Support Employee Ownership by Passing HB 3646

Recology WASTE ZERO · 100% EMPLOYEE OWNED BRIX · ESOP · McMINNVILLE AREA CHAMBER of COMMERCE · Bob's Red Mill

In 2023, the Oregon State Legislature passed HB 3572 to allow the state to give contracting preference to Benefit Corporations (aka B-Corps), in certain circumstances.

HB 3646 would build upon the legislation passed in 2023 by adding employee-owned businesses (aka ESOPs), alongside B-corps and others, to the list of companies the state contracting agency may give preference to. The law is permissive not a mandate.

What is an ESOP?

- An **Employee Stock Ownership Plan (ESOP)** is a qualified retirement plan created in 1974 by the federal Employee Retirement Income Security Act (ERISA). Instead of receiving contributions into a retirement account, workers in an employee-owned company receive company stock without contributing any of their own money.

- ESOPs allow employees to own part or all of a business. This unique structure leads to not just greater retirement security for employee owners, but higher job satisfaction, more resilient and productive companies, and thriving local communities with stable jobs.

Why aren't there more ESOPs?

- Lack of awareness – many business owners simply don't know about the employee ownership option.

- Businesses with government contracts often do not want to lose their contract preferences for being a historically disadvantaged group (women-owned, minority-owned, veteran-owned), even if their employee owners meet these requirements.

- It can be expensive to transition a business to employee ownership.

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Please Support HB 3646

Oregon should encourage the creation and growth of employee-owned businesses because of the benefits...

For Employees:

- Employee owners on average earn two times the amount of savings/assets compared to the average worker, setting them up for a successful retirement.
- Employees in entry-level wage jobs have opportunities for generational wealth not normally available for those jobs.
- ESOPs involve employees in company decisions and provide training to employees at far greater rates than companies with traditional ownership structure.
- ESOPs are 6x less likely to lay off employees.
- ESOP employees have a 46% longer tenure than non-employee owners and a 10% higher job satisfaction.

For the Business:

- ESOP companies tend to have higher sales, increased productivity, and higher profit margins than non-ESOP companies.
- The federal government recognizes the positives of employee-owned companies and provides favorable tax treatment for ESOPs, so more money stays in the hands of the employees and the wealth they generate stays in their communities.
- At a time when most company owners in the Baby Boomer generation do not have a succession plan, ESOPs provide an avenue for employees to buy a business from a retiring owner.

For the Community:

- When companies are sold to the employees in the community, the jobs and wealth from the company stays in the community.
- ESOP companies are two times more likely to make an effort to provide opportunities to support their community.
- ESOPs reduce inequality. Black ESOP employees have 3x the wealth of Black households nationally. Female employee owners earn 17% higher wages than their non-employee owner peers; this grows to 30% for women of color.
- Unlike with traditional corporations, sending profits to institutional shareholders who may live out of state, ESOPs return their profits to the employees. This helps individuals build wealth, live comfortably, and reinvest in the communities where they live and work.