documented. As a result, our local-level database reflects a mix of both formal policy measures as well as programmatic interventions.

After completing the policy research, we shared drafts of all three databases with partners and experts in the EO field to solicit feedback on the comprehensiveness and accuracy of the policy entries, as well as the organizational framework of the databases themselves. We then developed a user-friendly public interface allowing external stakeholders to explore the policy databases with ease. The final databases serve as a dynamic tool for the EO field, providing a centralized repository of policies that not only enhances

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[1] See, for example, “Worker Cooperative Policy Supports,” Democracy at Work Institute (n.d.), www.becomingemployeeowned.org/topic/policy-supports; “State Legislation on Employee Ownership,” National Center for Employee Ownership (n.d.), www.nceo.org/what-is-employee-ownership/state-legislation-esops-employee-ownership; “Cooperative Statutes,” University of Wisconsin Center for Cooperatives (2020), www.resources.uwcc.wisc.edu/Research/UWCC_National_Resource_Ecosystem_Statutes_March2020.pdf.

awareness of existing EO-supportive measures but may also inform future advocacy and policymaking efforts aimed at expanding EO.

Beyond serving as a centralized resource on existing EO policies, the federal, state, and local EO policy databases played a critical role in shaping our policy recommendations. By cataloging the range of EO policy tools currently in place, we were able to assess the extent to which these tools address—or fail to address—the unique barriers faced by Black workers and entrepreneurs interested in EO. Specifically, we analyzed patterns across the three databases to discern the policy mechanisms most frequently employed to promote EO and then determined promising policies that could be expanded, adapted, or strengthened to better serve Black-owned businesses and Black workers. Additionally, by underscoring gaps in the existing policy landscape, we were able to identify new policy tools—as well as new uses for existing tools—to fill those gaps and create a more inclusive policy environment for Black EO. In this way, the EO databases not only serve as a policy repository but also function as a springboard for more targeted, equity-centered policy development aimed at expanding Black participation in EO.

Policy scan methodology

Complementing our analysis of the EO policy landscape, Project Equity conducted a targeted review of Black entrepreneurship literature to identify both the structural constraints that Black business owners face and potential policy and programmatic interventions to remove these obstacles. The primary goal of this policy scan was to assess how existing policy measures designed to support Black-owned businesses might hold relevance for advancing Black EO. By analyzing these interventions through an EO lens, we sought to determine which existing measures could be leveraged, expanded, or adapted to better position Black entrepreneurs to benefit from EO.

We began by defining the scope of the policy scan, centering on an examination of the structural barriers faced by Black entrepreneurs and policy solutions designed to mitigate those challenges. To build a foundational understanding of the literature on Black entrepreneurship, we first conducted a broad search for relevant sources using academic databases and search engines. Through keyword searches, we identified journal articles, policy briefs, research reports from think tanks and advocacy organizations, and government studies focused on Black business ownership. We then summarized the overarching themes and findings from each publication, allowing us to develop an initial list of policy areas to explore further.

We then closely reviewed a subset of 13 publications focused on Black business ownership in the United States. These sources were selected to provide a holistic view of both the structural barriers that limit success for Black-owned businesses—such as restricted access to capital, inadequate mentorship, and institutional mistrust—and policy tools designed to address those barriers. Finally, we synthesized findings across the literature to distill the most urgent challenges, map the landscape of existing policy supports, and identify opportunities to refine or retool policies to better support pathways to EO for Black business owners. By systematically reviewing and evaluating pro-Black business policies through an EO lens, this scan provided a foundation for identifying policy levers that can contribute to a more inclusive EO ecosystem.

Case study methodology

To further inform our understanding of how policy can impact the EO journeys of Black entrepreneurs and workers, Project Equity developed a series of four case studies profiling Black-owned businesses that either launched as EO startups, transitioned from private ownership to EO, or attempted but were unable to complete an EO transition. The objectives of the case studies were to capture business owners' firsthand experiences with EO, examine how public policies shaped their ability to pursue EO, and identify gaps and opportunities to improve EO policy design and implementation for Black-owned businesses.

Prior to recruiting business owners for the case studies, we first determined the key characteristics to look for in prospective participants, including business size, tenure, location, industry, and experience with EO. We aimed to profile businesses representing a range of experiences: those that successfully or unsuccessfully transitioned to EO; those that successfully or unsuccessfully launched an EO startup; and those interested in and actively exploring EO but have not yet committed to the transition process. To ensure representation from a diverse cross-section of businesses, we sought participants from various locations and sectors, giving priority to those in regions and industries with high concentrations of Black workers and businesses.

We then leveraged both internal and external channels to recruit participants. Internally, we worked with Project Equity's Business Development and Client Services teams to identify prospective participants from within our pool of current and former clients who have explored EO transitions. We also engaged key partners to solicit external suggestions, including from EO developers, service providers, advocacy organizations, and capital providers. We conducted outreach to prospective participants through referrals and direct invitations, scheduling brief screening conversations with interested business owners to assess their fit and alignment with the case study objectives. From this process, we finalized a sample of four majority-Black small businesses to interview.

Company	Location	Industry	EO Experience
Brooklyn Packers	New York, NY	Food sourcing, packing, and distribution	Worker cooperative (start-up)
RCO Tires	Los Angeles, CA	Freight tire recycling and rubber product manufacturing	Worker cooperative (attempted conversion)
Taharka Brothers	Baltimore, MD	Food manufacturing, retail, and wholesale	Worker cooperative (conversion)
Uptima Entrepreneur Cooperative	Remote	Business training and consulting	Multistakeholder cooperative (conversion)

Case study participants were given a consent agreement detailing the purpose of the study and their rights as participants to review and sign. Participants were also asked to complete a brief questionnaire to capture basic information about their business in advance of their interviews, including company headcount, the share of employees identifying as Black, and diverse supplier certifications held by the business. In recognition of their time and contributions, participants were provided with a $150 honorarium.

We developed a semi-structured interview guide to ensure consistency across interviews. Conversations explored key moments in each business's EO journey, from initial awareness to conversion or startup, and probed the role of public policy, financing, and technical assistance in supporting or hindering that process. We also asked about ongoing support, lingering challenges, and policy ideas that could foster EO in Black communities. Each interview lasted 60–90 minutes and was conducted in English. With participants' consent, conversations were recorded and transcribed using Otter.ai. We also took detailed notes to surface real-time insights.

To analyze the qualitative data from our interviews, we systematically reviewed transcripts and interview notes to determine business-specific challenges, policy impacts, and overarching themes related to EO adoption, available support systems, and common constraints faced by Black entrepreneurs. We compared findings across interviews, revealing shared success factors and recurring policy gaps. We then drafted narrative case studies for each business, incorporating direct quotes and key takeaways from the interviews, and shared these drafts with participants for feedback to ensure accuracy and authenticity.

These case studies yielded invaluable insights into the obstacles Black entrepreneurs may encounter when exploring EO, the efficacy of current EO policies, and opportunities to build more inclusive and supportive ecosystems for Black workers and entrepreneurs interested in pursuing EO. By centering the lived experiences of Black business owners and workers, these case studies serve as a critical complement to our policy analysis.

Limitations

Project Equity's policy research was designed to provide a robust understanding of the EO policy landscape—particularly as it relates to Black workers and entrepreneurs—but a few methodological limitations are worth noting. First, although our federal, state, and local EO policy databases are the most comprehensive resources of their kind, they are not exhaustive. The limitations of public documentation, especially at the local level, mean that some EO policies may have been unintentionally excluded, particularly those embedded in programmatic initiatives rather than codified through legislation. Relatedly, our scan of the literature on Black entrepreneurship and review of policies designed to support Black-owned businesses relied primarily on secondary sources, which may not fully capture the implementation challenges, impacts, and consequences of these interventions on the ground. This may have biased our understanding of the measures most relevant to EO, potentially neglecting emerging practices that are not yet well documented but could offer important lessons for supporting Black EO.

Second, our case study findings, while rich in insight, are based on a small, non-random sample of four majority-Black employee-owned businesses. These firms were selected to reflect a range of EO experiences, geographies, and sectoral contexts, but are not representative of the full diversity of Black-led and -owned businesses interested in or operating under EO structures. Also, because the case studies focus on businesses that have already explored EO, our findings may underrepresent the barriers faced by businesses with lower awareness of, or more limited access to EO-supportive infrastructure. Despite these limitations, our multifaceted research methods generated valuable insights that directly informed the policy recommendations outlined in Chapter 5 while also pointing to areas for future inquiry.

CHAPTER 4
MOREHOUSE: UNCOVERING PERCEPTIONS OF & BARRIERS TO BLACK EMPLOYEE OWNERSHIP

To uncover the primary drivers and barriers that impact the adoption of employee ownership (EO) in Black communities, the Morehouse College research team conducted 30 semi-structured interviews with 28 participants across three target populations in the Atlanta metro area: 1) Black business owners; 2) Black employees of conventionally-owned businesses; and 3) Black worker-owners of worker cooperatives and other participants in Atlanta's solidarity economy ecosystem. The Morehouse team's interviews probed participants' awareness of EO, the incentives that might motivate interest in EO, and the barriers that could hinder EO's uptake, with the goal of exploring how EO is understood and interpreted within the lived realities of each stakeholder group.

From these conversations, the research team found that, in addition to serving as a practical model of business ownership, EO is widely seen as a potential lever for professional development, wealth building, and community resilience. Yet their findings suggest that potential is tempered by a lack of awareness, a perception of risk, and the daily challenge of making ends meet. In the sections that follow, the Morehouse team's findings are organized around the three participant groups—business owners, workers, and worker-owners—with each section structured by three key themes: awareness, incentives, and barriers. The chapter concludes with a discussion of the structural determinants impacting Black EO.

I. Findings

Business Owners

The Morehouse team conducted interviews with 10 Black, Atlanta-based business owners. Their enterprises represented the following industries: accommodation and food services; professional, scientific, and technical services; information; and health care and social assistance. Although the majority either had a college degree or attended some college, over half were employed in industries unrelated to their field of study. Eight of the 10 owners were sole proprietors, and all of them had fewer than 10 employees and earned less than $2 million in annual revenues.

MOREHOUSE

Awareness

Overall, the business owners interviewed had little prior exposure to EO. When asked about the most common models of broad-based EO (ESOPs, EOTs, and worker cooperatives), they were generally more familiar with ESOPs and, to a lesser extent, worker coops, though primarily in relation to consumer cooperatives and credit unions. Several factors help explain this lack of awareness, including some owners' absence of formal entrepreneurial education and the minimal promotion of EO by entrepreneur support organizations. The relatively small size of their businesses may have also played a role, as employee ownership presumes the presence of employees.

Incentives

Once provided with a clear explanation of EO, nearly all of the business owners responded with curiosity about how EO might help them to grow their operations and achieve greater stability. To Maxine,[1] for example, EO presented an attractive tool to secure consistent support and compensate loyal employees. As the owner of a social impact consulting business that previously employed one full-time worker, Maxine expressed pride in "being able to provide someone a living and work that they found to be meaningful." Challenges with business development and client acquisition, however, undermined the viability of her consulting practice, and Maxine was unable to retain that employee. She acknowledged that a collective approach to ownership through EO could have aided her practice by fostering a shared sense of responsibility and by directly incentivizing her team to contribute more directly to the firm's long-term sustainability.

Letha, a bakery owner, voiced her interest in EO as a strategy to hire skilled talent. Like other participants, Letha cannot afford the salary and fringe benefits customarily provided to full-time employees, and has relied on part-time workers to support with tasks like cleaning and packaging, supplemented by the volunteer labor of friends and family. If she were to pursue EO, on the other hand, Letha shared that she would be better positioned to hire individuals to assume critical business responsibilities, such as procurement and management. **By providing a partnership arrangement that would allow them to compensate skilled labor with a share in profits, owners like Letha could overcome wage barriers and attract the talent needed to grow and stabilize their businesses.**

Similarly, Andi, the owner of a consulting and coaching firm, saw EO as a tool to strengthen employee commitment. While she has typically hired contractors as needed to meet increased demand, Andi expressed excitement about how EO could help companies like hers hire workers who are invested in the businesses' success. "They will see a better return on investment through employee ownership," she explained. "If employees feel like the company is investing in [them] and they're part of its success, then it won't feel like it's just a job—they will feel like they have a place there." For Andi, EO offers a path to cultivate worker fidelity by enabling them to become true stakeholders in their employer.

[1] To ensure confidentiality and protect participants' identities, pseudonyms have been used in place of participants' names.

Rather than treating work as an extractive labor transaction, EO reframes employment as a mutual fiduciary commitment between employees and employers—one rooted in shared risk and reward.

For some participants, the appeal of EO was also rooted in concerns over legacy and long-term succession. Although few had formally considered their exit options, many hoped their businesses might outlast their direct involvement. Letha, for instance, indicated that while she hoped to pass the bakery on to her daughter, she had no concrete plan in place and conveyed uncertainty about how to "end this thing." **EO, she reflected, could offer a way to transfer ownership to trusted individuals who could sustain the business long term.** Still, EO was seen by some as a second-choice option to family succession, given their concerns about employee commitment and competency. As Letha put it, she might leave her business to "friends, but not strangers." This finding underscores the need to cultivate trusting workplaces and to meaningfully integrate employees into operations and management for EO to be viewed as a viable succession pathway.

EO reframes employment as a mutual fiduciary commitment between employees and employers.

Barriers

The business owners interviewed identified several key obstacles to pursuing EO, chief among them the day-to-day demands of running a small business. They cited the challenges they experience as business owners far more frequently than their successes, with many struggling to balance customer relations, marketing, cash flow, and other immediate operational needs with long-term planning and strategic growth. **While intrigued by EO's possibilities, participants were focused on sustaining their businesses and livelihoods, and could not easily imagine shifting to a new business model without first addressing their ongoing labor and capital deficits.**

Several owners also expressed concern that EO would require them to give up autonomy over the businesses they had worked to build. Letha, for example, worried that an EO model would lead her to "lose control" of her bakery, while Joxim noted his unease with the idea of "scaling up" his sole proprietorship by onboarding co-owners. Even among owners open to shared governance, such as Maxine, EO was often perceived more as a source of uncertainty than relief. "The business has my name on it," she explained. "While I knew in my mind I wanted to build something that would live on beyond me . . . the thought of exiting was far from my mind." For many, EO raised concerns not only about authority but also identity, challenging the mythic American image of the self-made entrepreneur who builds and eventually exits a thriving business. By expanding the pool of owners and decision-makers, EO seemed to threaten the very independence that had drawn them to entrepreneurship in the first place.

Beyond operational and identity concerns, participants also described navigating systemic inequities and structural precarity as entrepreneurs. For many, business ownership represented not just a career path but a way to survive, occasionally requiring them to re-enter the workforce to make ends meet. Letha, for example, picked up a job at a commercial bakery to earn supplemental income during a slowdown in business, while Andi took a role with a larger firm to access training opportunities she couldn't afford on her own. "I ended up really struggling," Andi said. "I was working full-time and trying to run a business . . . I couldn't really focus on the business."

Others, like Joxim, spoke candidly about the pressures placed on Black-owned businesses to deliver high-quality goods and services at below-market rates, a dynamic reflecting broader patterns of economic exploitation. "We always gotta fight for budget and pay. . . . They want to give you this low budget but expect miracle signs and wonders," he said. These experiences underscore how resource scarcity and the constant struggle to stay afloat can leave little room for Black entrepreneurs to consider EO a viable option. **Without targeted investment and hands-on support to build the capacity of Black-owned businesses, EO's potential in these communities may remain largely unrealized.**

Without targeted investment and hands-on support to build the capacity of Black-owned businesses, EO's potential in these communities may remain largely unrealized.

Workers

The Morehouse team interviewed six Black workers in the arts, entertainment, and recreation; construction; and retail, accommodation, and food services industries. Two of the interviewees worked for firms large enough to adopt EO without further growth (i.e., more than 10 employees and over $2 million in revenue), but most of the workers interviewed generally lacked insights into their employers' operational and financial details. All of the worker participants had some level of secondary education: two were in college, another was working towards her cosmetology credentials, one held a bachelor's degree, and two others held master's degrees.

Awareness

As with the business owners Morehouse interviewed, the worker participants were largely unfamiliar with EO prior to their conversations. Living in Atlanta, several were familiar with a well-known grocery cooperative, and more broadly with related concepts like corporate employee stock options and credit unions. After being provided with definitions and examples of broad-based EO models, workers were asked if they thought EO would benefit their employers. The majority said yes, but expressed doubt that their employers would ever consider transitioning to EO. This skepticism stemmed from their perception that their employers tend to disregard workers' contributions as substantive to company success, a barrier described later in this section.

Incentives

Just as business owners viewed EO as a strategy to grow their businesses and achieve greater operational stability, workers similarly recognized how EO could catalyze their professional aspirations and provide economic security. All but one participant was interested in owning their own business, and many viewed EO as a valuable point of entry to ownership. However, most were hesitant about pursuing EO within their current workplace. While they were open to financially investing in the businesses where they worked, the appeal of EO lay less in becoming successors or partners to their current employers and more in forging a path toward entrepreneurship on their own terms.

Participants voiced enthusiasm for the financial benefits that might accompany business ownership. Flora, an employee of a Black-owned engineering company for more than 10 years, remembered the "early" years with her employer, where the workers "struggled" alongside the owners. Drawing from that experience, she wondered, "What would happen if everybody shared in the wealth and everybody shared in the growth periods too?" **She remarked how employees and employers alike could gain from the mutually beneficial relationships that EO fosters.** "If companies look at those relationships as an asset . . . and then tie some financial benefits to that as well," both businesses and workers would be stronger for it.

Lira and Laini, two younger workers, similarly noted how they could "imagine" the benefits of EO and the wealth-building opportunities it offers through investment. As Lira stated, "You might as well invest in its earlier stages, before it blows up into something bigger." For her, EO represented a chance to build equity early and grow alongside the business. Laini, who began working at her current employer's restaurant when she was just sixteen, viewed her seven years of dedication as proof of her "loyalty" and a sign that she had earned a financial "reward." Together, their reflections reinforce the idea that EO could not only serve as an on-ramp to ownership but also as a way to recognize workers' contributions.

Beyond their interest in EO's business ownership and wealth-building aspects, **many interviewees also viewed EO as a vehicle to access mentorship and skill-building opportunities they would otherwise lack through conventional employment.** Gena, a young worker employed by an online marketplace committed to sustainable products and ethical labor practices, described her job as a place where she felt "paid well" and genuinely supported. "They're very open and always asking me for feedback," she shared. "I believe in the actual mission of it, and what I've learned from the company." For Gena, EO offered a means to extend and expand the growth-oriented culture from which she already benefited. When asked whether she would be interested in becoming an employee-owner at her current company, she eagerly said yes.

Other participants reiterated the mentorship possibilities of EO while envisioning them aspirationally, hoping to learn from a hypothetical future business co-owner rather than their current employer. This reflected a broader desire for deeper integration and recognition than they currently received. As several workers suggested, EO would be more attractive if employers consistently valued workers' efforts and engaged employees as valued partners in the business's success.

Barriers

While the workers conveyed a clear interest in EO as a pathway to professional growth and economic opportunity, they also questioned the practical relevance of EO in their own lives and workplaces. Mirroring the structural constraints described by the business owners interviewed, many workers perceived EO as an appealing but inaccessible idea in light of their immediate, material concerns. Several participants held multiple jobs or worked part-time and, with urgent financial needs and limited resources, long-term investments like EO seemed unrealistic. “In this economic climate, everyone has to have something on the side,” Flora observed, explaining that while engineering appears to offer stable employment, she and many of her colleagues were forced to supplement their income elsewhere. **Without a financial safety net to fall back on, pursuing entrepreneurship—even in the form of EO—felt too precarious for many.**

Others voiced a hesitancy to take on the burdens of business ownership alongside their existing responsibilities as employees. Maloh, who started a vitamin supplement business while working full-time, shared their experience navigating this tension: “I just found it really challenging to work and try to run a business at the same time, especially because I wasn’t married . . . where I had someone who could financially support me and the risk.” While not directly tied to EO, Maloh’s account underscores the vulnerability of workers who may feel overextended and unable to take advantage of ownership opportunities.

Relatedly, some interviewees thought they lacked the entrepreneurial literacy to assume an ownership role, especially given their socioeconomic positions. As Gena put it, “I don’t like doing things that I don’t know for sure. That’s what messes up my entrepreneur mindset. . . . Being Black, female, low-income—it is kind of intimidating.” When asked about her interest in becoming an entrepreneur, Lira echoed Gena’s fears about acumen and risk: “I’m first generation, so I don’t know what the heck I’m doing half the time. . . . A lot of work and passion have to go into it, also a lot of money. And I just can’t.” **Participants’ reflections on their fitness and risk tolerance for entrepreneurship raise important questions about the extent to which EO can deliver on its promise for Black workers without broader interventions to bolster household financial security and expand training and skill-building opportunities.**

Lastly, interviewees saw a lack of integration and recognition within their workplaces as obstacles to the uptake of EO. Flora, for example, acknowledged how her employer’s early growth created opportunities for her to contribute meaningfully. But as the company expanded and hired staff with advanced credentials, Flora’s role became sidelined. “There has to be a balance between management and those who actually do the production,” she reflected. Laini was more direct in describing her experiences of feeling unappreciated: “I’ve tried to share my ideas; . . . they nod their heads, but they’re stuck in their heads basically,” she said. “They do not hear us out too much.” Participants noted how this disconnect between frontline workers and business leadership diminished their sense of trust and belonging—factors seen as necessary for embracing ownership. **Without stronger channels for employee voice, many found it difficult to imagine EO succeeding within their existing workplace cultures.**

Overall, the workers interviewed by the Morehouse team were consistently interested in shared ownership, but apprehensive about stepping into it themselves. Across these conversations, a clear throughline emerged: for Black workers to take advantage of EO, they need more than a passive invitation to become owners. **Valuing worker contributions and voice, providing mentorship and training, and addressing the socioeconomic precarity many Black households face are all key to creating the conditions for Black EO to take root and thrive.** Without this scaffolding, EO may remain a powerful but latent solution to uplift Black communities.

Valuing worker contributions, providing training, and addressing socioeconomic precarity are key for Black EO to take root.

Worker-owners & other solidarity economy participants

The Morehouse team interviewed 10 participants from Atlanta's solidarity economy ecosystem. Seven were members of worker cooperatives, while the remaining three were part of either a purchasing cooperative or a collective of sole proprietors working to form a producer cooperative with plans to transition to an EO model. Like the business owners interviewed, all of the worker-owners were members of businesses with fewer than 10 employees and less than $2 million in annual revenue. Their enterprises spanned a range of industries, including accommodation and food services; agriculture, forestry, fishing, and hunting; information; health care and social assistance; and wholesale trade. Two participants were re-interviewed in follow-up conversations to explore how their experiences had evolved over time.

Awareness

Participants reported originally learning about EO through community programs, personal acquaintances, and their involvement in social activist movements. Many participants were members of various solidarity economy organizations and shared that they actively encouraged others to consider EO, whether or not they were already entrepreneurial. Because the solidarity economy movement envisions shared ownership and democratic governance of a wide range of critical community assets that mutually support one another—including housing, education, food, media, energy and utilities, and employment—participants in any aspect of the solidarity economy movement were likely to have a clear grasp of the benefits and details of EO.

Incentives

Among EO's benefits, the worker-owner participants consistently emphasized the importance of EO as a vehicle to escape exploitation and achieve self-determination and collective prosperity. Contrasted against the individualist, profit-maximizing impulses of conventional capitalist businesses, worker-owners portrayed EO as a way of embedding cooperation in economic relations to more equitably distribute both power and profits. Reflecting this ideological commitment to the principles of cooperativism, participants voiced their preference for the term "worker-owner" over "employee-owner," distinguishing the shared ownership of ESOPs and the democratic governance of worker cooperatives.

Worker-owners spoke of EO not as a means to reap the financial returns of their labor, but rather as scaffolding for resistance and resilience. **They described EO as a way to circumvent the structural barriers that limit opportunity for Black workers by building community-rooted alternatives to unequal markets and systems.** As one participant, Maloh, reasoned, "Marginalized people often don't have the same resources, the same connections. . . . Cooperative economics is [a way] to provide for ourselves, and survive and thrive outside the current systems in place."

Barry, a veteran in the seafood industry, echoed these themes in describing how his cooperative emerged in response to racial discrimination. "In our industry, Black fishermen are not welcome at boating docks, and this affects our ability to take care of our responsibilities and families," he explained. "We decided to form a coop to show a new generation of Black fishermen how to be self-employed." His cooperative trains younger members in everything from administrative skills to vessel ownership, positioning EO as a long-term pathway for intergenerational opportunity and control.

In addition to seeing EO as a way to build economic power, participants also acknowledged it as a strategy to counter policy retrenchment and deepening inequality. For example, when the Morehouse team reinterviewed Barry a year later, he shared how exclusionary practices in the fishing industry had accelerated, compelling him and his cooperative partners to get involved with advocacy and lobbying. "It's gotten worse. . . . We've gone to Washington, DC to discuss with Congress what's going on in the industry, and why we are totally against corporate takeover in the seafood industry." **For Barry, EO represented a way to confront consolidation by reclaiming control and securing economic opportunity for Black workers.**

Though not a worker-owner herself, business owner and solidarity economy proponent Andi similarly articulated how EO has gained urgency amid a rollback in support for racial equity and diversity initiatives. "I've been trying to put the seed in people's ears about cooperative businesses, because I see a lot of people like me really struggling," she pointed out. "I'm just like, we should be working together because this individualism thing is not working. That's not our culture." Maloh reinforced this sentiment, emphasizing the inclusive potential of EO models: "I don't see how individualism is sustainable long term. . . . EO would employ Black and Brown people, . . . femmes, non-binary folks." For many participants, EO represented a way to push back against a status quo defined by marginalization and competition. Rather than relying on institutions and power structures that have historically excluded them, **worker-owners presented EO as a proactive strategy to build economic alternatives rooted in shared ownership and community resilience.**

Barriers

While the worker-owners voiced a deep sense of optimism toward EO's liberatory promise, they also acknowledged a number of barriers to realizing its full potential. **Practically, participants underscored how a lack of financial resources can dissuade Black workers from taking a leap of faith to pursue EO opportunities.** Many cited the need for stable income and benefits as limiting factors to EO's uptake in Black communities, echoing the concerns expressed by both business owners and workers. In this context, the delayed financial incentives of EO vis-à-vis profit-sharing fail to offer a solution to Black households' immediate material needs.

Relatedly, participants emphasized how a paucity of well-known EO success stories within Black communities presents a hurdle to its wider adoption. **Without visible examples of thriving Black EO businesses to point toward, worker-owners found it difficult to convince personal acquaintances, lenders, or even fellow team members of the model's legitimacy.** "We're asking people to believe in something they've never seen before," Donovan, a worker-owner, put it. Participants also observed how a lack of local exemplars coincided with the challenge of persuading fellow Black entrepreneurs to divest from deeply ingrained cultural ideals of individualism and market success. As Maloh noted, "You have to be willing to build a system that doesn't look like anything you've ever known." The vision of an EO business—governed by democratic control and shared ownership—often clashed with conventional norms of entrepreneurship that valorize self-reliance. To overcome this, participants highlighted the need for culturally relevant storytelling and peer examples to help shift mindsets and normalize EO as a viable, aspirational path to business success.

Without examples of thriving Black EO businesses to point toward, worker-owners found it difficult to convince acquaintances, lenders, or team members of the model's legitimacy.

Finally, several participants spoke to a disconnect between formal ownership and meaningful control that risks undermining EO's impact for Black workers. Fontay, for instance, reflected on his past experience at an ESOP firm where he and other frontline staff were given equity shares but excluded from key business decisions: “We’re the ones always there. . . . We talk to customers, fix the issues—but they don’t really ask us how things should run.” While EO models are inherently built around shared ownership, collective governance demands the everyday infrastructure of democracy, such as consensus-building processes, open-book accounting, and a culture of transparency. Fontay’s story reflected a broader concern among participants that **ownership without employee voice fails to realize EO’s full promise—at best, offering symbolic inclusion, and at worst, replicating hierarchical power dynamics under the guise of shared prosperity.**

Despite these challenges, worker-owners’ commitment to EO remained steadfast. They approached EO not as a panacea but as a practice rooted in dignity, democracy, and equity. To unlock EO’s potential in Black communities, support systems must rise to address the barriers they articulated and the needs they expressed.

II. Discussion

The Morehouse team’s qualitative research offers an invaluable window into how Black business owners, workers, and worker-owners understand the potential of employee ownership as well as its limitations under existing conditions. Their findings underscore the broad appeal of EO as a pathway to entrepreneurial advancement, economic empowerment, and community resilience, while shedding light on the significant barriers underpinning the gap between interest and implementation. Critically, the Morehouse research reveals how **EO often resonates more as an aspirational goal than a viable option, given the economic, operational, and sociocultural constraints faced by many Black entrepreneurs and workers today.** At the same time, their findings also point to opportunities to strengthen the conditions that make EO more accessible, viable, and sustainable for Black communities. In doing so, they reveal the investments needed to unlock the wealth-building benefits of EO for those most often excluded from ownership.

Chief among the insights to emerge from the Morehouse study is that targeted efforts to expand Black EO must be paired with broader interventions designed to improve the overall financial well-being of Black households. Business owners, workers, and worker-owners alike emphasized that without income stability, access to benefits, and a financial cushion to absorb risk, even the most promising EO opportunities can feel out of reach. The recurrence of this theme across Morehouse’s interviews comes as little surprise, given that over one-third of Atlanta’s Black households have zero or negative net worth, and more than one-quarter live below the federal poverty line (Camardelle & Bethea, 2023). For Black households—and indeed, any households—to meaningfully engage with EO, they must first have their basic economic needs met. **Through policies that strengthen the economic floor in Black communities, including raising wages, increasing access to benefits, investing in the social safety net, and expanding wealth-building opportunities, policymakers can equip Black workers with the stability, flexibility, and risk tolerance needed to pursue EO.**

Also surfaced by the Morehouse findings is the importance of supporting the growth and operational capacity of Black-owned businesses to position more of them for successful EO transitions. Business owners reflected on how persistent operational challenges—such as limited access to capital, thin margins, and the daily demands of running their business—can make long-term planning feel aspirational rather than actionable. **In a landscape where 95% of Black-owned firms have no employees (Perry et al., 2024) and only 4% survive the start-up stage (Baboolall et al., 2020), EO can feel less like a transformational opportunity and more like a luxury reserved for more stable firms.** Addressing these constraints—by expanding access to working capital, business advisory services, and back-office support, for example—is an essential prerequisite to making EO a viable and realistic option for Black-owned businesses.

When 95% of Black-owned firms have no employees and only 4% survive the start-up stage, EO can feel more like a luxury for stable firms than an a transformational opportunity.

Beyond the need to bolster the economic well-being of Black households and businesses, Morehouse's findings also reveal a clear demand for training and technical assistance (TA). For Black workers at conventionally owned firms, increasing job training and skill-building opportunities can help boost their self-confidence and readiness for the responsibilities of ownership. At the same time, greater investment is needed in EO ecosystem infrastructure, including culturally competent TA and accessible legal support, to ensure that Black entrepreneurs and workers can navigate the complex processes of starting or transitioning a business to EO. A robust support system can also help ensure that Black EO businesses receive the support they need to thrive and grow, with TA focused on the development of good governance practices, financial literacy, hiring and retention centered on trust, leadership capacity, and a culture of ownership.

Finally, Morehouse's findings point to the significance of the awareness gap as a barrier to EO's uptake in Black communities. Without visible examples of successful majority-Black EO businesses, it can be difficult to deepen familiarity with EO models and to shift perceptions around what business ownership and success look like. **Investment in locally rooted case studies and culturally relevant storytelling from trusted community messengers will be key to normalizing EO as a legitimate, desirable path to entrepreneurship, economic security, and legacy preservation for Black communities.**

Together, these insights affirm that EO holds transformative potential, but only if paired with intentional strategies to address the barriers that impact Black entrepreneurs and workers. Only then can EO evolve from a compelling idea into a powerful engine for building Black wealth and advancing economic justice.

CHAPTER 5
PROJECT EQUITY: POLICY SOLUTIONS TO ACCELERATE BLACK EMPLOYEE OWNERSHIP

Employee ownership is not just a bold idea for democratizing the American economy—it is a proven, market-tested strategy already creating value for business owners, workers, and companies in communities across the country. Yet while the body of evidence on EO's benefits is robust and growing, EO today remains vastly underutilized. To unlock EO's benefits for the roughly 60 million workers employed at the 1.2 million firms estimated to be good candidates for conversion to EO (Mazewski, 2025), much more must be done to catalyze EO's uptake; this is where public policy is essential.

Policy is key to moving EO from the margins into the economic mainstream. Just as policy has been instrumental in promoting goals such as increasing homeownership and expanding renewable energy, it has a pivotal role to play in embedding EO into local, state, and federal strategies for economic development, workforce advancement, and racial equity.

To ensure EO's promise extends to and includes Black workers, however, policymakers must go beyond one-size-fits-all solutions. To date, policies designed to promote EO adoption have largely failed to account for the systemic barriers that Black workers and entrepreneurs face across the American economy. Without deliberate efforts to address these barriers, EO policies risk overlooking the very communities who have historically faced the steepest barriers to building generational wealth, and for whom EO's benefits could be most transformative. This requires crafting policy solutions with a clear understanding of the historical and present-day forces that have shaped racial disparities in wealth and business ownership, from industry concentration and lending discrimination to institutional mistrust and gaps in access to mentorship and networking opportunities.

The recommendations presented in this chapter aim to do just that: center racial equity in the design and implementation of EO policies to scale EO in a way that ensures Black workers share in its benefits. The recommendations that follow are organized across four cross-cutting policy areas:

I. Awareness raising & enabling conditions
II. Accessible technical assistance
III. Equitable capital access
IV. Incentives & ongoing support for employee-owned businesses

Within these four policy areas, we identify key barriers to scaling Black EO that emerged from our research and illustrate each with brief case examples from interviews with Black-led EO firms. We then propose targeted policy solutions to reduce those barriers and help catalyze EO adoption in Black communities. For each recommendation, we highlight an existing example of the core policy tool in use, offering a proof of concept and demonstrating its potential to advance Black EO. Finally, we highlight complementary policy tools that—though not explicitly focused on expanding access to EO for Black workers and entrepreneurs—could help foster a more EO-friendly economy overall.

Our approach to policy design

Guided by learnings from Project Equity's comprehensive EO policy audit, literature review on Black entrepreneurship, and interviews with majority-Black EO businesses, our recommendations are grounded in both rigorous policy analysis and lived experience.[1] Through a comprehensive scan of EO policies at the federal, state, and local levels, we identified opportunities to expand and adapt policies to better meet the needs of Black workers and entrepreneurs. In parallel, we analyzed the structural barriers facing Black business owners alongside policy measures intended to lower those barriers, helping us pinpoint how such interventions could be retooled to accelerate Black participation in EO.. Interviews with Black-owned firms that have navigated the EO landscape firsthand validated many of the gaps identified in our policy research and surfaced additional opportunities to deepen policy supports for Black EO. Together, these insights directly shaped recommendations that are both research-based and responsive to on-the-ground realities.

Qualifications & limitations

While we are confident that our recommendations offer a robust framework for scaling EO in ways that benefit Black workers and entrepreneurs, several qualifications bear noting:

I. **The recommendations in this chapter address both EO startups and transitions, but the latter generally offer a faster, more scalable pathway to wealth building for workers.** Transitions involve converting established firms with steady revenues, stable workforces, and reliable customer bases to EO—conditions that enable employees to begin building assets relatively quickly. By contrast, launching a new EO business often entails greater risk and a longer runway before financial returns can be realized. EO startups—most often structured as worker cooperatives—are still vital to growing EO, particularly given their historical importance as vehicles for economic self-determination in Black communities (Gordon Nembhard, 2014). As a result, our recommendations reflect a dual focus: accelerating EO transitions to deliver near-term impact for Black workers, while ensuring Black-led EO startups receive the long-term support needed to thrive.

II. **Amid the current rollback in public sector efforts to address racial inequities, explicitly centering racial equity in EO policies may not always be feasible.** However, several tools are available to policymakers seeking to maximize EO's impact for Black communities. Place-based strategies, for example, could target investment and outreach in communities defined by indicators like median income, poverty rate, educational attainment, or historical redlining. Similarly, a sector-based approach might focus on industries with significant concentrations of Black workers, such as healthcare, transportation, or accommodation and food service. Given the high turnover rates, low wages, and limited benefits typical of firms in those industries, EO's benefits could be especially transformative.

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[1] See Chapter 3 for a detailed description of our research methods.

Policymakers could also implement EO programs in partnership with trusted, community-based intermediaries that have deep connections to, and extensive experience serving, Black workers. These represent a few strategies policymakers can leverage to help ensure EO investments and resources benefit Black workers—even in the absence of race-conscious policy design.

III. **An overarching challenge to scaling Black EO is that the vast majority of Black-owned businesses today are not well-positioned for EO transitions.** Over 95% are nonemployer firms, and among those with employees, many remain small, undercapitalized, and concentrated in lower-margin industries with fewer growth opportunities (Perry et al., 2024). These structural barriers undermine the health and long-term viability of many Black-owned firms, making them less likely to meet key EO readiness factors such as stable cash flow, strong management, and a proven track record of operational resilience. To build a robust pipeline of Black-owned firms that are transition-ready and capable of generating strong financial returns for employee-owners, policymakers must couple EO-specific interventions with broader investments to strengthen the growth trajectory of Black-owned businesses overall, including improving capital access, expanding participation in high-growth sectors, and increasing mentorship and networking opportunities.

IV. **Occupational segregation further limits the potential for EO to fully close racial wealth gaps.** Even when businesses transition to EO, disparities can persist if Black workers are underrepresented in those firms, concentrated in lower-paying roles, or have shorter tenures that limit their ability to realize the same benefits of ownership as their White peers. Structural patterns in the labor market often funnel Black workers into lower-wage positions with less job security and fewer advancement opportunities (Zhavoronkova et al., 2022). Unless EO efforts are paired with strategies to promote equitable hiring, retention, and advancement for Black workers, racial wealth disparities will endure—even within employee-owned firms.

V. **EO should not be viewed as a cure-all for racial wealth disparities.** EO can be a powerful vehicle for asset building and economic security, but it alone cannot undo centuries of structural racism and discriminatory policies that have systematically undercut Black families' access to wealth-building opportunities. While our policy recommendations focus specifically on interventions to accelerate EO adoption and access for Black workers and business owners, we acknowledge that cross-sector policy solutions aimed at improving the overall financial security, stability, and opportunity landscape for Black households—from education and housing to health care and criminal justice reform—are necessary and long overdue.

Lastly, the policy solutions outlined in this chapter are not meant to prescribe a rigid policy blueprint or provide detailed implementation guidelines. Instead, our recommendations offer a flexible roadmap: a set of concrete policy ideas that can be adapted, sequenced, and scaled based on the unique priorities and political contexts of local, state, and federal actors. Informed by real-world models already being tested across the country, alongside gaps in the policy landscape that warrant new solutions, these recommendations are aimed at accelerating the shift toward a more inclusive, equitable economy that gives all workers a stake in the businesses they help build and a pathway toward the American Dream.

I. Awareness raising & enabling conditions

Challenge: Awareness of EO remains limited

A widespread lack of awareness among workers, business owners, policymakers, and other ecosystem stakeholders remains one of the greatest obstacles to expanding EO's reach. EO is often left out of business school curricula, entrepreneurship training programs, small business support services, and guidance from professional business advisors, leaving many entrepreneurs unaware that selling to their employees can offer a viable exit strategy that preserves their legacy. Likewise, workers may be familiar with and patronize EO businesses in their communities without fully understanding the benefits of shared ownership.

This awareness gap is especially pronounced for Black workers and business owners, who are often disconnected from EO ecosystems and missing from mainstream EO narratives. The lack of targeted outreach by trusted messengers in Black communities—coupled with a lack of culturally relevant EO education and training that centers Black voices and experiences—limits EO's visibility in Black communities and hinders its broader potential as a pathway to wealth building and economic mobility.

Setting a strong example: Uptima Entrepreneur Cooperative

Uptima Entrepreneur Cooperative, a multistakeholder cooperative offering business consulting and incubation services, encounters misconceptions and limited awareness of EO in their work frequently. Many of their clients, mostly Black or other entrepreneurs of color, "know that the way things are going now doesn't feel good," says Sherina McKinley, a co-CEO and worker-owner at Uptima. "When they learn [about EO] they're like 'Wow, this is cool.' They just never thought that this was actually possible."

Though there is a long history of cooperative economics in Black and other marginalized communities in the U.S., there are relatively few majority-Black EO businesses to serve as exemplars. McKinley stresses that this a major obstacle to their clients seriously considering EO: "We need to see examples of [worker coops], and examples coming from within the [Black] community are going to be key. Some people don't realize how rooted cooperative economics is in our communities. . . . and how it's shown up throughout history for us." Uptima serves as one successful example for their clients and focuses on delivering culturally relevant services to empower Black entrepreneurs to reap the benefits of EO. Supporting the work of trusted and expert organizations like Uptima and expanding their reach to Black workers and entrepreneurs in a wider range of geographies and industries is critical to encourage more Black businesses to see EO as a viable and attractive pathway.

See Appendix B. Case Studies for the full story of Uptima Entrepreneur Cooperative

Recommendation 1: Commission a study on Black EO

Policymakers at all levels can help to strengthen awareness of EO by commissioning studies examining the impact of the Silver Tsunami on Black workers and entrepreneurs, with a focus on succession planning and EO's potential as a strategy for preserving Black-owned businesses and sustaining jobs in Black communities. Studies could survey Black-owned businesses and businesses with large Black workforces to assess their awareness of and interest in EO transitions, using findings to then inform the development of strategies to expand EO for Black workers.

Policy in practice: In 2020, the City of Seattle launched its Generational Wealth Initiative to identify community-centered solutions to close the racial wealth gap. In 2021, Seattle City Council directed the Department of Neighborhoods to conduct a comprehensive study of the city's wealth-building programs and recommend strategies for advancing community wealth building. The study's final report recommends broad-based EO as one of six community-based strategies to build wealth for Seattle's BIPOC communities (Seattle Department of Neighborhoods, 2023).

Recommendation 2: Establish a dedicated EO program or unit, prioritizing support for Black EO

State and local policymakers should establish dedicated EO programs or units within existing economic development or small business departments and regional economic development authorities, with a focus on supporting Black-owned businesses and businesses with large Black workforces interested in EO. EO programs or units could function as a central hub for EO-related resources, offering navigation support to workers and business owners seeking information and guidance around EO. Given the ongoing challenge of institutional mistrust and skepticism of government programs within Black communities (Cox, 2024), EO programs or units could also partner with Black business associations, historically Black colleges and universities (HBCUs), and nonprofit technical assistance (TA) providers as trusted messengers for EO outreach, education, and training. Such programs could further help to convene stakeholders across EO ecosystems to align strategies and ensure that Black and other underserved entrepreneurs have access to the tools, networks, and support they need to pursue EO.

Policy in practice: In November 2021, the City of Chicago launched its Community Wealth Building (CWB) initiative, leveraging $15 million in American Rescue Plan Act (ARPA) funding to promote shared ownership models, including worker cooperatives. Housed within the City's Office of Equity and Racial Justice, and with dedicated staffing to oversee its planning and implementation, the CWB initiative provided grants to strengthen the capacity of 17 ecosystem organizations focused on research and convening, education and outreach, and TA. To focus the program's impact on the predominantly Black and Brown neighborhoods on the city's west and south sides, the initiative limited its focus to building capacity and serving small businesses in Qualified Census Tracts and low-income neighborhoods (Chicago Office of Equity and Racial Justice, 2023).

Recommendation 3: Fund EO outreach & resources for Black communities

The limited visibility of EO in mainstream business education and support infrastructure, coupled with the absence of Black-centered EO narratives, has left many Black business owners and workers disconnected from EO ecosystems. To bridge this gap, state and local governments are encouraged to engage Black-led EO service providers and other organizations with expertise in working with Black-owned businesses or businesses with large Black workforces as key outreach and awareness raising partners. Through such partnerships, governments are encouraged to invest not only in the development of culturally relevant EO materials that resonate with Black communities but also in the delivery of those resources through trusted intermediaries, such as Black business associations, faith-based groups, and community organizations. Outreach to business owners should target sectors and/or geographies with high concentrations of Black entrepreneurs and workers, with a focus on reaching mature businesses demonstrating strong readiness factors[2] for conversion to EO. Policymakers can support these efforts either through directly funding the work of service providers (i.e., issuing an RFP to develop and administer a targeted EO program providing education, outreach, and TA), or by establishing incentives to encourage service providers to incorporate EO-focused resources into their offerings.

Policy in practice: In 2023, the Los Angeles County Board of Supervisors unanimously approved a countywide Worker Ownership Initiative led by the Department of Economic Opportunity. Launched in partnership with Project Equity, the initiative aims to raise awareness of EO as a business succession strategy by offering free educational workshops, feasibility consultations, and proactive, culturally competent outreach to connect business owners with resources on succession planning and EO.

Other policy tools

Hold hearings, pass resolutions & proclamations in support of EO
Policymakers at all levels can help to normalize EO as a strategy for building wealth, supporting high-quality jobs, and strengthening local economies by holding hearings to highlight the benefits of EO and gather testimony from EO businesses, passing resolutions that formally endorse EO as a policy priority, and issuing proclamations recognizing EO Month or celebrating local EO milestones. These tools can help educate stakeholders, build political momentum, and lay the groundwork for more substantive measures to support the growth of EO.

[2] When assessing the feasibility of a business to convert to employee ownership, Project Equity considers several readiness factors: 10 or more employees (40+ employees for ESOPs), profitability and good financial health, an established business with several years of experience, and minimal debt.

Policy in practice: In 2016, the Berkeley City Council adopted a resolution directing the City Manager to develop a Worker Cooperative Ordinance designed to actively encourage the development and growth of cooperative businesses (Arreguín, 2016). Since then, the City has updated its business registration form to include worker cooperatives as an entity type, added a worker cooperative preference to the City's Buy Local contracting program, and launched the state's first city-funded EO initiative in partnership with Project Equity (Results for America, 2023).

Launch legacy business programs to raise awareness of EO as a succession strategy
Legacy business programs are an emerging tool for preserving long-standing, locally-owned businesses. State and local governments can help to deepen the impact of these programs by providing succession planning support that raises awareness of EO as a viable exit strategy. Special attention should be paid to reaching Black and other underserved entrepreneurs who are nearing retirement age and may be unaware that selling to their employees could offer a pathway to retirement while keeping ownership of the business in local hands. Targeting legacy businesses in historically Black commercial corridors and disinvested neighborhoods—where owners may be at risk of displacement due to gentrification pressures—can help stabilize communities, preserve culturally significant businesses, and expand pathways to ownership for Black workers. Governments can lead these efforts directly or support programs launched by outside organizations.

Policy in practice: In 2019, the City of Durham began developing the Durham African American Legacy Business Program to identify, engage, and support Black-owned legacy businesses at risk of closure due to retirement or sale. The program aims to provide succession planning resources—including EO strategies—to help these businesses preserve local ownership and continue serving their communities.

Challenge: EO is often missing from existing economic & small business development strategies

EO is rarely integrated as a core component of existing economic and small business development strategies. While federal, state, and local efforts—such as incubators and accelerators, small business development programs, and economic revitalization initiatives—aim to fuel job creation, wealth building, and economic growth, they typically fail to include EO as a viable business model or tool for preserving jobs and boosting economic mobility. By overlooking EO as a strategic priority, these initiatives miss a critical opportunity to expand pathways to ownership and promote inclusive economic growth.

Economic and small business development strategies that aim to address the legacies of racial inequality and discrimination often include a focus on supporting Black and other historically marginalized entrepreneurs. Yet when EO is excluded, the transformative potential of these initiatives is undercut, and a powerful strategy for building wealth and economic stability in historically disinvested communities is left untapped.

Benefiting from sustained city support: Brooklyn Packers

New York City offers a glimpse of what a small businesses development strategy that incorporates EO can look like. Since 2015, the City Council has funded the Worker Cooperative Business Development Initiative (WCBDI), which builds the capacity of trusted community organizations to raise awareness, provide educational workshops, deliver hands-on TA, and offer affordable financing to cooperative businesses. Today, New York City is home to more worker coops than any other American city, including two of the largest: The Drivers Cooperative and Cooperative Home Care Associates, both majority-owned by workers of color.

One of the first entrepreneurs to benefit from WCBDI was Steph Wiley. While working at a food packing and distribution company in 2015, Wiley discovered the cooperative model through a 10-week co-op academy hosted by The Working World (TWW), one of WCBDI's founding partners. When his employer shut down soon after, Wiley and a group of former coworkers began to explore forming their own food packing and distribution business rooted in cooperative ownership and a restorative local food system. TWW supported them with free legal and incorporation assistance, governance training, and business planning. The group requested a modest $4,000 startup loan, which TWW readily provided. By 2016, **Brooklyn Packers** launched with four worker-owners and a few additional employees.

Nearly a decade later—and thanks to the early support from WCBDI that catalyzed Brooklyn Packers' development—Wiley is a leader in the local cooperative ecosystem, sitting on the steering committee for the NYC Network of Worker Cooperatives (NYC NOWC) and co-planning an expanded multistakeholder food cooperative with queer and BIPOC farmers in the Hudson Valley. As with any successful economic development strategy, relatively small public investments in EO can yield self-sustaining community impacts, particularly for entrepreneurs lacking access to the capital and support networks needed to bring their visions to life.

See Appendix B. Case Studies for the full story of Brooklyn Packers

Recommendation 4: Embed EO support into programs serving Black entrepreneurs & workers

To normalize EO as a pathway to business ownership and viable exit strategy, public agencies at all levels should embed EO education and support into public programs aimed at serving Black entrepreneurs and workers, such as New York City's Black Entrepreneurs NYC and Michigan's state-supported Black Business Alliance. EO content can be incorporated in entrepreneurship training programs, minority business incubators and accelerators, mentorship programs, and succession planning initiatives. Governments can also collaborate with trusted organizations like the U.S. Black Chambers, NAACP, and the Center for Black Entrepreneurship to make EO a core component of their curricula and business support services.

Policy in practice: The 2018 Main Street Employee Ownership Act, signed into law as part of the 2019 National Defense Authorization Act (HR 5515), included a provision directing the U.S. Small Business Administration (SBA) to establish an "Employee Ownership and Cooperatives Promotion Program" as part of the education and TA services provided by its national network of Small Business Development Centers (SBDCs). However, no budget appropriation was included to fund the creation of EO resources or train SBDC staff to provide TA on starting or converting a business to EO. The 2024 Improving SBA Engagement on Employee Ownership Act (HR 10244) proposed to require the SBA Administrator to fully enact this law and establish the program.

Recommendation 5: Partner with anchor institutions to drive Black EO growth

Building on the precedent set by the Cleveland Model (see example below), local governments can partner with anchor institutions such as universities and hospitals to foster favorable upstream conditions for the creation and growth of EO businesses. These public-private partnerships should focus on both redirecting procurement spending to EO firms and facilitating EO transitions among existing anchor suppliers. Local governments can help anchors identify Black-owned vendors and vendors with large Black workforces within their supply chains that may be strong candidates for EO, then connect them to EO service providers to explore transition opportunities. They can also coordinate with EO developers to incubate EO startups in sectors aligned with local procurement needs, targeting outreach and resources toward disinvested neighborhoods lacking good jobs and pathways to business ownership. To lower startup and conversion costs, local governments can leverage public funds through grants, loan guarantees, tax increment financing, and other mechanisms.

Policy in practice: In 2009, the City of Cleveland partnered with a coalition of local stakeholders to develop what's come to be known as the "Cleveland Model," aiming to create high-quality jobs and build wealth for local residents. By leveraging the large-scale procurement needs of Cleveland's anchor institutions, the initiative supported the growth of Evergreen Cooperatives, a network of worker cooperatives rooted in the city's historically disinvested neighborhoods. Today, this network includes six majority-worker-owned companies employing more than 250 workers in the Cleveland area. The City played a key early role by helping to secure nearly $12 million in financing through a combination of U.S. Department of Housing and Urban Development loan guarantees, HUD Brownstone Economic Development Initiative grants, and local tax increment financing (Camou, 2016). While the Cleveland Model has proven difficult to replicate elsewhere, it nevertheless offers an example of how aligning local procurement needs with community wealth-building goals can help to seed and scale EO.

Other policy tools

Ensure EO businesses are included in existing small business & economic development programs

Ensuring EO businesses are included in and can benefit from existing small business and economic development programs is key to their long-term success. Public agencies at all levels should audit their small business and economic development initiatives—including entrepreneur training and business incubation programs, TA supports, grant opportunities, and mentorship programs—to identify gaps in support and opportunities to expand or amend programs to explicitly include EO firms as eligible participants. Agencies are also encouraged to coordinate efforts to embed EO into small business and economic development strategies, aligning programming and funding streams to support the creation and growth of EO businesses.

Policy in practice: A 2017 New York bill (SB 6794) amended the state's education law to allow public education institutions such as community colleges and vocational schools to receive state grants to run job training programs specifically for businesses that are transitioning to EO (e.g., workshops to help new employee-owners learn how to manage a business after they take ownership).

Recognize EO organizations as key economic development partners

Recognizing the important role EO can play in advancing economic development goals, public agencies at all levels are encouraged to include EO developers, TA providers, and other support organizations as partners in economic development initiatives. Building on the precedent set by the CHIPS and Science Act (see example below), economic development efforts—such as small business development programs, regional technology and innovation initiatives, and workforce and entrepreneur training programs—could leverage the partnership of EO organizations to promote business resilience, expand access to wealth building, and create high-quality jobs through EO, particularly in historically underserved communities. Policymakers can deepen impact for Black entrepreneurs and workers specifically by prioritizing partnerships with culturally competent, Black-led EO organizations.

Policy in practice: The 2022 CHIPS and Science Act (HR 4346) included a handful of provisions featuring EO, the most notable being the inclusion of worker ownership development centers and associations as allowable partners in the federal Regional Technology and Innovation Hub (Tech Hubs) program. However, none of the 31 regional Tech Hubs announced in 2023 include EO organizations as partners, demonstrating the ongoing need for more deliberate integration of EO into economic development strategies.

II. Accessible technical assistance

Challenge: EO technical assistance can be costly & inaccessible

A significant barrier to the growth of EO is a lack of accessible, high-quality TA to guide businesses through the complexities of EO structures. For business owners considering selling to their employees, transition TA typically includes feasibility studies, legal and financial advising, business model restructuring, and governance training. Depending on the length and complexity of the transaction, the upfront cost of transition services can be significant, making EO a costly path to pursue without financial assistance. For entrepreneurs looking to launch a new EO business—often as a worker cooperative—EO-specific TA can be difficult to come by, particularly outside of regions with established EO ecosystems where service providers tend to be concentrated. As a result, many entrepreneurs who could benefit from EO may never receive the guidance they need to meaningfully explore or pursue it.

These barriers are particularly acute for Black entrepreneurs, who may have fewer financial resources to cover the costs of TA due to disparities in wealth and systemic challenges with accessing capital—making it even harder to navigate the complex processes of EO conversions or startups. Moreover, the landscape of EO TA is unevenly distributed, with limited capacity in many regions with large Black populations.

Bridging gaps in EO technical assistance: Uptima Entrepreneur Cooperative

Uptima Entrepreneur Cooperative is working to bridge a critical gap in the EO ecosystem—a gap they themselves encountered when first starting up—by offering cooperative training and advising services to diverse entrepreneurs. Founder and co-CEO Rani Langer-Croager recalls that when Uptima launched in 2014, cooperative startup resources were scarce, often prohibitively expensive, and rarely created by and for diverse communities. “We didn’t have money for external facilitation of those cooperative development conversations,” Langer-Croager explained. “We also didn’t feel like there was anybody out there that was really culturally relevant for us.” Because of this, they ended up doing most of the legal, financial, and governance planning to form the business themselves. Though the EO ecosystem has grown considerably since then, TA remains geographically uneven and often unaffordable. Targeted policies can begin to plug these gaps by investing in the capacity of local TA providers—particularly those with established relationships with Black entrepreneurs and workers—and by subsidizing their services.

See Appendix B. Case Studies for the full story of Uptima Entrepreneur Cooperative

This geographic mismatch means that while EO service providers tend to be clustered in regions with more mature EO ecosystems—such as the Bay Area, New York City, and the Twin Cities—many areas in the South with the highest density of Black residents possess few, if any, local EO TA providers. Combined with a shortage of Black-led TA providers and educational resources that reflect the lived experiences of Black entrepreneurs and workers, this gap further reduces the accessibility and visibility of EO as a pathway to business succession, ownership, and wealth-building in Black communities.

Recommendation 6: Expand financial support for EO technical assistance

To ensure that all current and aspiring business owners—including Black and other underserved entrepreneurs—can access essential EO support services, policymakers at all levels could explore establishing targeted financial assistance programs to offset the costs of TA. This could include grants, forgivable loans, or refundable tax credits that cover all or a significant portion of accessing TA services, such as legal and financial advising, feasibility studies, business restructuring support, and governance training. To address historical disparities in access to business development supports and ensure that Black-owned businesses and those with large Black workforces can benefit from such programs, outreach should target sectors and/or geographies with high concentrations of Black-owned businesses and Black workers.

Policy in practice: A 2021 Colorado bill (HB 21-1311) established an income tax credit for businesses converting to EO, with a value of up to 50% of conversion costs up to $25,000 for worker cooperatives or Employee Ownership Trusts (EOTs) and $100,000 for Employee Stock Ownership Plans (ESOPs). A 2023 bill (HB 23-1081) expanded the credit to up to $40,000 for worker cooperatives and EOTs, and up to $150,000 for ESOPs. In 2025, the tax credit was expanded to cover up to 75% of conversion costs (HB 25-1021).

Recommendation 7: Strengthen the capacity of EO technical assistance providers in Black communities

Policymakers can increase access to TA services critical to starting or converting a business to EO by investing in the capacity of EO TA providers, particularly those serving Black-owned businesses and businesses with large Black workforces. Such investment could include grants, reimbursable contracts, or refundable tax credits that subsidize the cost of EO startup and conversion services. Priority should be given to Black-led TA providers with experience serving Black-owned businesses or those in predominantly Black communities. Enhanced subsidies or cost-sharing could further support providers working with businesses with majority Black workforces or located in predominantly Black areas.

Policy in practice: In 2018, the City of Minneapolis Department of Economic Development launched its Cooperative Technical Assistance Program (CTAP) with a budget allocation from the

Minneapolis City Council. Complementing the existing Business Technical Assistance Program (BTAP), CTAP connects business owners with local TA providers offering a range of EO transition services and subsidizes the cost of accessing these services. The City contracts directly with TA providers to provide one-on-one services to new worker cooperatives and existing businesses interested in converting to a cooperative.

Other policy tools

Establish centralized EO resource hubs to streamline access to services
To streamline access to EO support, policymakers at all levels can establish centralized EO resource hubs to serve as a single point of entry for current business owners and aspiring entrepreneurs seeking information and guidance around EO. Resource hubs can offer simple, easily navigable information on EO models and their benefits, showcase success stories from selling owners and employee-owners, provide a directory of local EO service providers, and coordinate referrals to EO developers, TA providers, and EO-friendly capital sources. To maximize their reach and ensure equitable impact, EO resource hubs should be accessible in multiple languages and paired with outreach to underserved communities.

Policy in practice: Under the banner of its Employee Ownership NYC initiative, the City of New York launched the Owner to Owners resource hub in December 2020, providing business owners with a dedicated website and rapid response hotline to connect with local EO service providers and access conversion resources and TA.

III. Equitable capital access

Challenge: EO businesses face systemic barriers to capital access

Accessing adequate, affordable capital is a challenge for many business owners, with EO businesses facing even greater obstacles to securing financing due to their unique ownership structure. Many lenders require a personal guarantee as collateral, which does not align with shared ownership structures. Financial institutions are also frequently unfamiliar with EO models or erroneously view EO as riskier than traditional ownership structures. Although this perception is starting to be reconsidered—with the emergence of dedicated funds and key institutions like the SBA revising lending criteria to better accommodate worker ownership—accessing capital remains a significant barrier.

This challenge is magnified further for Black entrepreneurs, who often face discriminatory lending practices, may have limited access to intergenerational wealth and lower credit, and tend to receive less favorable financing terms than their White counterparts. These systemic inequities make it even harder for Black business owners to pursue EO, undercutting its potential as a tool for wealth building and economic mobility in Black communities.

Celebrated but denied capital: RCO Tires

Niki Okuk seemed as well-positioned as anyone to launch a successful worker cooperative. Exposed to cooperative principles and entrepreneurship from a young age, and armed with an MBA from MIT, she founded **RCO Tires**, a freight rubber tire recycling company focused on building quality jobs for recently incarcerated workers, in 2011. Despite her credentials and commitment, one key ingredient remained out of reach: capital. "I applied every year for every type of SBA loan," Okuk recalls. "I feel like those 10 years of me being in business were just 10 years of me being denied loans and capital investment every month. It almost became a running joke."

Most lenders wanted to see a business with a five-year operating track record. Those that supported newer businesses without established credit lines required personal guarantees, something Okuk couldn't leverage. As Okuk points out, "that very quickly descends into all of the outcomes of structural racism. If you don't have a house, if you don't have a nice savings account that somebody gave you, there are no business loans available to you without that personal guarantee. . . . And we [Black Americans] don't own as much property because we were property."

Her loan denials were not for lack of business success. RCO was growing, employing unionized workers other employers overlooked or rejected, and gaining recognition from local leaders. Okuk often heard that RCO Tires checked all the "boxes": Black- and woman-owned, environmentally focused, and community-based. But "ticking those boxes did not pave the way to any support or capital or lines of credit."

While Okuk was able to secure microloans, they rarely covered more than a single payroll, let alone a consistent salary to pay herself during her ten years running RCO. She recalls occasionally relying on her mother for financial support, and even selling her car at one point to make payroll. With few options, she relied on high-cost debt, which kept the business afloat but deepened its financial strain. When she finally did receive a loan from LA County, it was too late: the business was already failing, and she defaulted on the loan.

See Appendix B. Case Studies for the full story of RCO Tires

Recommendation 8: Align existing capital programs with EO structures

Removing barriers to existing capital programs for EO businesses is a key step towards scaling EO, particularly for low-wealth entrepreneurs and owners who face challenges accessing affordable loans. To level the playing field for EO firms and kickstart the growth of EO across all sectors of the economy, public agencies are encouraged to audit existing small business capital programs to identify policies that are incompatible with shared ownership models (e.g., personal guarantees, collateral requirements, underwriting criteria, etc.). Once identified, these policies can be modified to ensure that EO businesses can equitably access funding (e.g., replacing personal guarantees with alternative evaluation methods like character-based lending). Public agencies are encouraged to draw on the expertise and underwriting criteria used by government entities that already successfully lend to EO firms, such as the U.S. Department of Agriculture.

Policy in practice: Established through the Small Business Jobs Act of 2010 (HB 5297), the State Small Business Credit Initiative (SSBCI) provides funds to state-level programs aimed at expanding capital access for existing small businesses and startups, such as loan guarantee programs and collateral support programs. In 2021, the SSBCI program guidelines were revised to affirmatively name EO transitions as an eligible use of SSBCI funds. With this policy shift, state-level SSBCI programs can support the purchase of a majority stake in an existing business through an ESOP, EOT, or worker cooperative.

Recommendation 9: Establish & fund EO capital programs to expand access to affordable financing

Policymakers at all levels can expand access to flexible, affordable financing for EO businesses by capitalizing EO loan programs and offering other credit enhancements. Public investments can take several forms: capitalizing existing EO loan funds administered by CDFIs and mission-driven lenders; providing loan guarantees to help reduce lender risk on EO startup and conversion financing; and offering other credit enhancements like interest rate buydowns to lower the cost of borrowing from private lenders. Loans enabled with public dollars should waive personal guarantee requirements and other roadblocks that often prevent EO firms from accessing financing. Where feasible, public dollars invested into EO loan funds should be structured as first-loss capital to further catalyze participation from other investors. To ensure equitable access for Black and other underserved entrepreneurs, EO capital programs can target and prioritize lending for businesses in historically underserved and redlined communities.

Policy in practice: Established with SSBCI funding, Colorado's Cash Collateral Support program helps small and medium-sized businesses meet their financing needs by providing a cash deposit—up to 25% of the loan amount or $500,000—as collateral to support business loan applications when a business cannot meet the lender's collateral requirements. To accelerate the growth of EO, the program provides additional flexibility for EO transactions, including awarding up to 40% of the loan amount or $800,000 as collateral for EO transition loans.

Other policy tools

Establish public banks to expand capital for EO

Policymakers at all levels are encouraged to explore establishing publicly owned banks committed to serving the public interest by increasing the availability of capital for community and economic development projects. Public banks could partner with nonprofit credit unions, mission-driven CDFIs, and other lenders to expand their work using loan participations, loan guarantees, interest rate buydowns, and other credit enhancements to unlock funding for sustainable economic development, including financing for EO. To maximize impact, public banks could work with their community partners to adapt guarantee requirements and underwriting criteria to better accommodate EO models. By prioritizing lending in historically underserved and redlined communities, and through partnerships with financial institutions that already finance EO companies, public banks can ensure that Black entrepreneurs and workers are able to access capital to start or convert a business to EO.

Policy in practice: Following the passage of the California Public Banking Act (AB 857), the Los Angeles City Council unanimously approved a 2021 resolution calling on the City to conduct a feasibility study on the viability of forming a municipal bank in Los Angeles. Phase 1 of the study was approved in 2024 and is currently underway. A separate report on the hypothetical Municipal Bank of Los Angeles estimates that such a bank could help transition nearly 1,500 workers to shared business ownership within its first decade (Ahmad et al., 2023).

Amend Community Reinvestment Acts to include EO in evaluation criteria

To encourage financial institutions to better serve EO businesses, policymakers are encouraged to amend Community Reinvestment Act (CRA) evaluation criteria at both federal and state levels. The updated criteria should explicitly recognize a financial institution's efforts to meet the credit needs of EO firms as a qualifying activity. This could encompass offering loans, loan guarantees, investment capital, and grants, in addition to providing TA, financial training, and other support services to EO companies. To specifically incentivize support for Black business owners and workers, CRA credit could be granted solely for pro-EO activities carried out in LMI communities.

Policy in practice: The 2005 Employee Ownership Opportunity Act (HR 2457) proposed to amend the CRA of 1977 to allow federal financial supervisory agencies to consider a financial institution's support for EO (i.e., capital investments, loans, TA, and grants to enable employees to establish ESOPs or worker-owned cooperatives) when assessing the institution's performance under the CRA.

Establish a tax deduction for interest income earned from EO lending

To incentivize lending for EO transactions, federal and state policymakers could explore establishing tax deductions for interest income earned from loans issued for EO startup, conversion, and growth financing. Applying to banks, credit unions, CDFIs, and other financial institutions, the tax deduction would cover interest earned on loans issued to worker cooperatives, ESOPs, and EOTs, and would incentivize lenders to offer financing to EO businesses, which have historically struggled to access capital from mainstream banks. Precedent for this type of deduction exists at the federal level: From 1984 through 1996, interest income earned from loans made to ESOPs benefited from a 50% tax exclusion.

Policy in practice: A proposed 2020 Minnesota bill (SF 4161) would provide an income tax deduction for interest income earned from loans issued to finance the purchase of company stock by an ESOP or worker cooperative. This would apply to both selling owners who help to finance the purchase of their stock as well as certain commercial lenders, including banks and insurance companies.

IV. Incentives & ongoing support for EO businesses

Challenge: EO businesses face government procurement & contracting hurdles

Government contracts offer a pathway to sustainable growth for businesses in many industries. Navigating public procurement processes, however, can prove challenging for even the most experienced business owners, and generally favor a small number of large contractors. Many public entities have created supplier diversity programs designed to increase participation in government procurement by underrepresented businesses—typically those that are women-, minority-, locally-, or veteran-owned. Diverse supplier certifications can carry significant advantages, including set aide contracts and bid preferences, access to supplier diversity programs and resources, and improved visibility in vendor directories. While EO clearly aligns with the goals of supplier diversity programs, the certification criteria for these programs often inadvertently conflict with or entirely exclude EO structures, preventing EO firms from acquiring (or retaining, in the case of EO transitions[3]) supplier certifications.

Not only does the incompatibility of EO structures with supplier certifications create a disincentive for Black-owned and other minority- or women-owned businesses considering a transition to EO, it also prevents existing EO businesses with majority Black ownership from fully benefitting from programs designed to address racial disparities in government contracting and procurement. As a result, many Black-led EO firms are effectively locked out of supplier diversity programs that could increase their readiness for and success in public procurement. Without efforts to reconcile EO structures with supplier certification eligibility requirements, as well as to directly incentivize the participation of EO firms in government procurement opportunities, public entities at all levels risk sidelining EO companies that promote high-quality jobs, build wealth, and foster economic resilience.

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[3] See, for example, this case study of the WBE certified marketing agency Butler/Till and what it took for them to become employee-owned without losing their certification: www.project-equity.org/news/employee-ownership-insider/100-employee-owned-and-certified-women-owned/

Tapping into the stability of City contracts: Brooklyn Packers

While diverse supplier certification can be challenging for majority-EO businesses, it is not impossible: As a 100% Black-owned worker cooperative, **Brooklyn Packers** recently became a certified Minority-Owned Business Enterprise (MBE) through the City of New York. Co-founder and worker-owner at the Brooklyn-based food distributor, Steph Wiley views city contracts as key to ensuring long-term, stable revenue in an industry prone to volatility: "Anything that's grant related, philanthropy, those come and go. City contracts are years of money."

Beyond reliable revenue, city contracts could also serve as leverage for borrowing toward capital improvements. Though Brooklyn Packers' MBE certification was aided by the City's WCBDI, which included efforts to lower certification hurdles, the process still demanded significant time and effort. It is no surprise, then, that NYC NOWC's policy platform specifically prioritizes reforms to city procurement, including expanding the city's MBE definition and improving engagement with worker cooperatives to provide key public services (NYC NOWC, n.d.).

See Appendix B. Case Studies for the full story of Brooklyn Packers

Recommendation 10: Update eligibility requirements for supplier certifications to include EO structures

Public agencies that manage supplier certification programs should consider updating certification eligibility to explicitly include EO structures, allowing majority Black- and minority-owned EO businesses to obtain MBE, women-owned business enterprise (WBE), and other certifications based on the demographic composition of business' employee-owners and leadership. Agencies could also explore creating new certifications specifically for EO firms majority-owned by socially disadvantaged groups, similar to the National Center for Employee Ownership's (NCEO) recently launched Majority Minority Employee-Owned certification for 100% ESOP-owned companies. Explicitly recognizing EO models within supplier certification programs would provide clear pathways for diverse suppliers to transition to EO while maintaining any certifications, and would ensure majority Black- and minority-owned EO businesses can fully participate in government contracting and procurement opportunities.

Policy in practice: In 2024, North Carolina enacted legislation (SB 804) enabling companies with an ESOP to become certified as a Historically Underutilized Business (HUB) and qualify for public contracting preferences if at least 51% of the ESOP participants are members of historically disadvantaged groups. This provides a path for HUBs to convert to an ESOP without losing state contracting preferences.

Other policy tools

Establish an EO certification or partner with an external body to certify EO businesses
Recognizing the value and impact of EO as a tool for advancing equity and economic mobility, governments at all levels should explore creating a dedicated EO certification that provides the same benefits afforded to certified diverse suppliers. Public agencies could establish an EO certification independently—outlining a process and eligibility criteria similar to what already exists in some states and cities for MBE and WBE certification—or could partner with an external body such as the U.S. Federation of Worker Cooperatives (USFWC), Purpose Trust Ownership Network, or Certified EO to develop one. This certification would supplement other certifications and grant EO businesses access to procurement preferences such as set-aside contracts and bid preferences.

Policy in practice: A proposed 2025 California bill (SB 713) would direct the state's Director of General Services to issue an ESOP contractor certificate that qualified public works contractors with an ESOP could apply for. The California Employee Ownership Hub manager would be tasked with maintaining a comprehensive bidders list of qualified contractors that have received the ESOP contractor certificate.

Establish & adapt procurement preferences to specifically incentivize EO
To incentivize the uptake of EO and drive public spending toward EO firms, public agencies at all levels are encouraged to implement or modify procurement preferences to specifically reward EO. Leveraging an EO certification to determine eligibility, procurement preferences could take the form of: set-aside contracts for EO firms; percentage-based incentives to enhance the competitiveness of bids from EO businesses; agency- or department-level utilization targets or minimum spending goals for EO suppliers; or other incentives geared toward EO. Such preferences would supplement existing incentives for businesses with diverse supplier certifications, providing, for example, multiple layers of incentives for an MBE-certified, majority-Black EO business. To maximize impact, public agencies can pair incentives with outreach and TA to help EO firms discover, navigate, and win procurement opportunities. Beyond the public sector, public agencies with oversight of regulated industries such as insurance, utilities, and financial services can also leverage their regulatory power to encourage private firms to include EO in their preferred supplier programs through, for example, requiring companies to annually disclose their spending with EO suppliers.

Policy in practice: The 2022 National Defense Authorization Act (S 1605) established a pilot program allowing 100% ESOP-owned government contractors with the Department of Defense to receive noncompetitive follow-on contracts with the Department if their past performance is rated satisfactory or better. The Department published a final rule to implement the pilot program in October 2024, which took effect the following month.

Challenge: Limited access to affordable commercial space

Access to affordable commercial space is essential to the success of businesses that require physical space to operate. Yet in cities across the country, the high cost of commercial rents has made operating a physical space increasingly out of reach for many businesses, threatening the displacement or closure of businesses and the loss of livelihoods and community anchors along with them. These challenges are magnified further for EO firms, which often lack access to sufficient capital and face obstacles to securing financing due to their shared ownership structure.

The crisis of commercial space affordability is even more acute for Black-owned businesses. Black business owners are less than half as likely to own the commercial properties they operate in as their White counterparts, and tend to be located in historically underresourced areas that have experienced generations of systemic neglect and discrimination (Rothwell et al., 2022). Real estate speculation and gentrification are driving up commercial property prices in many of these same areas today, threatening the stability and survival of Black-owned businesses and chilling the aspirations of would-be entrepreneurs. Without targeted interventions to make commercial space more affordable, Black business owners—including those interested in pursuing EO—will remain vulnerable to displacement.

Driven out of business by rising rent: RCO Tires

In Los Angeles, affordable commercial real estate is increasingly difficult to come by. In 2011, Niki Okuk founded **RCO Tires**, a freight rubber tire recycling company focused on building quality jobs for recently incarcerated workers. But despite the business' success, RCO was forced to close in 2019 before her vision of converting RCO Tires to a worker cooperative could be realized. Looking back, Okuk is clear: "The thing that really sunk us was rent." A few years into their operations, their warehouse rent suddenly increased over 60%, leaving any remaining profits "immediately consumed by rising rents."

Far from an unlucky exception, Okuk realized that she was running up against a structural challenge: "It was so apparent to me that it was going to be impossible for our businesses—whether privately or cooperatively owned—to sustain themselves if the most fundamental part of the business, the underlying real estate, is continuously being commodified and gentrified and then pricing us out." This realization has informed Okuk's work since closing RCO: She has joined local community-led efforts to reclaim land through Downtown Crenshaw's bid to buy a local shopping mall as well as through the South LA Community Land Trust.

See Appendix B. Case Studies for the full story of RCO Tires

Recommendation 11: Prioritize EO businesses in commercial space affordability programs

To maximize the impact of municipal commercial affordability programs for businesses at risk of displacement, local policymakers can design these programs to explicitly prioritize EO businesses. Commercial affordability initiatives—such as long-term lease subsidies, no/low-interest financing programs, and commercial property acquisition funds—often target gentrifying neighborhoods where rising rents threaten to displace existing businesses and prevent new businesses from opening. Prioritizing EO within these initiatives—through targeted outreach, dedicated technical and financial assistance, or additional application points for EO firms or businesses demonstrating an intent to transition to EO—can help to stabilize local businesses and preserve community fabric, ensuring the jobs and revenues they generate stay rooted in the communities they serve.

Policy in practice: Launched in 2023 using discretionary ARPA funding, the City of Boston's S.P.A.C.E. Program (Supporting Pandemic Affected Community Enterprises) provided grants and TA to help small businesses open brick-and-mortar storefronts in high-vacancy corridors, with a built-in preference for worker cooperatives—at least two of which received awards (Li, 2024).

Other policy tools

Leverage community benefits agreements to preserve commercial space for EO businesses

To expand access to affordable commercial space for EO businesses, local governments should explore opportunities to partner with community groups to use Community Benefits Agreements (CBAs) negotiated with developers to secure affordable commercial space for EO companies. CBAs, typically used for local hiring and affordable housing, can be expanded to require developers to dedicate long-term, below-market commercial space for EO tenants, particularly in gentrifying, historically disinvested neighborhoods. Following the precedent set by Detroit in 2016 (Saha, 2024), policymakers can enact Community Benefits Ordinances mandating developer collaboration with residents on CBAs and recommend EO-specific provisions. Local policymakers can also use their oversight of development processes to recommend the inclusion of EO-specific provisions in CBAs and encourage developers to negotiate in good faith with community groups.

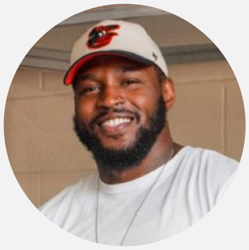
Policy in practice: No known examples from current or prior policy.

Challenge: Limited networks & peer support for EO businesses

Many EO businesses lack strong connections to a broader support network, making it difficult to find peers to share resources and best practices with, and to identify mentors to seek guidance from. While traditional business owners can often rely on industry groups, chambers of commerce, and trade associations for guidance, EO firms frequently lack comparable support structures tailored to their unique needs.

This challenge is even more pronounced for Black-led EO firms, which are less common overall and may not have established connections within the broader EO ecosystem. Without these peer networks, EO businesses often struggle to navigate common challenges such as governance, business operations, and leadership transitions, which can hinder their long-term success and growth.

Expanding support among Black cooperators: Taharka Brothers



Taharka Brothers, a cooperatively-owned ice cream chain based in Baltimore, MD, grew out of a nonprofit project focused on offering employment and support to young adults recovering from addiction. Though the business launched in 2010, it did not transition to a worker cooperative until 2020. Mike Prokop, one of the founders and current worker-owners of Taharka, recalls that he and his co-founders had the goal of shared ownership from the start but needed guidance to imagine what that could look like and how to get there. Thanks to Red Emma's, an established worker cooperative bookstore and cafe in Baltimore, Prokop and his team were connected to the Baltimore Roundtable for Economic Democracy (BRED). BRED had recently formed with the express purpose of supporting local worker cooperatives, and was able to assist Taharka with securing a loan from The Working World (TWW), which helped to financially stabilize the business and prepare them to convert to worker ownership.

Now that Taharka has found its footing, with over $90,000 in profits shared with workers since 2019, Prokop is eager to do what Red Emma's did for them and help other Black workers and entrepreneurs get the support they need to build wealth through shared ownership. While nonprofit and government-led EO outreach efforts are growing, Prokop sees a need for peer-to-peer support, particularly among Black cooperators: "There is a lot of distrust out there. Because of that, the best voice [to promote EO among Black workers and entrepreneurs] would be our own. We just need a little more help uplifting that." The kind of infrastructure Prokop envisions is already supported by a few regional peer networks, but these networks remain unevenly distributed, leaving many Black entrepreneurs—especially those outside regions with mature EO ecosystems—lacking peer connections and support.

See Appendix B. Case Studies for the full story of Taharka Brothers

Recommendation 12: Facilitate & fund EO peer networks, especially for Black employee-owners

Existing peer-to-peer EO networks like the Valley Alliance of Worker Co-operatives, regional chapters of The ESOP Association, and NCEO's peer working groups enable EO businesses to share resources and best practices, offer mentorship opportunities, and navigate common challenges like securing growth capital or managing leadership transition. Policymakers can support the growth and sustainability of EO firms by providing financial support to backbone organizations like the U.S. Federation of Worker Cooperatives (USFWC) or the Employee Ownership Expansion Network that coordinate these initiatives. Support should be targeted toward seeding peer networks in areas currently lacking this infrastructure, and in regions with large Black populations where EO ecosystems are still nascent. Investing in communities of practice for Black-led EO businesses, such as the Federation of Southern Cooperatives and USFWC's Black Cooperators network, is also essential to ensure these businesses can thrive and scale in all communities.

Policy in practice: Through New York City's Worker Cooperative Business Development Initiative (WCBDI), the City Council funds EO organizations like NYC Network of Worker Cooperatives (NYC NOWC), which, in partnership with the Democracy at Work Institute, serves as a co-backbone organization of WCBDI. In this role, NYC NOWC coordinates peer learning opportunities for employee-owners through finance-focused communities of practice and regular gatherings of worker-owners.

CHAPTER 6
CONCLUSION & CALL TO ACTION

I. The case for Black employee ownership: key takeaways & emerging questions

This project set out with a clear purpose: to evaluate employee ownership's (EO) potential to improve the financial well-being of Black workers and entrepreneurs, to identify barriers to realizing this promise, and to recommend policy solutions aimed at unlocking EO's full benefits in Black communities. Leveraging the strengths of the three partner institutions engaged in this collaborative effort, and grounded in a robust mix of research methods, our study generated findings across three key areas: 1) expanding the evidence base on the job quality, wealth-building, and health benefits of EO for Black workers;[1] 2) uncovering the key drivers and barriers that impact the adoption of EO in Black communities; and 3) identifying policy solutions to address those barriers, level the playing field for Black workers and entrepreneurs, and help bridge the racial wealth gap through EO.

The Morehouse College team's qualitative research offers rich insight into how Black business owners, workers, and worker-owners perceive the potential of EO—and the conditions that shape its viability. Drawing from surveys and interviews across Atlanta's small business ecosystem, their findings reveal that EO resonates deeply as a pathway to professional and entrepreneurial advancement, economic empowerment, and community resilience. But while EO has broad appeal among Black workers and entrepreneurs, the Morehouse findings also underscore key barriers to EO's broader adoption in Black communities, including economic insecurity, limited access to skill-building and entrepreneurial training, and a general awareness gap surrounding EO models. **These insights make clear that expanding EO in Black communities will require not just more resources, but targeted solutions designed specifically to overcome historical barriers and ensure that EO is both both visible to and viable for Black workers and entrepreneurs.**

To develop actionable solutions to the opportunities and barriers raised by these findings, Project Equity's policy recommendations offer a robust framework to accelerate EO adoption in Black communities. Informed by an in-depth scan of federal, state, and local EO policies, secondary research on Black entrepreneurship and the structural constraints that undermine the success of Black-owned businesses, as well as interviews with Black-owned firms that have navigated the EO landscape firsthand, our recommendations reflect a dual imperative: to lower barriers to EO for Black workers and entrepreneurs specifically, while also fostering conditions conducive to the growth of EO across the

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[1] UC Riverside's full findings on the job quality and wealth-building benefits of EO for Black workers were not available at the time of publication. Once finalized, these findings will be incorporated into this report as an addendum.

economy overall. By identifying policy tools that leaders at all levels of government can use to raise awareness of EO, expand access to technical assistance and capital, and incentivize the launch and sustainability of EO businesses, **Project Equity's recommendations chart a path toward scaling EO into an economy-wide norm while ensuring Black workers and entrepreneurs can fully share in its benefits.**

This project represents among the first attempts to specifically examine the intersection of employee ownership, Black wealth building, and public policy. While this research generated valuable findings, it also surfaced important avenues for future inquiry. For example, due to the limitations of currently available longitudinal data, UCR's analysis was limited to ESOPs and non-broad-based profit sharing. To gain a comprehensive understanding of EO's impact on Black workers, data collection tools like the NLSY should be updated to include all major forms of broad-based EO, including worker cooperatives and Employee Ownership Trusts (EOTs). To validate and expand on the Morehouse team's qualitative work—based largely on interviews with Atlanta-based worker cooperatives—researchers should examine barriers to the uptake of other broad-based EO models among Black workers and entrepreneurs, both within and beyond Atlanta. Finally, while Project Equity's research yielded a comprehensive framework of policy solutions to scale EO while ensuring Black workers and entrepreneurs share in its benefits, virtually no empirical evidence exists to determine what specific policy mechanisms are most effective for fostering EO adoption in Black communities. To better understand what works, for whom, and under what conditions, future EO policies and programs should incorporate mechanisms to track outcomes and disaggregate impact by race and EO structure. With these data, interventions can be implemented in ways that not only expand access overall, but specifically enable the full participation of Black workers and entrepreneurs.

II. A path forward: Building a Black EO movement

The recommendations outlined in this report are undoubtedly ambitious, but the urgency of this moment warrants bold solutions. We are in the midst of a massive generational shift in business ownership, as millions of aging business owners prepare to retire. Without viable succession strategies, many of these businesses—alongside the jobs and revenue they contribute to local economies—are at risk of disappearing. At the same time, the wealth gap between Black and White Americans remains vast and entrenched, with the median Black household having just 15 cents for every $1 in wealth held by the median White household (Federal Reserve, 2023). Reflecting generations of disinvestment, discrimination, and exclusion, the racial wealth gap not only limits the ability of Black households to invest in education, start businesses, buy homes, and provide a head start for the next generation—it poses a major headwind to the U.S. economy overall, resulting in hundreds of billions in lost consumption and investment each year (Butler et al., 2024).

The staggering scale of these challenges calls for far more than isolated programs or incremental policy fixes; it demands structural solutions with the power to democratize business ownership while building wealth for Black Americans from the bottom up. Employee ownership offers one such solution.

Unlocking the transformative power of EO for Black workers would not only deepen the resilience and prosperity of Black communities—it would strengthen the American economy as a whole. By providing the wages, stability, and wealth-building opportunities needed to empower Black workers as consumers, entrepreneurs, and investors, EO can help to foster a more inclusive middle class while driving broad-based growth that fuels a thriving national economy.

Unlocking the transformative power of EO for Black workers would strengthen the American economy as a whole.

Building on the momentum of recent policy developments, from landmark federal legislation like the 2018 Main Street Employee Ownership Act to growing state and local initiatives, there is a real opportunity to catalyze a shift in the American economy toward EO. These advances in EO policy have laid a critical foundation, but capitalizing on this moment requires not only broadly scaling EO but also doing so in a way that guarantees the turn to an ownership economy is inclusive. The challenge before us is to make certain that Black workers and entrepreneurs are not left behind in the expansion of EO, but instead are positioned at the forefront of this transition.

This means developing and resourcing long-term strategies to grow Black EO, from investing in culturally relevant education and outreach, to expanding capital access to finance EO startups and transitions, to establishing robust incentives and wraparound supports that center racial equity at every level of government. It also means supporting the leadership of Black-led EO support organizations and trusted intermediaries to ensure that strategies are relevant to and embraced by Black communities. The policy recommendations we have crafted offer a flexible roadmap to advance this work, equipping policymakers with concrete tools to make EO more accessible in Black communities—not as a niche alternative, but as a mainstream pathway to business ownership and wealth building.

Beyond our specific recommendations, we also encourage policymakers, advocates, and other ecosystem stakeholders to consider broader implementation strategies that can maximize the impact of EO policies for Black workers and entrepreneurs. One essential lever is geography. Targeting efforts in places where Black workers and business owners are more densely concentrated—throughout the South and in historically Black urban centers like New York City, Chicago, Philadelphia, and Detroit—can help to ensure EO initiatives effectively reach and impact Black communities. While EO ecosystems may be emergent (or nonexistent) across many of these regions, most possess deeply-rooted business networks, civic institutions, and community-based organizations that can be powerful assets in advancing EO.

Focusing on sectors that combine strong profit margins and high concentrations of Black workers represents another key implementation strategy. Industries such as transportation and logistics, home healthcare, and security services—as well as certain segments of the construction and manufacturing industries—offer both the density of Black workers and average profitability needed to drive EO transitions at scale while generating strong, sustainable financial benefits for workers. Finding ways to incentivize larger firms that employ significant numbers of Black workers to convert to EO can also be an efficient strategy to impact hundreds or even thousands of Black workers at once.

These strategies offer a few approaches that policymakers can take to amplify the impact of the policy solutions presented in this report, but many more insights can be gleaned from the policy innovation already taking place in states and localities across the country. By learning from the successes and shortcomings of past policy efforts, and adapting existing EO legislation and models to fit local contexts, policymakers can accelerate policy adoption and focus resources on implementation, scale, and impact.

Looking forward, EO's track record of strong bipartisan support—with champions from both parties recognizing its ability to strengthen businesses, improve job quality, and bolster economic resilience[2]—gives us confidence that the findings and recommendations in this report can gain traction among a broad coalition of policymakers. But translating these proposals into meaningful policy change will require more than government action alone. EO support organizations, philanthropic partners, anchor institutions, business owners and advisors, and workers themselves have a pivotal role to play in advocating for specific measures today while building relationships with policy leaders to lay the groundwork for future policy wins.

With that collective effort, we can seize the historic opportunity before us to reimagine the rules of ownership and build a future in which Black workers not only participate in the economy, but can own and shape it. Through bold, coordinated action, and with a firm commitment to equity and inclusion, we can make EO not the exception, but the norm, delivering dignity, stability, and shared prosperity to Black communities and working people everywhere.

[2] See, for example, polling conducted by Expanding ESOPs (www.expandingesops.com/polling-data) and research by the Employee Ownership Foundation and the Rutgers School of Management and Labor Relations (www.esopassociation.org/articles/unprecedented-political-consensus-found-decades-long-employee-ownership-research).

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APPENDIX A
ADDITIONAL POLICY RECOMMENDATIONS

In the course of Project Equity's research, we identified a range of additional challenges and corresponding policy solutions that, while not easily categorized within the four main pillars of our recommendations, are important to fostering an economy in which employee ownership can take root and thrive. This section outlines four key barriers to the growth of an ownership economy that cut across policy domains, and highlights interventions that can help remove friction points, expand access, and build long-term capacity for employee ownership (EO). By addressing these cross-cutting challenges, policymakers can further strengthen the foundation needed to scale EO in Black communities and across the broader economy.

Challenge: EO structures lack formal incorporation structures & legal legibility

Many states lack formal pathways for businesses to register, license, or incorporate as specific EO structures, such as worker-owned cooperatives, limited cooperative associations (LCAs), or purpose trusts (including EOTs). The lack of well-defined structures for incorporating an EO businesses can create legal uncertainty and can increase costs and administrative complexity if entrepreneurs must seek out legal and financial expertise to design workarounds. Additionally, permitting and licensing processes are often not designed to accommodate EO structures, which can make it difficult for EO firms to access start-up and growth services offered by public agencies. These issues can create barriers for entrepreneurs looking to start or convert businesses to an EO structure, making EO a less attractive pathway for all entrepreneurs, including Black business owners and non-Black owners of businesses with large Black workforces. Without clear and centralized paths for registering or incorporating EO businesses, it is also more difficult to conduct outreach to them or track their growth.

Recommendation: Expand formal EO structures to all 50 states

States are encouraged to adopt and standardize legal frameworks that formally recognize EO structures including worker cooperatives, LCAs, and purpose trusts to ensure entrepreneurs have clear pathways to establish and scale EO companies, regardless of the state in which they're operating. Broader adoption of legal frameworks for EO would reduce legal uncertainty, eliminate the need for workarounds through other business structures, and lower costs associated with legal TA. This would increase the accessibility of EO for all entrepreneurs, including both Black entrepreneurs and non-Black owners of businesses with large Black workforces.

Policy in practice: In 2019, Oregon enacted legislation (HB 2598) authorizing the creation of "stewardship trusts" (i.e., noncharitable business purpose trusts), providing a legal vehicle to organize a company around an established purpose, which can include operating for the benefit of its employees (i.e., an EOT).

Recommendation: Ensure EO businesses are recognized in administrative systems

To ensure that EO businesses can accurately identify themselves, access government services, and qualify for relevant programs, state and local governments can update business licensing, permitting, and registration forms and systems to explicitly include EO models as recognized business structures. This would reduce administrative barriers, enable EO firms to benefit from essential start-up and growth services, and expand EO opportunities for all entrepreneurs, including Black entrepreneurs and non-Black owners of businesses with large Black workforces.

Policy in practice: In 2019, the City of Berkeley updated its business license application (Results for America, 2023) to include "Cooperative" as a recognized business category, ensuring that worker cooperatives can properly identify themselves and access City services. This change, led by the Finance Department in collaboration with the Office of Economic Development, addressed a key barrier for cooperatives that previously did not fit into existing business structure categories (e.g., sole proprietorship, corporation, LLC, non-profit).

Challenge: Business licensing fees can be a barrier for EO businesses

For businesses of all types, obtaining necessary licenses is crucial for compliance with regulatory requirements. These licenses often come with annual renewal fees, which help cover the administrative costs of regulation. However, the structure and amounts of these fees can vary significantly depending on the license type and regulatory body and can pose a barrier to small businesses that wish to provide certain services. For example, licenses often come with a flat fee, which disproportionately impacts smaller businesses by acting as a regressive tax.

Recommendation: Lower business licensing fees for EO businesses

State, county, and local governments should consider implementing progressive business licensing fee structures that take key factors into account, including business size and ownership structure. By lowering the barrier to entry for EO businesses through lower licensing fees, policymakers can encourage EO growth across a wide range of industries and make EO models more attractive for all entrepreneurs, including Black entrepreneurs and non-Black owners of businesses with large Black workforces.

Policy in practice: A 2023 Colorado bill (SB-23-187) eliminated the previous flat transportation network company (TNC) license fee of approximately $110,000 and empowered the Public Utility Commission to establish a more flexible fee structure for ride-share companies that considers factors like ownership structure—paving the way for support of EO companies like the recently re-launched Driver's Cooperative Colorado.

Challenge: The United States lacks a legal framework to facilitate EO transitions

Under the status quo, companies and workplaces are often closed or sold to corporate buyers and private equity firms that may strip assets, relocate jobs, or downsize operations with little consideration for the workers who sustain those businesses. Workers tend to have little say in the process, and in some cases are not even aware that the business is up for sale. While EO would often be a viable strategy for selling the business while preserving jobs and expanding local business ownership, workers are often unaware that EO is a viable option and currently lack the legal right to pursue it before it is sold to an external buyer or closed. Without a legal framework providing employees with a meaningful opportunity to bid on their own workplaces before an external sale or closure, EO transitions will remain out of reach for most employees who could benefit from them. This status quo disproportionately harms Black and other historically marginalized communities, who already face worse prospects for financial security and upward mobility.

Recommendation: Equip workers with a right of first refusal in business sales & closures

To provide workers with a fair opportunity to pursue EO as a strategy to protect their jobs when faced with the prospect of a business sale or closure, federal and state policymakers can establish right of first refusal (ROFR) policies to support employees with purchasing their workplaces. An ROFR policy would require business owners to notify employees in advance of a sale or closure and provide them with a first opportunity to bid on purchasing the business through a broad-based EO structure. ROFR policies should be designed such that employees receive adequate notice from their employer about a potential closure or sale, and should connect employees with TA providers to help assess the feasibility of an EO transition. By targeting outreach and awareness raising around EO in industries with high concentrations of Black and other marginalized workers—who face greater barriers to business ownership and are disproportionately impacted by job losses and business closures—public agencies can help ensure that these workers are positioned to take advantage of ROFR opportunities.

Policy in practice: A proposed 2025 Massachusetts bill (H.503) would require small business owners to notify employees of a planned sale and give them the opportunity to purchase the business through a majority employee group, offering a capital gains tax exemption of up to $1 million if the sale results in broad-based employee ownership.

Challenge: EO transitions can be less financially competitive than other exit options

For many business owners, selling to their employees can be more complicated and less immediately lucrative than other exit options, such as selling to a private equity firm or a competitor. EO transitions typically involve lengthy and complex transactions, marked by unique legal, regulatory, and governance considerations and uncertainty around financing. EO transitions may also yield smaller windfalls for selling owners compared to third-party sales. These dynamics can make EO less attractive to owners looking to exit, even if they are motivated by the altruistic aspects of EO. In the absence of meaningful incentives to level the playing field for EO, most owners will pursue whichever exit strategy offers the highest and fastest return—limiting the growth of EO.

Recommendation: Enact & expand tax incentives to encourage EO

To position EO as a financially competitive alternative to more traditional exit strategies like private equity sales or competitor buyouts, federal and state policymakers should expand existing tax benefits and create new incentives to make selling to an EO entity the most attractive and accessible option for business succession. For selling owners, states could offer capital gains tax exemptions on the sale of shares in a business to an ESOP, EOT, or worker cooperative (e.g., MI HB 5202). For employee-owners, states could provide capital gains tax exemptions on the sale of company stock acquired through employment at an EO business (e.g., IA HF 2317). To further incentivize EO transitions, states could award tax credits to businesses to offset the cost of accessing TA services associated with converting to EO (e.g., CO SF 4161), or allow lenders (including commercial lenders and selling owners) to deduct interest income received from loans used to facilitate stock purchases from an EO company (e.g., MN SF 4161). States could also provide an annual tax credit to EO businesses to offset the ongoing cost of accessing TA and other professional services, ensuring these supports remain affordable.

Policy in practice: A Missouri bill passed in 2016 (HB 2030) established a 50% exemption on state capital gains taxes for business owners that sell at least 30% of the company stock to an ESOP. Originally set to sunset in 2023, a bill passed in 2023 (SB 20) made the state capital gains tax exemption permanent.

APPENDIX B
CASE STUDIES OF BLACK EMPLOYEE OWNERSHIP

BROOKLYN PACKERS
New York City, NY
Food Sourcing, Packing, and Distribution

Worker Cooperative (start-up)
MBE certified
$1.7M in annual revenue

Shawn Santana (left) and Steph Wiley, co-founders and worker-owners of Brooklyn Packers (photo by Devonne Jackson-Perez)

For almost ten years, Steph Wiley and his fellow worker-owners have been helping small farmers and food manufacturers reach wholesale and retail customers in New York City. Brooklyn Packers, a currently 100% Black-owned and -operated business, packs and distributes food for local farmers, focusing on those that are queer-, women-, Black-, or cooperatively-owned. They also run a community-supported agriculture (CSA) program. **Wiley has, however, already run up against the limitations of operating a cooperative business in a largely non-cooperative economy.** As he and his co-owners seek to build local food sovereignty and community wealth, policies at all levels of government can help establish a broader solidarity economy in which wealth-building through shared ownership is encouraged and incentivized.

A smooth start thanks to municipal investment

Wiley first learned about the cooperative model in 2015 while working for a food packing and distribution company. An organization down the street, the Northeast Brooklyn Housing Development Corporation, was running an intensive 10-week coop academy jointly with The Working World (TWW), a long-standing cooperative lender and support organization that has helped expand low-interest cooperative financing across the country. Wiley and his employer at the time enrolled to explore converting the business to a worker cooperative. It quickly became clear that his employer was not interested in converting the business, and Wiley completed the program on his own. The business faced challenges and ended up closing, at which point Wiley, along with some of his former coworkers, began to explore forming their own food packing and distribution business based on their principles of cooperative ownership and a restorative local food system. TWW offered them free technical assistance (TA) with incorporation and legal support, governance training, and business planning. The group asked for a small $3K start-up loan, which TWW readily provided. In 2016, Brooklyn Packers (then called Kings County Cooperative) was up and running with 6 worker-owners and a few additional employees.

Wiley's experience is not typical of most founding worker-owners in the U.S. Though he didn't know it then, the free educational trainings, TA services, and easily accessible and affordable start-up capital were all made possible by New York City's Worker Cooperative Business Development Initiative (WCBDI). **Since launching in 2015, the New York City Council has provided more than $30M in grants to over a dozen organizations across the city's worker cooperative ecosystem (including TWW).** These grants have significantly expanded the capacity of local TA providers and have made capital more accessible to support start-up and conversion worker cooperatives. Thanks to this significant and sustained investment, NYC now has one of the highest concentrations of worker cooperatives in the country: WCBDI reports having supported the formation of 116 worker coops with another 163 currently in development (NYC Department of Small Business Services, n.d.). Wiley also emphasized the value of the NYC Network of Worker Cooperatives (NYC NOWC), a peer network and advocacy organization that he helped steer for several years, which offers shared resources and a collective voice to advocate for continued municipal support where it is most needed. "NYC NOWC is always supportive," Wiley says. "You know, we're in this cooperative ecosystem with them, so we're peers. We are definitely trying to figure things out together."

How public policy can help

- Establish a dedicated EO program, prioritizing support for Black EO
- Fund EO outreach & resources for Black communities
- Facilitate & fund EO peer networks, especially for Black employee-owners
- Strengthen the capacity of EO technical assistance providers in Black communities
- Align capital programs with EO structures

See Chapter 5 for detailed policy recommendations

Cooperatives in an uncooperative economy

Wiley is quick to point out that, despite Brooklyn Packers' relative success and resilience over the past decade, they have faced significant challenges along the way that have dampened the scope of their impact. After launching, they had trouble retaining staff and eventually ended up with only 2 worker-owners (Wiley and his cousin, Shawn Santana) who continue to be the sole owners today. Some of this Wiley attributes to the natural evolution and interpersonal frictions of any business. But Wiley stresses that an undeniable factor has been completely external to the business: **"people got priced out of New York and had to leave. . . . We lost two strong people because of [the increasingly unaffordable cost of living in the city]."**

Wiley repeatedly came back to this challenge: cooperative enterprises are difficult to sustain in isolation. "You can have your cooperative home, but if you can't afford food, then you still have a problem. . . . If you're working for an organization that can fire you at will, [even if] you're a member of the Park Slope Food Coop [you still might not be able to] afford food because you don't have a job." Because of this, Wiley is increasingly looking to build solidarity across cooperatives and connect projects that can mutually reinforce one another through supply chain, geographic, or mission-aligned connections. **He envisions "coop corridors" in which housing, food, social services, workplaces, and entire industry supply chains are networked as a solidarity economy.** To begin realizing that dream, Wiley has joined a group of aligned cooperators and the organization Coop Hudson Valley with the aim of developing a multistakeholder cooperative supporting farmers and cultural workers in the region to share administrative services, infrastructure, commercial space, labor, and other common needs and avoid competing for limited funding.

Wiley stressed the difficulty of sustaining cooperative enterprises in isolation. To address this, he envisions "coop corridors" in which housing, food, social services, workplaces, and supply chains are networked as a solidarity economy.

Connecting EO businesses with public procurement & contracting

One strategy Wiley sees as critical to ensuring long-term sustainability for Brooklyn Packers is securing contracts with large public sector procurers. Brooklyn Packers has managed to become a certified Minority Business Enterprise (MBE) with New York City, thanks, in part, to the city's efforts to align their preferred procurement programs with their WCBDI (in many cases, getting certified as an MBE is difficult or even impossible for EO businesses). **Large government contracts, Wiley suggests, would provide Brooklyn Packers with years of stable revenue and the ability to borrow money against those contracts to purchase commercial space, expand operations, and bring new worker-owners on board.**

Wiley hopes to see the successes of NYC's WCBDI reflected and amplified by similar initiatives at the state level. He imagines the multistakeholder cooperative, for example, supplying schools across the region and developing other institutional relationships that would reinvest public dollars in building community wealth and a more robust local food system. Proposed legislation in New York State would begin to do this with tax incentives, coordinated state-wide resources, subsidized technical assistance, and targeted interventions to use EO to prevent business closure or relocation. As policies in a growing number of states and localities show, relatively modest interventions can catalyze the growth of employee ownership and, if well designed, can give Black workers and entrepreneurs equal access to the benefits of employee ownership.

How public policy can help

- Update eligibility requirements for supplier certifications to include EO structures
- Establish & adapt procurement preferences to specifically incentivize EO

See Chapter 5 for detailed policy recommendations

RCO TIRES
Los Angeles, CA
Freight Tire Recycling

Worker Cooperative (attempted conversion)
Employed 22 formerly incarcerated workers at its peak
Diverted 20 truckloads of tires from landfill monthly

Niki Okuk with RCO Tires employees (photo by Walter Thompson-Hernández)

Inspired by the movement to create quality jobs through decarbonization work, Niki Okuk founded RCO Tires in 2011 with the goal of creating workforce development opportunities in Los Angeles through a freight rubber tire recycling operation. Within two years, she had achieved close to $2M in annual revenue, employed 22 formerly incarcerated full-time workers, and recycled tires from every major drayage company operating in the ports of Long Beach and Los Angeles by reforming them into rubber components for farming and other industrial uses. Despite the clear impact of the business, however, Okuk wasn't able to access enough capital to sustain operations, and the business never achieved lasting profitability. Okuk was committed to democratic management and shared ownership from the outset but, without profitability, ownership of RCO was more of a liability than a wealth-building opportunity. RCO Tires shut down operations in 2019 before her dream of shared ownership could be realized.

A decade of denied capital

Okuk should have been in as good a position as anyone to create a successful worker cooperative. She grew up immersed in cooperative principles and examples: her mother has long been a leader in the union cooperative movement and her father has been involved in a variety of cooperative enterprises and practices in his community in Papua New Guinea. She built on her family's history of entrepreneurship with an MBA from MIT and found a business partner with experience in the freight tire waste industry.

But all her knowledge and commitment couldn't make up for a key ingredient that remained elusive: capital. "I applied every year for every type of SBA loan," Okuk recalls. "I feel like those 10 years of me being in business were just 10 years of me being denied loans and capital investment every month. It almost became a running joke." (It's worth noting that Okuk would likely have faced even slimmer odds had her business been a worker cooperative: the SBA only recently revised its 7(a) loan lending criteria to allow loans to cooperatives (U.S. Small Business Administration, 2024), and continues to make it quite onerous.)

Most lenders wanted to see a business that already had a 5-year proven track record. And loans that were intended for newer businesses without established credit lines all required a personal guarantee, something she couldn't leverage. **As Okuk points out, "that very quickly descends into all of the outcomes of structural racism. If you don't have a house, if you don't have a nice savings account that somebody gave you, there are no business loans available to you without that personal guarantee. . . . And we [Black Americans] don't own as much property because we were property."**

Okuk often heard that RCO checked all the "boxes" of being a woman- and Black-owned green business employing returning citizens, but that praise never led to capital or lines of credit.

These loan denials weren't for lack of success or recognition. The business was not only growing and serving a key recycling need while providing quality unionized jobs to those that others refused to hire, but it was also getting attention from local leaders. **Okuk often heard that her business checked all the "boxes" of being a woman- and Black-owned green business serving a disadvantaged community, but "ticking those boxes did not pave the way to any support or capital or lines of credit."** Similarly, she accumulated a number of awards from the city, county, and state for her achievements, none of which carried capital investment; **"I found it incredibly frustrating and extractive that I would constantly be featured but not supported."**

She was able to secure microloans, but they rarely covered more than a single payroll. Okuk says she never was able to pay herself a consistent salary during her ten years running RCO and recalls relying on her mother on more than one occasion for financial support, even selling her car at one point to ensure her workers were paid on time. With no other options, she relied on costly debt financing, which allowed her to stay in operation but compounded the long-term financial challenges she faced. When she finally did receive a loan from LA County, it was too late: the business was already failing, and she defaulted on the loan.

How public policy can help

- Align existing capital programs with EO structures
- Establish new EO capital programs to expand access to affordable financing

See Chapter 5 for detailed policy recommendations

Gaps in the cooperative ecosystem

It was 2018 before Okuk sought outside resources to explore converting to a worker cooperative. The cooperative field was much more supportive of her project than traditional TA providers and lenders had been: LA Coop Lab, a local cooperative developer, and Arizmendi, a worker cooperative based in the Bay Area, offered worker trainings and workshops, and Seed Comons, a national network of cooperative lenders, was ready to offer low-interest loan capital to support converting a scaled-back version of RCO to a worker cooperative. But at that point, Okuk recalls, everyone at RCO was too exhausted and demoralized from nearly a decade of hard work and underinvestment to sink more time and resources into a new and uncertain chapter. It also didn't help that they found few cooperative resources created for or by Black workers. "When I brought in friends and family and colleagues," Okuk remembers, "it was definitely showing that the coop movement was not Black at all. And so I was also doing this extra layer of translation."

How public policy can help

- Fund EO outreach & resources for Black communities
- Strengthen the capacity of EO technical assistance providers in Black communities

See Chapter 5 for detailed policy recommendations

Commodified land & the threat of displacement

Even if the business had received investment and achieved profitability, Okuk and her colleagues would have had to contend with increasingly unaffordable and unpredictable rents. A few years in, their landlord hiked the rent on their warehouse from $15K to $25K a month. **"It was so apparent to me that it was going to be impossible for our businesses — whether privately or cooperatively owned — to sustain themselves if the most fundamental part of the business, the underlying real estate, is continuously being commodified and gentrified and then pricing us out."** This realization has informed Okuk's work since closing RCO: she has joined local community-led efforts to reclaim land through Downtown Crenshaw's bid to buy a local shopping mall as well as through the South LA Community Land Trust. Her experience with RCO, however, has left her less hopeful that individual shared ownership businesses or initiatives can survive without a wholesale reshaping of the economy: "I can contort myself a thousand ways trying to build a locally-owned, dignified and democratic business, and I can contort myself in a thousand ways trying to design policies that might foster or nurture it. But I'm still trying to artificially give fertilizer to feed life within an ecosystem that is designed to destroy us."

Okuk came to realize that "it was going to be impossible for our [community's] businesses to sustain themselves if the underlying real estate is continuously being commodified and gentrified and then pricing us out."

How public policy can help

- Prioritize EO businesses in commercial space affordability programs
- Leverage community benefits agreements to preserve commercial space for EO businesses

See Chapter 5 for detailed policy recommendations

TAHARKA BROTHERS
Baltimore, MD
Ice Cream Retail and Wholesale

Worker Cooperative (conversion)
3 worker-owners (3 more currently joining)
$90K in profits shared since 2019

Taharka Brothers worker-owners Mike Prokop (left) and Vinny Green (right) with Sylvan Beach Foundation founder Sean Smeeton (center), (photo by Mikayla Mellis, @photosbymikmellis)

Taharka Brothers is known in Baltimore as much for its social mission as its quality ice cream. The business is a certified benefit corporation and worker-owned cooperative with 45 employees, over $3M in annual revenue, and $90K in profits distributed to workers in the past 5 years. Taharka has achieved these successes, however, against strong headwinds. **In addition to the obstacles that nearly every small business in America faces today, Taharka has had to navigate being both Black-owned and worker-owned in an economy that has not historically supported either.**

Becoming employee-owned

Taharka Brothers grew out of a nonprofit project (The Sylvan Beach Foundation) focused on offering employment and support to young adults recovering from addiction. In 2010, the nonprofit's founder, Sean Smeeton, and several of the young men who got their entrepreneurial footing through Sylvan Beach launched Taharka Brothers as a for-profit company. Mike Prokop, who helped launch Taharka and is now a worker-owner, recalls that they had the goal of shared business ownership from the start but needed guidance in imagining what that could look like and how to get there. Though Baltimore's worker cooperative ecosystem was only just getting off the ground then, an established local worker cooperative bookstore and cafe, Red Emma's, connected Prokop and his team to the Baltimore Roundtable for Economic Democracy (BRED). BRED had recently been formed (in part by one of Red Emma's co-founders) with the express purpose of supporting local worker cooperatives, and was able to help Taharka secure a loan from The Working World (TWW) to repair their ice cream truck. That loan helped them stabilize their business financially and prepare to convert to worker ownership.

How public policy can help

- Fund EO outreach & resources for Black communities
- Strengthen the capacity of EO technical assistance providers in Black communities

See Chapter 5 for detailed policy recommendations

Sustaining & growing the business

In the years since becoming a worker coop, Taharka has continued to succeed by many measures: **sharing profits for several years in a row, expanding into a new space and online sales, and continuing to provide more people from the community — predominantly young, Black men — with quality jobs. And yet they have had ongoing challenges recruiting and retaining new worker-owners** (there are currently 3, with another 3 in training). Prokop wishes they could learn how other EO businesses — particularly those in the same geography, industry, and with similar worker/owner demographics — are incentivizing workers to become owners and developing strategies to ensure consistent profit sharing for employee wealth building.

Prokop also revealed that **Taharka, like many worker- and Black-owned businesses, has limited access to growth capital: "If it weren't for BRED, we would not be able to get funding. Period. They've been great, but that's all we** [**have access to**]**."** Similarly, they have been lucky to have a good relationship with their landlord, but have no guarantee of continued affordable commercial real estate. Prokop is confident that they would be the first to have an opportunity to buy their space if the current owner were to sell, but that they wouldn't be able to secure the necessary financing to make that a reality.

Taharka, like many worker- and Black-owned businesses, has limited access to growth capital: "If it weren't for BRED," Prokop shared, "we would not be able to get funding. Period."

How public policy can help

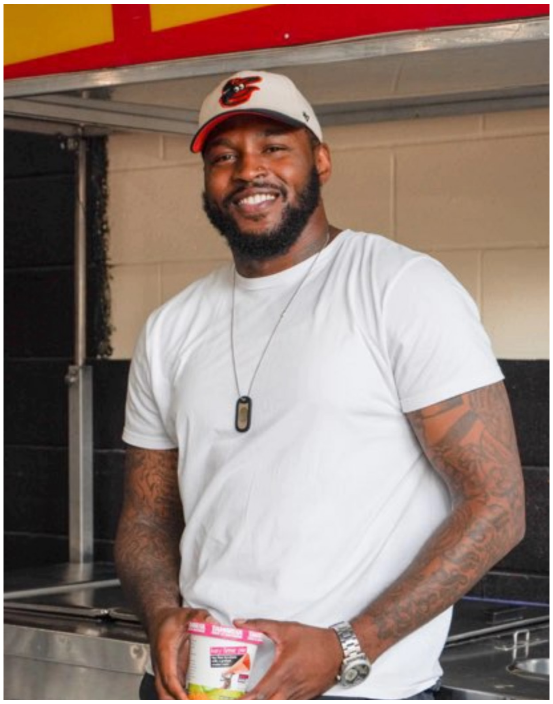
- Facilitate & fund EO peer networks, especially for Black employee-owners
- Prioritize EO businesses in commercial space affordability programs
- Align capital programs with EO structures

See Chapter 5 for detailed policy recommendations

"Entrepreneurship as a platform for change"

Now that Taharka has found its footing as a worker cooperative, Prokop wants to support other workers and entrepreneurs in building community wealth through shared ownership. While there are a growing number of nonprofit and government-supported EO education and outreach efforts, Prokop warns that they won't reach everyone automatically: "There is a lot of distrust out there. Because of that, the best voice [to promote EO among Black workers and entrepreneurs] would be our own. We just need a little more help uplifting that."

Prokop also has aspirations for Taharka Brothers that go beyond providing quality jobs and sharing profits. He imagines creating a "Taharka umbrella organization of people who came up under Taharka and then branched off and created their own thing." They have started to offer resources to workers who want to launch their own business, but have not been able to offer financial support as of yet. **As Prokop sees it, wealth building through employee ownership isn't only "the money in your hand" but "also the ability to leave and go and build something of your very own. Just imagine the impact that that could have."**



Mike Prokop, worker-owner at Taharka Brothers (photo by Mikayla Mellis, @photosbymikmellis)

UPTIMA ENTREPRENEUR COOPERATIVE
Oakland, CA; Boston, MA; Chicago, IL
Business Training and Consulting

Multistakeholder Cooperative (conversion)
6 worker-owners (4 more currently joining)
1,000 businesses served since 2014

The Uptima Chicago team and entrepreneur clients at a gathering at Haz Cooperative.

Since its founding in 2014, Uptima Entrepreneur Cooperative has provided comprehensive support services to businesses at all stages, from early incubation through growth and sustainability planning. Unlike most small business support providers, Uptima is collectively owned by its workers, is majority-Black owned and operated, and focuses on offering culturally relevant services (including cooperative education and development) to diverse entrepreneurs. Uptima also plans to extend ownership and governance opportunities to the entrepreneurs they serve, forming a multistakeholder cooperative. **While Uptima offers services to entrepreneurs who may struggle to find appropriate support, they themselves have found help from traditional business support institutions to be lacking, which they attribute largely to their unusual ownership structure and their clientele and workforce.** While their work is more legible to the worker cooperative ecosystem, they still see a lot of room for the EO field to become more inclusive of and represented by Black worker-owners.

Cooperative education: aligning capital & mission

Rani Langer-Croager, Uptima's founder and current co-CEO, first considered the cooperative business model while working at an education startup where she had become disillusioned by their focus on marketing rather than student outcomes. This led her to develop, together with a coworker experienced in the cooperative field, a detailed plan for a multistakeholder university cooperatively owned by its workers, teachers, and students. **Everyone they spoke with thought, "this is a really cool idea, but we need to have more control over governance, or we need to have more return on investment. And so we got denied by probably 70 potential investors."** They were forced to abandon the project, at which point Langer-Croager set her sights on a different education sector where she saw similar misalignments between mission and funding sources: business accelerators. "At the time, there were venture-backed accelerators that were primarily focused on tech and other high-growth businesses, and then there were nonprofit small business support organizations that were reliant on philanthropy. And each had their own challenges when it came to returns and structure," she recalls. She saw an alternative path in a business support organization owned and governed by its key stakeholders: the workers delivering the programs and the entrepreneurs enrolled in those programs.

Langer-Croager estimates having put about $350K of her personal savings into the business, but warns that "most of the folks that we work with do not have the financial stability" that she relied on.

Knowing she wouldn't get support from investors or lenders, Langer-Croager launched Uptima with her personal savings and started offering consultations and courses to a small cohort of entrepreneurs. She estimates having put about $350K into the business; **"I don't think I could have [started Uptima] if I hadn't had the kind of financial stability that I had, which came from being an investment banker and basically saving all my money for that day of starting and growing this [business], and knowing that there would be years where I wouldn't take a full salary. [I knew] that I would need to put a lot of money into it because there weren't adequate funding sources. . . available to coops back then."** The contingency of Uptima's founding on Langer-Croager's personal financial position highlights a stark contrast with many of their Uptima's clients: "most of the folks that we work with do not have that financial stability."

Because of the financial precarity of the organization as a small business, it took eight years for the business to bring on additional owners; sharing ownership only makes sense if there is a stable and profitable asset to share. Uptima now has six worker-owners with another four eligible to become owners, and they hope to soon activate the entrepreneur client stakeholder group by offering them membership. Though they have already felt the benefits of shared governance, Uptima has not generated sufficient profits to begin profit-sharing, a key component of EO's wealth building potential.

Uptima has continued to face challenges accessing growth capital, both for themselves and for their clients, which Langer-Croager chalks up to their shared ownership structure and the fact that they are a majority-Black business serving diverse entrepreneurs: **"sometimes," she says, "we're just not taken seriously in our field."** They have, however, found more support from funders who want to support diverse communities and see cooperatives as a means for wealth building: "A lot of the funding [that we have received] is because we are a coop, we are leaning into cooperative principles, and we are encouraging the businesses that we work with to do the same."

How public policy can help

• Align capital programs with EO structures

See Chapter 5 for detailed policy recommendations

Limited resources & examples for Black cooperators

Uptima serves a wide range of businesses, but they strongly encourage entrepreneurs to consider the cooperative model and offer training and advising for those who are interested. As Sherina McKinley, Uptima's other co-CEO and fellow worker-owner, explains: **"Some of our entrepreneurs are looking for an alternative way to do business. They know that the way things are going now doesn't feel good. . . . That's one of the things that draws them to us, especially when they learn [about employee ownership] they're like 'Wow, this is cool.' They just never thought that this was actually possible. And we're a real life example of what it could look like for them."**

To help those businesses succeed, Uptima strives to plug the gaps that they have experienced in their own development. While financial, legal, and other technical assistance is crucial, Langer-Croager cautions that too many cooperative developers and support organizations jump into these technical issues before addressing the foundational questions around cooperative economics: as she suggests, we need to "start with the heart and not the head." Though there is a long history of cooperative economics in Black and other marginalized communities in the U.S., there are relatively few majority-

Black employee-owned businesses or EO support organizations today to serve as exemplars. As McKinley puts it: **"We need to see examples of [worker coops], and examples coming from within the [Black] community are going to be key. Some people think that coops are just 'crunchy,' and don't realize how rooted cooperative economics is in our communities. . . and how it's shown up throughout history for us."** Uptima serves as one such successful example for their clients and focuses on delivering culturally relevant services to empower diverse entrepreneurs to reap the benefits of cooperative ownership.

McKinley sees a strong need for their clients to "see examples of [worker coops], and examples coming from within the [Black] community are going to be key. Some people don't realize how rooted cooperative economics is in our communities."

Even the most empowering programming, however, can't overcome the material constraints many of Uptima's clients face, with most lacking intergenerational wealth on which to draw and often juggling other jobs and family responsibilities while trying to launch their business. It's no surprise, then, that when asked what single policy would be most impactful to support Black employee ownership, Langer-Croager returned to this underlying financial precarity: "establish a universal basic income for Black entrepreneurs that are starting coops for five years of the startup period to take the pressure off of having to earn money" right from the outset. **The potential wealth-building impact of employee ownership, in other words, may be constrained by the reality of deep, often generational, financial precarity. Targeted policies to break those cycles are key to building thriving Black businesses and wealth among workers and their communities.**

How public policy can help

- Fund EO outreach & resources for Black communities
- Strengthen the capacity of EO technical assistance providers in Black communities

See Chapter 5 for detailed policy recommendations

{ Project Equity }

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