

# EMPLOYEE OWNERSHIP FOR BLACK WORKERS: CLOSING THE RACIAL WEALTH GAP

MARCH 2023 | A REPORT BY MOREHOUSE COLLEGE INTERNATIONAL COMPARATIVE LABOR STUDIES



# MOREHOUSE

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International Comparative Labor Studies (ICLS) was established at Morehouse College in 2017 to create new opportunities for graduates to enter careers contributing leadership, research, and organizing, with a 21st century vision for sustainable meaningful work lives for African American and all workers. As ICLS, we envision a world-class labor studies program that serves African American workers and global communities in the quest for sustainable meaningful lives and social justice. We are also working to close the gap conceptually, organizationally, and pedagogically between mental and manual labor for the cultivation and proper remuneration of all work.

In the words of Morehouse Alumnus Rev. Dr. Martin Luther King, Jr.:

*“All labor has dignity.”*

**We give special thanks to  
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Employee ownership has the potential for enhancing the asset holdings and economic well-being of Black communities across America, as well as addressing the “Silver Tsunami” of baby boomer entrepreneurs who seek to cash-out and retire. While the movement is national, we focus on Atlanta with its unique social, political, and economic culture.

### Atlanta: Potential and Challenges

The Atlanta situation is special. **White flight did not create a Black super-majority.** Blacks are a plurality at just over 47%, with Whites not far behind in numbers: a tale of two cities. However, inequality can reflect both the theoretical good of expanding growth of high earnings opportunities in a local economy as well as the disturbing reality of low-wage work. The focus of this study is the possibilities for employee ownership transitions in Atlanta, the “City Too Busy to Hate,” to impact its Achilles’ heel: rampant income and wealth inequality.

### Plight of Small Cities, Towns and Rural Areas

**Atlanta, a large metro area, contrasts greatly with the overall State of Georgia.** In September 2022, International Comparative Labor Studies (ICLS) released a report, “No One Left Behind: Economic Justice and Georgia’s Public Sector Workers,” that showed that while Georgia’s metropolitan areas had bounced back from Covid-19 and resumed their rapid economic and workforce growth, most of small city and rural Georgia had not! This drives small homeowners to liquidate their property assets and relocate to unaffordable urban areas for employment.

The lack of jobs in resilient medium and small businesses will grow further with the “Silver Tsunami:” the large number of businesses started by those born during the post-WWII “baby boom” who have now reached retirement age. They often do not have a succession plan.

- Success may be its own worse foe for them, as **family support from business wealth and income gave the next generation a world of options from which to choose.**
- **Only 15% of businesses succeed to the second/next generation** and 85% of business owners do not have succession plans.<sup>ii</sup>
- This is affecting all **small and medium business owners.**
- There is a need for particular **attention to maintaining Black and minority owned businesses,** a legacy of the Civil Rights struggle.

Over the next two decades, millions of business men and women will flood the market with small and medium businesses, both long-enduring and hard won start-ups, and will not find successors unless those who work there and form the backbone of these enterprises take up ownership and support a new generation of workers.

The working people of Atlanta need innovative strategies to build community wealth and to empower bold and transformative policy agendas that will close the racial wealth gap. Our research suggests that we need to put employee ownership on the Black political, economic, and labor agendas. This report focuses on the possibilities of employee collective ownership of the businesses where they work in Atlanta, its environs, and the State of Georgia.

"I do think it's aligned with our vision and focuses on prioritizing solutions that advance the Black community . . . through social innovation, social justice, and entrepreneurship," says SherRhonda R. Gibbs, Ph.D., Dean, Division of Business and Economics at Morehouse College.

Many owners, whether Black or White, may come to see the employees-to-owners transition as a way to achieve retirement goals without having to disband the company and sell it out of the Black community which may have benefitted from jobs and social structure.

While the actual process of transforming workers into worker-owners is carried out in a variety of ways, the conversion offers one possible solution to the continuing problem in Atlanta of growing racial economic inequality fostered by booming business success built on a foundation of working poor—a form of the classic Southern "plantation" economy.

We are asking the middle-class of business owners, financial leaders, government officials, political leaders, corporate professionals, worker advocates, and labor organizers to make transitioning to ownership a possibility for Black workers; it could be a critical step in stabilizing Black communities economically and a much-needed blessing to families.

**The Silver Tsunami: the ageing out of the Baby Boomer generation of business entrepreneurs without a succession plan.**



**Employee ownership transitions:** partnerships between retiring owners and employees, and a collective of socially conscious programs for business finance, to buy out the owners and create worker-owned cooperatives.

## Employee-Owned (EO) Enterprises Strengths

More productive: studies by the National Center for Employee Ownership (NCEO), the Democracy at Work Institute, and Bayes (formerly Cass) Business School in London have found that relative to traditional businesses, EO business productivity increases were between 2% and 19% higher.<sup>iii</sup>

## Benefits for Black, Indigenous and People of Color (BIPOC) Workers

- Transforming employees to cooperative owners benefits working people by **improving their ability to set their conditions of work**.
- **Increases their wealth** and, by extension, their potential political power.
- Black workers address their needs as employees while developing themselves and growing capital, thus allowing owners who cooperate in the transition, both Blacks and others, to **meet their business objectives** and their greater human goals of contributing to social well-being.
- Workers in employee-owned enterprises **exhibit less mental stress and illness** perhaps because a lot of the uncertainty and uncovered risk has been removed.<sup>iv</sup>
- The EO work environment is also a **remediation against recidivism**. Employee ownership conditions of inclusion (and investment in careers and lives) reduce the level of depression and nervousness on the job reported by formerly incarcerated people as they re-enter society.
- Members of the Black community as minorities have constantly navigated the work world under terms set by the dominant group which has structured ownership and channels power through private property and racial exclusion. This creates a glass ceiling that all Black workers must have the strength to shatter if they are to ascend to higher positions. The **access to business continuing learning and decision-making training** that is a part of employee ownership is very important.

## Benefits for Owners

- An employee transition to ownership is a way for owners to achieve retirement goals without having to disband the company.
- It is also of value to owners of medium and small businesses seeking an infusion of financial investment—for innovation or repositioning, or for owners who wish to cash-out due to new dedicated supportive EO investment funds.

## Benefits to Communities

- Owners do not have to sell the business out of the Black community in which it may have played an integral role, providing jobs and social structure. Employee ownership transition benefits also spread to the community by increasing economic stability.
- ICLS research suggests that we are faced with our failure to transform the Southern slavocracy economy of business prosperity (resting on a super low-wage labor foundation) to an equitable model that fosters business prosperity on middle-class purchasing power. The ongoing struggle to do this is not unique to Atlanta. Much of America is embroiled in this problem of community equity and resilience in the aftermath of progressive globalization. The emergence of Project Equity and other support organizations for employee ownership transitions across the country partly attest to this.

## What Makes EO Possible for Black Workers Today?

- Atlanta's progressive economy.
- The combination of new resources assembled by the burgeoning network of inclusive economic programs for Black and minority business start-up.
- Possibly a new generation of socially conscious business leaders generated by Morehouse College, among others, has heightened chances of success.
- Support for employee ownership for Black workers in Atlanta can improve the situation of the Black Atlanta community without stoking conflict politics of a racial or class nature.
- It can alter the low ownership and asset position of African Americans by fostering opportunity for shared wealth creation in continued nondiscriminatory work environments.
- The proposed employee ownership project is targeted to Black workers, who may not be aware of this movement, to offer opportunities to exert leadership in cooperative transformation as members of the larger Atlanta community. Can we succeed in this?

ICLS, in conjunction with Morehouse Innovation & Entrepreneurship Center (MIEC), seeks to assist with implementing cooperative models. Our research will address pivotal questions facing this effort, and develop theory and resources from actual experiences, locally, nationally and globally. We seek to provide targeted quality resources for educating our students and community to grow social justice leaders, labor leaders, the self-employed, and finance experts. Morehouse Innovation & Entrepreneurship Center can provide education and training resources as well as help connect potential employee ownership transition owners and workers to financial and business development networks. Morehouse ICLS and MIEC look forward to helping to convene Atlanta's employee ownership and cooperative communities.



# EMPLOYEE OWNERSHIP FOR BLACK WORKERS: CLOSING THE RACIAL WEALTH GAP

## I. INTRODUCTION

This study looks at the potential of employee ownership transitioning Black workers from employees to cooperative owners in their place of work as one possible route to asset building that has growing interest. Low inheritance of assets leads to poverty as a driver of the racial wealth gap. With a focus on the nexus of low income and even lower wealth, the importance of transitioning employees into ownership in their places of work comes into focus—creating employment resilience and conserving assets benefiting both the owners and the workers. Two undeniable facts make employee ownership a viable solution: The wealth gap in America, and Atlanta in particular, is widening; and even steady employment is failing to make a difference because of low wages.

## A. Employee Ownership Defined

There are several different forms and pathways possible to employee ownership – through creation of inclusive employee-owned cooperative enterprise or enriched traditional employee stock option plans and trusts.

Transitions to employee-owned cooperative are the focus of this paper. EO cooperative transitions are distinguished as those business situations where:

- The people who worked there in agreement with the owners buy out and acquire ownership of a profitable or potentially profitable ongoing enterprise from the current owners.
- This proceeds with all the comparative advantages over start-ups or buy-outs that do not have worker engagement.
- The former owner may be bought out altogether or gradually, or the owner may choose to remain an investor in the business by holding some of the shares.

This conversion will create a win-win situation for workers themselves and current owners, particularly those who want to cash-in, retire or move away for whatever reason, and workers who aspire to accumulating assets and wealth. And it will benefit communities by maintaining employment and increasing economic stability.

The Atlanta region today is home to many enterprises that employ a preponderance of Black workers who might want to enter into ownership once the benefits of ownership are made clear.

Employee ownership relies upon decisions by workers to take responsibility for their own employment, including bringing closer to “all of themselves” to the enterprise – being responsible for financial decisions, product line choices, and going that extra mile to produce quality and success.





## B. The Racial Wealth Gap and Why It Matters

Income may be defined as a flow of money in a period—whether by the hour or by the year. In 2020, the median, or typical, Black American household in Atlanta brought in \$28,000 in income compared to the typical White family income of \$84,000.<sup>1</sup> As inequitable as this can be seen to be, income inequality is just the tip of the iceberg. Wealth may be defined as an accumulation of money or assets, and of assets over liabilities (any debt owed). Economic well-being is fundamentally linked to wealth, and it is in the arena of wealth inequality that we find the answer to why so much suffering in the African American community despite greater diversity of employment opportunities for those who are well-prepared. A brief examination of wealth of all types, including savings, stocks, real property, etc., presents a mix of obvious and shocking conclusions:

- While African American earnings nationwide are 87% of those of Whites on average, African Americans hold a mere 13% of the wealth owned by Whites on-average.
- The typical Black American family wealth (or assets) total \$24,100. The typical White American family wealth (or assets) total \$188,200.<sup>2</sup>
- With lower incomes, most African Americans live up to their income. Monthly expenses use up pretty much all their income, leaving them with very little savings with which to accumulate wealth.
- Economic well-being is profoundly impacted by the wealth position of parents, and even grandparents. Intergenerational wealth transference is a significant factor in determining an adult's net worth. This is one of the major reasons why building wealth is important: it allows for making investments at critical junctures in life – schooling, marriage, home purchase and business start-up—that can provide stability for generations to come.
- Without wealth, exigencies—such as a health challenge, the need to replace a car or sudden lay-off as occurred for so many during Covid-19—leave many people one step ahead of destitution.
- The typical White household has enough wealth to cover two years of income, while the typical Black household's net worth is just over half their yearly income.
- Wealth gives a person options. It is on the basis of the cushion of wealth that a person or family can pivot and work to overcome challenges or access opportunity.



### **A cooperative is:**

An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. (International Co-operative Alliance and the International Labor Organization<sup>29</sup>)

## **II. EMPLOYEE OWNED COOPERATIVE**

Employee ownership (EO) enterprise (or worker-owned enterprise) as a form of cooperative is distinguished by having primarily the people who work there in ownership, rather than a community organization or nonprofit cooperative where other members are also owners. Examples of these latter forms are food co-ops and wholesale purchasing cooperatives. There are also user cooperatives that came together to create shared services, e.g., utilities, athletic facilities or vacation housing. Multi-stakeholder cooperatives can be owned and run by families, community members, government and non-profits, as well as their employees. The focus of this study, however, is employee-owned businesses run as cooperatives.

What has been called the “gold standard” of employee ownership is when the workers hold a controlling share of the ownership.<sup>5</sup> This may be in cash or financed. This ownership means that they define when and how they work, and they have a direct responsible relationship to what is produced and the resulting profits. It is precisely because of these aspects that EO is such a progressive option: employees often go the extra mile because their wealth creation outcome is in their own.<sup>6</sup>

Employee control may be enacted in different ways. Some EO businesses, especially small businesses, may make decisions as a collective of all the employees who hold democratic rights to participate. In other EO situations, the employees form a sort of general shareholders group who entrusts the running of the business to skilled management and leadership employees. In this case, it serves the workers because the actions of the business are judged by the ability of the management team to meet the goals of the employee owners, which often include good working conditions, respectful relationships, benefits, and job resilience. The professionally managed EO businesses may hold “shareholder” meetings with all workers regularly so that the workers-owners remain abreast of conditions and choices and are thus able to impact decision making.

Both may be seen as a form of cooperative.

The cooperative movement offers a base of models and training for EO enterprise. The full ownership experience can incorporate many of the principles known as the Rochdale Principles, which came out of the British cooperative movement in 1844. Briefly, they are:

**Voluntary and Open Membership** to those who accept the responsibilities which can be ended at any time.

**Democratic Member Control**—active participation in setting policies and making decisions with equal voting rights.

**Member Economic Participation**—members contribute equitably to, and democratically control, the capital of their cooperative. At least part of the capital is usually the common property of the cooperative.

**Autonomy and Independence.** Cooperatives are autonomous, self-help organizations controlled by their members.

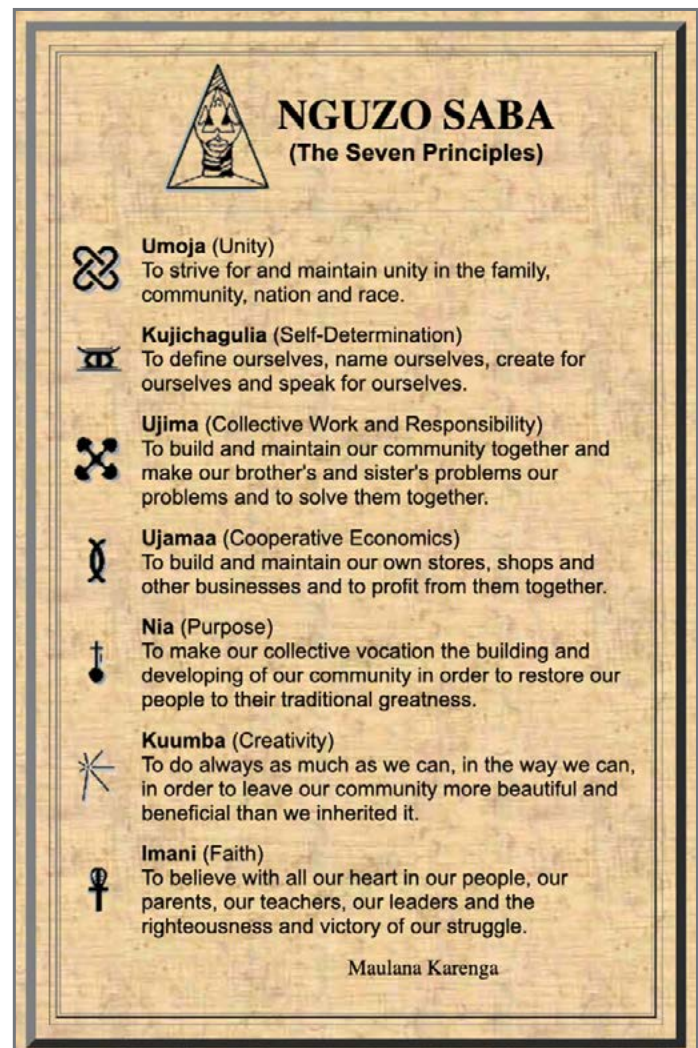
**Education, Training, and Information** are provided to members, elected representatives, managers and employees so they can contribute effectively.

**Cooperation Among Cooperatives.** Cooperatives often work together through local, national, regional, and international entities.

**Concern for Community.** While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their membership.

However, employee-owners may or may not choose to adhere to this full suite. It depends on the purposes of everyone involved.

African societies originated (and the African American community in the United States has fostered) their own set of cooperative principles and collective aspirations for liberation and well-being, displayed in the activities of early benevolent societies and church-based programs, sometimes in tandem with forms of political struggle, such as in the early National Colored Labor Union, the Black Power movement and other self-determination endeavors discussed below. By 1964, the organizational forms created by Black community efforts across the U.S. in their quest to address poverty began receiving wider recognition. One of the most long-lasting contributions was the promulgation of the Nguso Saba Principles, distilled most directly from the African socialism of the Swahili culture of Tanzania, led by its first President Julius Nyerere.



This compatibility of indigenous African communalism and socialism, leading to concepts of African Socialism, became a prominent part of the global Pan-African movement adopted throughout Africa and the Black Diaspora. After the overthrow of most of the African and Caribbean leadership that sought to pursue development along these lines by the late 1960s, debate arose in the international community over whether cooperative development was “good” for Africa, followed by a long period of free market individual entrepreneurship hegemony. Today, there is now some acknowledgement that the homegrown ideas for development resulting in the many NGO Cooperatives and worker employee-owned cooperatives were positive. However, before their growth in these societies was lopped-off at the top by neocolonialism, leaving them without organized political protection and expression today. Yet, worker cooperatives remain important across Africa and its diaspora.<sup>7</sup>

## A. Hybrids and Creative Structuring

An employee ownership formation that utilizes aspects from more than one of the models can be referred to as a hybrid organizational type. The proper starting point and development of functions and structure depends on the situation. In addition, more states and some municipalities have begun passing enabling legislation and providing financial support which makes features more or less advantageous depending on the location of the business. For instance, the New York City Network of Worker Cooperatives was very active in instituting a legislated framework.

A hybrid can be an enterprise that is partially a coop and then partially a standard company. For instance, an owner may sell 60% to the co-op and keep a 40% stake in the business. Of course, start-up employee-owned businesses are also possible. The Project Equity – ICLS Atlanta effort has focused on transitions initially because they involve less risk by relying on actual operating data on which to make decisions leading to success.

Important too, to the success of employee-owned cooperatives is having an association of cooperatives, in addition to establishing good relationships with strong unions. Small stand-alone cooperatives often experience similar challenges as other small business, particularly unexpected market shifts through recessions, national trade policy change, entry of other firms into their market, difficulty in accessing financing, etc. One way shown to be effective by the famed Spanish Mondragon cooperatives is developing an umbrella “cooperative-of-cooperatives” or association of cooperatives. The umbrella organization can be the result of one successful worker-owned cooperative expanding into related or different lines of businesses and allowing each enterprise to become a self-sufficient worker coop, or of several worker cooperatives deciding to come together under a central associational body. A coop-of-coops makes decisions on requests for assistance by member cooperatives. It runs on principles shared by the member coops, such as democratic goal and objective setting and responsibility. This can be an excellent way of pooling capital so that new profitable lines of development can occur without the cost and risk of hiring private capital.

**See EO Profiles on Pages 33 and 36.**

## B. Ownership and Union Organizing

Workers have long fought for the right to create systems for cooperative decision making among themselves for concerted action for better labor conditions and a more equitable share of the value created. In this, unions are the strongest institution for working people to prevent super-exploitation as found in Georgia all too frequently. An organized working class today is crucial to the survival of productive enterprise in the U. S. because their interests increasingly coincide with those of small and medium business owners to survive and prosper through a strong middle-class marketplace, in the face of challenges by giant corporations.

It is undeniable that the U.S. economy is undergoing an unguided, accelerating restructuring that is leaving large swaths of the public behind in the exponential growth of inequality in wealth holdings. The health and well-being of workers and their communities is of great concern. A mind shift may be needed among smaller employers to view the enterprise holistically and recognize the value input that workers sharing ownership might make to the overall success of the enterprise, particularly its intergenerational continuity and resilience.

In a world of deepening business and labor force crises and shifts, growing inequality is leading to increased uncertainty among workers, one of the most stressful situations for a society. High rates of mental illness and suicide's rise and spread—amid continuing high levels of incarceration and seemingly random acts of hate crime and pathological racist homicidal attacks even by the officers of the law upon black people—are testimony to the crisis of mental well-being.

Employee ownership creates workplace conditions of inclusion capable of fostering stable, growing self-determination, not just in words but in its very structure, which can counteract these debilitating trends. For many of the same reasons—mutual goals, identification with the enterprise, fair visible relationships, and pathways upward—African Americans of modest means join the military. EO could be an alternative to military enlistment.

In the case of women—BIPOC and immigrant women, in particular—employee ownership gives them the power to create a work environment where everyone is valued and equally protected: they earn living wages, humane sick-leave, family leave, and pension plans. An absence of adequate benefits leads to distress, as illustrated in the stories of “Essential Workers” who suddenly became visible during the Covid-19 crisis and have again been backgrounded and forgotten by upper class persons and owners whose lives are so very different.



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### III. HOW ARE EO TRANSITIONS DONE?

An employee ownership transition is a carefully worked through meeting-of-the minds, which is why there is a growing network of facilitators. Support organization, such as Project Equity and a number of others listed on our ICLS site ([www.morehouse.edu/icls](http://www.morehouse.edu/icls)), play an important brokerage roll of carrying out no-cost or assisted in-depth feasibility studies of both the owner's business and the company workforce, and proposing pathways, which is usually, essentially, a form of leveraged buyout. As well, given that many Black-owned businesses are small businesses, another important strategy has been to bring them together to work through a financial leveraging.

The "goals are for both to be happy," says Shelley Miller, Director of New Ownership Opportunities and Outreach for the ICA Group, a leading expert on worker ownership and the oldest national organization dedicated to the development of worker cooperatives. "But do you satisfy owners more than you do employees or equally? The owner, because [she or he feels] I don't want to put in all this. Or the employee saying, 'well, I don't know, I don't want to take it from my paycheck, I'm barely making it already'. Well, we start with an owner because that's the person who has to make the primary decision, right? So, we start with goals assessment for the owner."

Transitioning ownership to a company's workers is ultimately about intangible things of life. The non-financial goals are what matters.

Miller continued, "[It becomes possible when] we learn about how interested they are in rewarding their employees, maintaining the culture of their business or maintaining the legacy that they've built over time. Some of these owners have built these businesses 20 years, [and are] making sure that the customers that they built over the time will still have the products and services that they've been coming to them for."

This is why employee to owner transitions can be worked through by owners of all types, all races or ethnicities, with workforces of various demographics. And it is why these transitions rely on a mindset of willingness to partake in transformative change. This may be an artifact of remembrance of how one worked his or her own way up in the world, sometimes from deeply held spiritual values such as carried the Civil Rights Movement to successes, or a forward-thinking vision of being a part of a new needed inclusive economy.

Also, like civil rights successes, Black employees may become owners in companies where the current owner is Euro-American (White). Sometimes in the process of considering an EU transition, the owner and the employees come to see it as a win-win situation that can also contribute to particular important social goals, such as enhancement of racial wealth equity and worker and community benefits of business resilience and maintenance of jobs during times of intergenerational business transference.

And sometimes EO businesses not only create stable outcomes, but become very profitable precisely because the workforce and management are united. Miller adds, “that’s what their success does, ending up making them a target to get bought by non-employee companies. And that’s an issue in the employee ownership world. And how do we deal with that?” Of course, this same challenge has met the effort to increase Black owned businesses – for example the sale of BETV to predominantly white owners. Yet, Miller’s question remains, “is there a better system for people who don’t have a lot of money, than a worker cooperative, ESOP, or hybrids?”

**Employee ownership, therefore, is fitting for owners who have a social vision and pragmatic goals of retirement or leaving the business, and workers who have important goals of achieving the right to prioritize good working conditions, adequate remuneration, and more intrinsic goals for well-being.**

It is also for workers who want to participate in collective decisions and action, which may be fostered by a history of union inspired unity. The majority of the workers in the enterprise are member/owners and the majority of member/owners are workers, with inclusive and democratic relationships valued, and a likelihood of agreement on more broad-based goals and objectives beyond those of conventional organizations of wage-labor.

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## IV. VALUE OF EMPLOYEE TRANSITIONS OWNERSHIP

### A. Benefits to Owners

Benefits to owners might begin with providing an answer to the question of succession, as only 15% of businesses succeed to the second/next generation, and yet 85% of business owners do not have succession plans to transition the people whose work has built the company. Alternatively, new access to financing that EO transitions may unlock can allow an entrepreneurial spirit to move on to another project or provide for a much needed capital injection to modernize or diversify. Becoming a part of a cooperative group of cooperatives also allows sharing of information and financing opportunities, makes adjusting the size of the workforce easier through organization of an internal labor exchange, and can serve as a safety net for members when faced with unexpected market driven or environmental challenges beyond their control.

### B. Benefits to Workers

In its numerous studies, Project Equity (<https://project-equity.org/>) has found affirming evidence of workers’ economic well-being and lower rates of poverty in their community of employee-owned enterprises. Workers experience financial advantages on three levels: enhanced job security and stability; equal or better pay and benefits; and asset building through profit sharing, retirement savings, and shared business ownership dividends.



Consistent, steady employment is an important outcome. This is a driver of initial wealth accumulation opened to Black families with an EO stake. The stability provided by employee ownership gives workers the opportunity to plan, save, build credit, purchase property, and pursue a path to prosperity. Jobs are more stable and secure, as seen in reports on employee-owned firms during the Great Recession.<sup>9</sup> In general, workers enjoy better pay and benefits. They also enjoy more stable work schedules important to family and childcare.

For many, the change to employee ownership can be a life changing experience. It is a change with many social status implications attached to it – often from dis-respected to respected – without much of the risk of attempting traditional entrepreneurial start-up.

Miller of the ICA Group amusingly relates some of the ideational shifts she encounters when working with new employee owners. An important part of this is helping assimilate ownership culture. They may think, “Do I have the strut in my stuff, or do I just wish it? Maybe yesterday you didn’t care if they were wasting extra paper clips, right? Today you do care because... ‘Wait a minute, my payments are going to be decreased.’”

For Black workers, particularly those working in White-owned and managed enterprises, direct participation in the organization of the enterprise can lead to ending the otherwise ubiquitous “glass ceiling” inhibiting Black and women workers’ career paths. Fair and open promotions and career goals can come firmly into sight.

Development of leadership skills rapidly proceeds beyond that of a typical worker as they engage in decision making in the business. Most importantly, perhaps, it is an opportunity to engage in studying the workings of their own work site and industry. Not only training, but self-education can occur through a study-group process that uses history and global scope to provide a background to economics and politics for the self-development needed for effective leadership. Through an ongoing study group process, they will develop skills to understand what is happening in the economy and forecast what is going to happen, in keeping with their own vision of the future of work, economy and society.

Unions have become interested in the potential for employee ownership to enhance worker power and job security. Several, such as the Service Employees International Union (SEIU) have strong and active employee ownership departments. SEIU and others, such as United Steel Workers, have supported cooperative development for years, with notable success in New York and the Pittsburgh area. Together with union leaders, ICLS looks forward to exploring synergies.

## C. Benefits to Community

Addressing the component of the racial wealth gap attributable to differences in inheritance likelihood and size would take a bold and transformative approach to economic policy. It is aimed at addressing many of the root causes of community distress: crumbling infrastructure, stress-induced violence and poverty related crime. Perhaps most important, EO opens the possibility for African Americans of being able to invest in their communities, improving and maintaining neighborhoods with their culture and heritage intact.

Other reparative policies require a great deal of political will to pass. The reparations movement has been building. However, strategies for building both wealth and political power within the Black community can be pursued now that leverage worker power and the relationship between employers and workers to create new opportunities for wealth accumulation and Black community stability is seen as a real possibility. The pursuit of Black employee ownership through ownership transitions represents one such strategy.

Employee ownership helps communities retain good businesses and jobs, increase civic engagement, and circulate more money locally. Employee ownership can be a tool to empower working people as it creates more business owners with both financial and organizational assets that allow them to contribute to delivering the political directions that serve both working people and owners of businesses, both important to empowering communities to meet their goals and become a solid middle class. Perhaps this more than any other feature is what makes transitioning to employee ownership so exciting and so hopeful as a way that hard-working respected business leaders in the community can, using their own resources, do something about stemming the tide of local business decline, unemployment, absence of wealth, and loss of community.

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## V. HISTORY OF BLACK WORKER COLLECTIVE OWNERSHIP

Historically, cooperative production is often led by women. The Black American experience of striving against the constraints of diminished access to wealth and a dearth of institutional support has often pushed the community to embrace a collective model of self-determination, as opposed to the traditional American individualism. The Black community is thus primed to understand approaches to business ownership that do not rely solely on the lone entrepreneur striking out on his or her own and hoping for the best.

Historically, Black, or African people, spread from Africa since the beginning of humanity, and were characterized by cooperative cultural traits which they retain today. African societies had always been characterized by a relative balance between women and men prior to colonization and commercialization, and this cultural legacy is one reason that employee ownership opportunities are highly suited to solving the need for wealth inclusion for Black working people. In social leadership roles, men and women were balanced because usually they followed maternal inheritance. Matriarchal social gender balance spread with humanity originally across the global south, and was also characteristic of Native Americans, such as the Cherokee and the Iroquois, and many in Mexico, such as the people of Oaxaca, people of the south Pacific and Southern Asia.

Black women continued to play major leading roles in the development of collective work and responsibility in African communities. They took the lead in organizing benevolent societies and "sousesou," or lending groups, an original organic form of micro-finance. These prospered through a mix of financial success and strong ethical foundation, often in connection to religious organizations as well as unions.

Today in New York, one of the strongholds of employee-owned worker cooperatives, over 90% involve leadership by Brown and Black women.<sup>10</sup>

Without doubt, some African Americans become caught up in the culture of the American society, going as far as to perpetrate slavery in Liberia in the early 1900s and act aggressively in the drug wars of the 1970s–1990s. But there was never a time when African ethical culture proclaimed it alright, even good, to pillage and cannibalize the environment and other people. The competitive spirit through fear of deprivation, ignorance or greed never found expression in dominant collective consciousness in the communities of African people.

This system of capitalism originating in the north contrasts with the African originating southern systems. Employee-ownership is found at the nexus of these two historically opposing systems. How the African and Black communities arrived at cooperative principles and the European heritage communities did also, is an interesting matter for further research that might enlighten us as to how they could be brought together in the principled expansion of the employee-ownership movement: a fundamental quest.

## **A. Organized Labor: Split Labor and the Politics of Southern Inequality**

Employee ownership can be so important to turning around the abject inequality that pervades not only Atlanta, but the whole South—in the U.S. and globally. Ultimately, Black workers, and with them, all workers, face an ongoing unresolved problem of a racially "split labor" force that lacks the political power to resist.

Post-Civil War, formerly enslaved African heritage people were not permitted to settle on lands and a reign of terror was unleashed politically as Africans entered the "army of labor."

However, the 1870s were also a time of the striving of some workers to fight for better conditions through greater solidarity, including the Populist Movement among agricultural small-holders. The unions most committed to a collective vision—such as the Knights of Labor (which supported formation of cooperative enterprise in the struggle for Texas) and the “Wobblies,” the International Workers of the World (which espoused socialism)—were most in solidarity with Black workers and were repressed by the more co-opted union organizations. Also:

- As workers, Africans have been among the readiest of people to work toward solidarity and join unions.
- The very possibility of a unified workers movement that these unions exhibited led to their destruction in the political backlash that destroyed reconstruction in the South.
- The 1877 federal government Haynes Rutherford Compromise with the Southern white political forces unleashed violent lynch mob rule.
- An industrial imperialism was consolidated nation-wide that supported the import of raw materials made cheap through the 1885 Berlin Conference decision of the white people of Europe to dominate all African kingdoms.

Blacks organized independent unions when faced with racial exclusion. These were distinguished by the egalitarian ethic not found among the increasingly exclusionist White union movement, for example, the inclusion of women in Black union conventions such as the Colored National Labor Union, while they long remained restricted in the white movement.<sup>12</sup> Other examples:

**The Colored Caulkers Trade Union Society of Baltimore** was a notable example of collective enterprise growing as part of a union. In the 1860s, at the start of the workers' movement, the Black caulkers who maintained ships, organized to buy the shipyard in Baltimore, Maryland, where they worked, and the Chesapeake Marine Railway and Dry dock Company became one of the first examples of successful transition from employees to owners. Not only did this benefit these workers, but they laid a foundation for a Black union movement, supported newspapers and transference of knowledge, employed both Black and white workers, and operated as an exemplary fair and equitable workplace in a time of Jim Crow.

**The Colored Farmers National Alliance and Co-operative Union** emerged as a “mutual-benefit organization devoted to improving the lives of Black farmers and agrarian laborers through education and economic cooperation.<sup>13</sup>

**The Brotherhood of Pullman Porters and Maids**, which eventually won inclusion in the dominant American labor movement, was led by A. Philip Randolph, the most famous Black labor organizer and arguably among the most important Harlem-based grandfathers of the civil rights movement. This union also sprouted a much less talked about woman-led cooperative endeavor.

While the Great Depression of the 1930's led to recognition of the right of workers to organize unions with federal government oversight, in the South, in Texas, the Right to Work legislative strategy was born just as the National Labor Relations Act was passed in order to block it and the unification of Black and white workers in unions.<sup>11</sup> This has led effectively to the biggest problem underlying poverty in the Black community in Atlanta: the low-wage legacy of the slavocracy that fought off worker empowerment and is still blocking it.

Over time, Black workers have become the most conscientious about collective solidarity and union membership. Princeton University sociologist Michele Lamont in *The Dignity of the Working Men*, her study with 150 interviews of working men in the U.S. and France, found that the U.S. workers, "when questioned on the traits they like and dislike most in others . . . spontaneously mention moral traits" although some socioeconomic traits come up, and in general this was comparable to figures obtained from national surveys. Her assessment of differences found is relevant to this paper. She writes:

"The most important racial difference is found in the emphasis that black and white workers put on individualist and collectivist dimensions of morality: while black workers value responsibility and hard work, they put more stress on solidarity and generosity – what I call 'the caring self' . . . While being concerned with the same challenges as whites, blacks also place a premium on collective solidarity, in part because of their experience of fighting together against racial segregation and discrimination. The black church also sustains a rhetoric of solidarity that is absent among white workers. The decline of unions and of progressive religious institutions leave whites without important sources of discourse promoting collective solidarity, and this leads them toward a more individualistic conception of altruism."<sup>14</sup>

Recently, one study reported that "when the lead organizer is a woman of color in units with over 75 percent women of color, the NLRB election win rate is an astounding 89 percent."<sup>15</sup>

As exposed in our recent ICLS report, "No One Left Behind: Economic Justice and Georgia's Public Sector Workers," Georgia has the second lowest rate of union coverage in the country with only 5% of workers—mostly in the protected state sector—in unions.<sup>16</sup>

Georgia's minimum wage is \$5.15 per hour, according to the state Department of Labor. However, with limited exceptions, the federal minimum of \$7.25 applies. How can anyone live on that?

We are asking the Black middle class of business owners, financial leaders, government officials, political leaders, and yes, corporate professionals to help us try making Black employee ownership transitions possible as critical to stabilizing Black communities—families, youths, and senior citizens—economically.

Instituting the mechanisms and support to enable employee ownership will lead to the evolution of a different politics among a new economic leadership for all working people.

## B. The Entrepreneurship Route: Not Always Possible or Desirable

This history of inequality in access to resources has not, however, prevented Black Americans from engaging in entrepreneurship for generations, or from seeing it as a potential method of escaping poverty when the traditional labor market has failed them as it often does.

Taken at face value, entrepreneurship is something that all Americans can engage in to create wealth if they so choose. Unfortunately, the American reality is one of racial economic disparities.

The wealth of White families has roots in the many government programs which assisted those families in building that wealth, from which Black families were all-too-often excluded, including:

- The Homestead Act, an infamous distribution of land seized from Native Americans.
- The federal housing authority's subsidizing of homebuilding primarily for White, middle-class families in the mid-20th-century.
- The exclusion of disproportionately Black occupations (farm work and domestic work) from the initial iteration of Social Security in the 1930s.
- And the largest, government-sanctioned chattel slavery, that starkest example of wealth expropriation from Black labor into White hands.

This reality makes it more difficult for some to engage in and be successful at entrepreneurship than others. This means that most Black Americans face significant obstacles to business ownership—obstacles that can be potentially circumvented through strategies like employee ownership.

**Post-Civil War South:** memoirs highlight the desire of Black people to work under conditions of their own choosing as the meaning of not being enslaved.



Black workers initially achieved middle-class status even during slavery through self-employment. In the North, where the majority of the 11% of Black workers who were freemen lived until Emancipation, this was done independently. In the South it was accomplished often as a second job or side work by an enslaved man or woman. This often became the route to “investment” in the freeing of whole families. Immediately upon arrival of union troops enslaved African people desisted to work under slavery for the Confederate plantation owners in a mass movement W.E.B. Dubois refers to as the first mass general strike.<sup>17</sup>

And the goal of the original “great refusal” for many was not to become a paid worker for someone else’s gain, but rather to work for oneself. Descriptions of the post-Civil War South highlight the desire of Black people to work under conditions of their own choosing as the meaning of not being enslaved. Leslie Schwalm writes: “Work, which had been so central to women’s experience of slavery, was also critical to women’s definition of freedom. In lowcountry South Carolina, freedwomen escalated the battle to define black freedom when they sought autonomous control over plantation lands, when they negotiated and reconstructed plantation and domestic labor, and when they defended the new autonomy of their families and household economies from exploitation by planters and unwelcome intervention by northern agents of Reconstruction.”<sup>18</sup>

In many cases, however, self-employment did not translate to individual work. In the chaos in which most Black workers found themselves in the post-bellum period when Jim Crow segregation prevailed widely in the South, there were few “decent bosses” in the great leveling that occurred. Many Black workers banded together and drew upon their culture of collective work and responsibility.

Models that promote collective ownership and security against economic shocks can work best for a wealth constrained community, especially one with a history of collective practices. The Community Development Corporation, the original CDC development around the Leon Sullivan Principles in the Bedford-Stuyvesant community in Brooklyn, New York, is the earliest CDC.<sup>19</sup>

Today, again we see the leading role of innovation in cooperative development of the Black and Brown communities in the success of Cooperative Home Care Associates, (CHCA). The International Labor Organization (ILO) highlights the story of CHCA, the reputed largest employee-owned cooperative in the U.S. Founded in 1985 by 12 homecare workers, CHCA led the way in New York, currently with some 2,000 employee-owners. With a focus on staff training and support as pillars of their operation, CHCA came together to solve the basic problems of lack of paid sick leave and vacation, inconsistent work schedules, and work conditions that made the delivery of excellent care too difficult. Their motto is, “committed to delivering quality care by creating quality jobs.”<sup>20</sup>

This is consistent with the 2016 report on the NYC Worker Cooperatives Survey that found that 91 percent of the worker-owners were women, and 99% of the worker-owners were non-white. Whether this is a function of their sampling method, response rates or the actual population, it is noteworthy.<sup>21</sup>

For the Black workers and community, there are two important takeaways in the review of history on cooperatives by Jessica Gordon Nembhard’s landmark study that can be reinforced here.<sup>22</sup>

First, is the role of women. Gordon Nembhard refers to scholarship on the ways in which women, particularly Marcus Garvey’s second wife (journalist-activist Amy Jacques Garvey) found their place in the organization and practiced “community feminism,” a term that describes the Combahee River

Colony and some of the other mutual-benefit societies run by women, which were successful efforts at collective economics.

Second, there is the important role of self-education, which is also connected to the pioneering role played by youth. Notable and successful coops tended to emerge from study groups. The study group as a social phenomenon plays a foundational role in social change, perhaps much under-recognized because it can lead to systemic analysis, and recognition of the need for structural change, which is often not in the interest of those who most benefit by the system. Such a change is revolutionary to the extent it ushers in systems based on principles other than those that the hegemonic order is based upon.

Therefore, on the one hand, assistance, access and interracial collaboration are needed; and on the other hand, Black employee-ownership requires Black worker study groups. Where should these be based? Libraries, union halls, colleges, churches, civic organizations, HBCUs? It is the role of Morehouse to explore this question.

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## VI. THE ATLANTA LANDSCAPE FOR EMPLOYEE OWNERSHIP

Atlanta is unique in that it is a city of Black political leadership and regional economic prosperity. It is among the fastest growing cities in both national migration and international immigration. National migration has transformed Atlanta and the Atlanta metro area into a multiracial metropolis over the past 60 years, where the Black population has continued to share leadership. Will this leadership take a lead in transforming the lives of the working class through sharing ownership in the form of employee ownership, as the conditions calling for capital redistribution deepen?

### A. Atlanta: Race and Wealth, and the Politics of Southern Inequality

Since the 1970s, Atlanta and its metropolitan area have been home to both a large politically astute Black population and a fast-growing economy, unlike many urban political enclaves of the Black population which often emerged in times of rapid economic decline. Atlanta has many of the necessary ingredients to scale a Black employee ownership ecosystem.

Atlanta continues to have a Southern density of Black workers. The rapidly expanding metropolitan area has an African American density of 35.5%—almost three times the national average. The counties with the highest immigration are also where new Black, Indigenous and People of Color (BIPOC) ownership is growing, particularly among immigrants. As was the case historically with Black workers, the use of collective cooperation is most common.<sup>23</sup>

Although the Atlanta job market is experiencing rapid growth at approximately 159% of the national job growth rate in 2022, it is still not fast enough to absorb the in-migration of Black and low-income rural and small city workers from the mechanization and globalization economic disaster in communities across Georgia and the South as a whole.<sup>24</sup>



Table 1

Racial and Ethnic Groups	City of Atlanta		Atlanta-Sandy Springs-Alpharetta, GA Metro Area	
	Population	Percent of Population	Population	Percent of Population
Total	498,715	100.0	6,089,815	100.00
African American*	244,995	47.2	2,164,475	35.5
Euro-American	198,240	39.8	2,773,249	45.5
Native American**	7,615	1.5	103,967	1.7
Asian American	22,665	4.5	403,224	.07
Other race	34,682	7.0	644,900	10.6
Hispanic Ethnicity			638,000	10.7

\* Those of African heritage include a bi-racial total of 9,482 (City) and 116,263 (Metro). Those of Native American heritage include a bi-racial group of and 70,511 (Metro). Those of Asian American heritage include a bi-racial group of 4,099 (City) and 4,013 (Metro). Other includes 3 or more races and those who identify as "Other." Including all races, 638,000 people, or 10.7 percent reported to be of Hispanic ethnicity. Source: U.S. Census 2020.

The 2022 *Atlanta Journal-Constitution* article, "Digging Deeper Income Inequality," by Dylan Jackson<sup>25</sup> spurred much consternation by reporting that "Atlanta has the largest gap between the poor and wealthy of any of the U.S. cities with more than 100,000 residents," an unenviable position held over the previous 11 years. Some of the factors include:

- Gentrification of real estate property, the most recognized wealth asset of all, skyrocketed after the Great Recession of 2008, the Covid-19 supply chain scarcities and the "great refusal" of workers to return at pre-Covid wages in the upper income jobs. This has priced out many African American low-wage earners.
- The problem of low wages is compounded by the low labor force participation rate, with just over 50% of Black men in the formal labor force. There has been little study of the informal sector which is a non-regulated component of "self-employment" perhaps expressive of potential Black workers' unwillingness to be constrained by the types of work available.

Both the need for living wages and expansion of formal sector work can be addressed with an increased ecosystem of employee-owned cooperative business transitions.

## B. The Black Business – Black Employee Owners Alliance

Atlanta is unique in that it is a city of Black political leadership and national economic leadership. Fortune 500 companies that call Atlanta home include The Home Depot, United Parcel Service (UPS), The Coca-Cola Company, and Delta Airlines. There have been successes in applying the principles of affirmative action—particularly that public expenditures fairly reflect the composition of the population.

Political economy studies have shown that political power in a jurisdiction is directly linked to the success of particular business enterprises, and the extensive literature on various ethnic enterprises has shown that Black businesses have employed this route more successfully than many minorities who are immigrant based and less embedded in politics.<sup>26</sup>

Atlanta has been noted for the political struggle with some success to support Black-owned businesses. The City of Atlanta lists 2,354 Black-owned businesses in the Contract Compliance directory. The rate of Black owned businesses connected with the city (i.e., in its directory) per 1,000 Black residents is 9.61, which is about half the overall rate of business ownership for the region (19.21 per 1,000 people)

Table 2

	Atlanta-Sandy Springs-Roswell, GA Metro Area 2020*			
	All Firms		Black-Owned	
Employment Size Category	Number	% of Total	Number	% of Total
All Firms	116,793	100.0	7,602	100.0
Firms with no employees	19,124	16.4	2,034	26.8
Firms with 1 to 9 employees	71,553	61.3	5,482	72.1
Firms with 10 to 99 employees	19,630	16.8	n/a	n/a
Firms with 100 to 499 employees	2,889	2.5	54	0.7
Firms with 500 or more employees	3,597	3.0	32	0.4
Businesses Per 1,000 People	19.21		3.5	

\* This geographic selection includes a section of Atlanta redefined as a separate city between Atlanta and Roswell in 2005, and the three are now reported as one whole. U. S. Census Annual Business Survey 2020. In categories where the numbers were too few to estimate with confidence, numbers were not provided.

but three times better than the 3.5 per 1,000 business ownership rate among Black people in the metropolitan region. This does show a density of Black economic empowerment in Atlanta, although as an urban core it is expected that business ownership per population would be highest.

However, the great wealth and income disparities need to be addressed:

- Blacks need to see an increase in the number of businesses owned by roughly 5.5 times to own a comparable number of businesses.
- Black wealth must increase by a factor of 7.5 to equal White wealth.
- There is also a gap related to how wealth is held by the Black and White communities. White wealth is far more often held as productive capital that is expanding exponentially. Low interest savings accounts, real estate holdings in declining neighborhoods, and investments in consumption items such as cars and even human capital, such as education, leave Black wealth in a low-expansion status.

Black employee ownership transitions, retention and development is one set of tools in the economy box that can open a new pathway to Black business ownership and reduce wealth inequality. Building support for employee ownership transitions could also mobilize union labor leadership because of their common goal of better wages, benefits and conditions at work.

Employee-owners are at the nexus of sharing while competing, creating win-win situations and politics. Many people remark on the benefits and well-being of much of the European working class, but this required that they not only fought and organized but became highly aware and proactive on both sides of the ledger—as workers sharing in value creation and as businesses participating in a global production system. Deep knowledge of how production functions on both sides is possible through employee-ownership.

Employees who own their businesses have the potential to support working class and middle-class politics. Most political connections are engendered by donations of the business owner elite because they have the wealth (i.e., money holdings) to do so, and because they are politically conscious as a class: they understand how political rules support or disadvantage their position as producers of profits.

Employee owners will likely engage in this arena and become more savvy, pointed, and successful in their politics. While support for employees organizing unions is still part of the equation, organized employee owners may be a new and critical component.

Employee owners may come together as enterprise groups in a very effective **“cooperative of cooperatives,”** where they mutually support and assist each other with financing, workforces, political education and more.

Equally, union members may expand their support and organizing drives, in particular, to support workers to become employee-owners.

For instance, in the construction industry most major jobs require large amounts of trade specialties often sub-contracted to medium or small privately-owned enterprises. It is difficult to organize unions on a small enterprise by enterprise basis, due to opposition of owners as well as the loyalty of workers to them sometimes. Employee ownership transitions can result in security for workers as owners retire, and unions can provide transitional outreach and education for such workers. Unions can also provide a central source of the all-important training that guarantees success for moderate and small workforces of enterprises that become employee owned.

Consider the potential benefits of careful collaboration with unions by the employee ownership supporters:

- It could build a political consensus around excellence in training for workers and skilled workforces for enterprises, with fair wages for all.
- Unions could possess the ability to maintain national and international cutting-edge knowledge and information for workforce development, which can give an employee-owned enterprise a leg-up in providing goods and services, even to privately-owned firms.
- Employee-ownership could provide the **bridge between individual private ownership and union organized labor forces when the atmosphere of low-cost competition is diminished.**
- City and state contracting could be organized to follow the fair employment practices model of federal contracts, whereby industry wage standards are set, and contract proposals must include that level of wages and proposals cannot seek to win by under-cutting overall cost estimates through lower wages.
- And just as Affirmative Action legislation created a network of contracting practices designed toward including a more representative BIPOC share of business contract recipients, so might EO, especially BEO carve out a social consensus in favor of EO inclusion.

There is an important role for political education to bring consciousness of a less confrontational and more collaborative model.

The Civil Rights Movement was a creative and conscious effort at coalition building but it fell short of economic rights beyond racial and gender inclusion in the existing structure.

EO leads logically to flexibility for change in economic structure.

The U.S. working class has suffered from the split labor politics of racism and the expansionary imperialist appropriation of native property here and globally, making high profits possible for elevating some White workers, which opened the pressure-valve so that a stand-off between workers and owners was averted.

Political power resting on density of Black population may have created conditions for alliances with majority White corporate leadership because as they hold the economic cards, Black leaders hold

the political power to legislate and support economic plans for better and sometimes for worse. An alliance between Black political power and unions also already exists. These alliances can work when there is a clear black political economy agenda, which employee ownership development offers.

### C. Why Morehouse?

Morehouse College, in the Atlanta University Center, has a distinguished history of scholarly leadership and assistance to African American community for economic enterprise. The state of Negro enterprise report, published in 1899 by W.E.B. DuBois, at Atlanta University spurred the creation of the National Negro Business League in 1900. It was Booker T. Washington's 1895 address before the Cotton States and International Exposition in Atlanta—the first world's fair in the South—that lifted him to national fame and truly opened up the question of what was “right” regarding the pathway to material well-being for Black America.

Many argue that Morehouse was able to cultivate perhaps the greatest social justice leader, alumnus Dr. Martin Luther King, Jr. Toward the end of his life, Dr. King came to believe that to address poverty, a major structural reform of the American economy was needed. Dr. King began calling for a Poor People's Movement to address not just poverty among Blacks, but also among other minority and White communities. Dr. King called the planning for this project before his death “the most important meeting (the SCLC) ever convened.” The plan was to conduct another March on Washington, D.C., in the spring of 1968 to address economic inequality.

Our history is our mandate. Morehouse College ICLS seeks to cooperate with the growing Atlanta ecosystem of non-profits, law and other educators, and government officials working to address equitable wealth and community sustainable resilience in the development of an Atlanta employee ownership model. As part of ICLS Inclusive Economies initiative, ICLS seeks to uncover and publicize the importance of employee ownership in the Black community, and, in conjunction with Morehouse Innovation & Entrepreneurship Center (MIEC), assist with implementing cooperative models. Our research should address pivotal questions facing this effort, and develop theory and resources from actual experiences, locally, nationally and globally, for successful innovation. We seek to provide targeted quality resources for educating our students and community to grow social justice leaders, labor leaders, the self-employed, and finance experts. Morehouse Innovation & Entrepreneurship Center in its mission to support young Black innovators to operate successful businesses can provide education and training resources as well as help connect potential employee ownership transition owners and workers to financial and business development networks. Morehouse ICLS and MIEC look forward to helping to convene Atlanta's employee ownership and cooperative communities.

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## VII. CONCLUSIONS AND RECOMMENDATIONS

Solving the racial wealth gap is a daunting policy puzzle that will take many difficult and costly political battles over many years. No one policy will solve that problem in a substantive way in the short or medium term. The Black community needs innovative strategies to develop community wealth and power while building toward that bold and transformative societal change that will close the racial wealth gap for good to pass. Employee ownership transitions are one potential method of building political economic power within the Black working class that could also be used to improve the wealth positions of Black families and communities. Embracing the employee ownership transition model could be an effective part of a broader strategy of Black political economic development. Says Dean Gibbs: “There’s a lot of research that shows the benefits of employee ownership. They’re happier. They are more satisfied with their work. They take pride in it. Increased productivity, increased performance levels of the business, higher profitability, and the list goes on and on.”

### Employee-Owned Enterprises Strengths

- More productive: the National Center for Employee Ownership (NCEO), the Democracy at Work Institute, and the CASS business school in London studies have found that relative to traditional businesses, EO business productivity increases were between 2% and 19% higher.<sup>27</sup>



### **Benefits for Workers**

- Transforming employees to cooperative owners benefits working people by improving their ability to set their conditions of work.
- Increases their wealth and, by extension, their potential political power.
- Black workers address their needs as employees while developing themselves and growing capital, thus allowing owners who cooperate in the transition, both Blacks and others, to both meet their business objectives and their greater human goals of contributing to social well-being.
- Workers in employee-owned enterprises exhibit less mental stress and illness perhaps because a lot of the uncertainty and uncovered risk has been removed.
- The EO work environment is also a remediation against recidivism. Employee ownership conditions of inclusion (and investment in careers and lives) reduce the level of depression and nervousness on the job reported by formerly incarcerated people as they re-enter society.<sup>28</sup>

### **Benefits for Black, Indigenous and People of Color (BIPOC) Workers**

- Members of the Black community as minorities have constantly navigated the work world under terms set by the dominant group which has structured ownership and channels power through private property and racial exclusion. This creates a glass ceiling that all Black workers must have the strength to shatter if they are to ascend to higher positions. The access to business continuing learning and decision-making training that is a part of employee ownership is very important.

### **Benefits for Owners**

- An employee transition to ownership is a way for owners to achieve retirement goals without having to disband the company.
- It is also of value to owners of medium and small businesses seeking an infusion of financial investment—for innovation or repositioning, or whose owners wish to cash-out – due to new dedicated supportive EO investment funds.

### **Benefits to Communities**

- Owners do not have to sell the business out of the Black community in which it may have played an integral role, providing jobs and social structure. Employee ownership transition benefits also spread to the community by increasing economic stability.

- ICLS research suggests that we are faced with our failure to transform the Southern slavocracy economy of business prosperity (resting on a super low-wage labor foundation) to an equitable model that fosters business prosperity on middle-class purchasing power. The ongoing struggle to do this is not unique to Atlanta. Much of America is embroiled in this problem of community equity and resilience in the aftermath of progressive globalization. The emergence of Project Equity and other support organizations for employee ownership transitions across the country partly attest to this.

### **What Makes EO Possible for Black Workers Today?**

- Atlanta's progressive economy.
- The combination of new resources assembled by the burgeoning network of inclusive economic programs for Black and minority business start-up.
- Possibly a new generation of socially conscious business leaders generated by Morehouse College, among others, has heightened chances of success.
- Employee ownership support for Black workers in Atlanta can improve the situation of Black members of the Atlanta community without stoking conflict politics of a racial or class nature.
- It can alter the low ownership and asset position of African Americans by fostering opportunity for shared wealth creation in continued nondiscriminatory work environments.
- The proposed employee ownership project is targeted to Black workers, who may not be aware of this movement, to offer opportunities to exert leadership in cooperative transformation as members of the larger Atlanta community. Can we succeed in this?

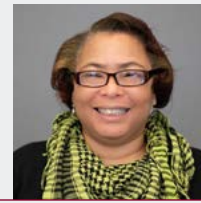
**Asset ownership is the biggest source of political power to reshape the exploitative economy mirroring Atlanta and other regions of the south with huge wage and wealth gaps. While housing asset growth is a double-edged sword—increasing the wealth of the owner while also pricing others out of the market—business enterprise assets growth can benefit both the owners and the community and city. Organization and control of production must become more fairly and democratically controlled.**

As it views the potential of EO through nascent labor organizing eyes, Morehouse ICLS sees the importance of partnering with worker organizing expertise from the union movement, alongside nonprofit and business enterprise expertise, to reach out to owners and workers in an experiment of collective solidarity. A Black employee ownership movement must look at both the urban and surrounding county development holistically. Morehouse ICLS deems it vital that a new form of cooperation between owners and workers replace an old script of paternalism, not just replace it in new garb. While vigilance on behalf of Black civil equality can be counted on, vigilance for Black worker employees requires strengthening collaboration with the institutions dedicated to that cause—the unions. The best strategy for employee ownership to provide a path forward to lessening these gaps and strengthening our communities seems to be a three-way alliance. Is it possible?



# THE ICA GROUP

“It’s about not just owning the wealth, but owning the company...”



Shelley Miller

By selling your company to your employees, you capture market value with potential tax advantages, enjoy the flexibility to craft an exit on your own timeline and preserve the legacy of your business as an anchor in your community to retain good jobs.

## For Workers

Employee ownership is a particular business model with some great pragmatic features that also can propagate a “big picture” of fundamental change in the system with which we are confronted toward a solidarity economy or an inclusive economy, however it is named.

When asked about the transformative impact of employee-owned cooperatives, particularly for African Americans, she says:

“The mindset, the difference between someone who is far removed from the operations, and so they’re an investor, they might buy a stock, and they’re just interested on maximizing the returns. And that’s the mentality that’s promoted right throughout the country, it’s how the economic system we live in works. Right? Which has a lot to do with promoting competition.”

But competition is a two-edged sword, Miller says, and the negative can lead to “out of control consumption and out of control accumulation . . . we want to give folks incentive, but do we really need to give folks so much incentive that one person could have \$100 billion while all these other people sleep on the streets? And we’re okay with that as a society because that’s the economic system we have.”

Miller went on to describe the value of employee-owned system and Employee Stock Ownership Plans (ESOP): “It’s about not just owning the wealth, but owning the company and how it operates, having input into how it operates and working within a system. Some call it the solidarity economy system, whatever you want to label it. But I think of it as a system of cooperative economics compared to competitive economics, as well as a more rational use of resources.”

Miller further stressed that EO goes beyond money or wages. “Let’s not think of resources as money,” she asserts, “because that is the conceptual thinking that they got you doing, which makes you not mind that this person has a billion dollars and those guys are living on the street with ten dollars. So instead of thinking of dollars, I want you to think of resources. What are resources but things that human beings need to live. . . You need food, and you need water, and you need shelter, and you need clothing. The minimal things you need to exist. And I think psychologically, to exist emotionally, you need some other things, too,” Miller concludes. “...art and music and poetry and education and the ability to move around and track those things.” There is often a willingness to ignore the plight of BIPOC and immigrant women’s

deprivation on these levels as a result of financial oppression that can also ultimately result in harm to health, weight management, and even their beauty.

Miller explains, “We know that most employees do not have the money to purchase the business,” she says. “So, what happens in employee ownership? Where does that 15 million come from? For smaller deals, there are financial institutions called the CDFIs Community...they’re under the directives and they actually get money to not only do cooperatives or worker (ownership), but all kinds of kind of more social enterprises. We look at his financial and non-financial goals.”

These include, for instance, would they like to move toward retirement. And Miller says minority businesses tend to participate at smaller levels, “maybe up to a million. And we always ask that the employees to have a little skin in the game, maybe 10% of the overall price. But the way that the employees will pay, that will be out of their paycheck.”

Miller adds an important final ingredient: “There has to be a mutual trust to necessarily trust their [the collective’s] vote . . . how much work (will there be) for the employee, (what does) the employee get at the end of the year? They vote and they decide. Are we distributing the profits? Are we reinvesting? Or how much? And also, over time, they accrue...(so) they have these capital council (meetings) about what’s not paid out at the end of the year in the course of time.”



Two visions, two businesses: one in the East, the other West Coast; one a cooperative touting old school values to uplift the community, the other a budding mother-daughter coffee shop with a cause. Both believe the Black Wall Streets of the past and African principles of unity can create a renewed strategy for Black business development, specifically employee ownership, a tactic they imagine will eventually begin to close the wealth gap and foster independent thinking.

# US LIFTING US:

## Black Control. Black Economics. Black Wealth

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The Atlanta-area enterprise defines itself as a “global empowerment organization” determined to change the way business is done by and against Black people. The goal: Continual creation of large-scale cooperatives comprised of individuals, businesses, institutions and churches that will fuel the economic landscapes in Black communities, which have suffered for centuries from exploitation and discrimination. ULU leadership says Atlanta is the perfect testing ground for ideas that might add value to the economic profile of Black America.

“Atlanta is perfect. We have a large community of brothers and sisters who are actively looking for a new way. We have a history of independent development,” says Founding Elder and Board Advisor Hekima Kanyama, who says he was a product of the student sit-in and Black Power Movement of the 60s. “Atlanta has a very large population, and we are from everywhere—from the East Coast, West Coast, the Caribbean and Africa.”

Byron K. Merritt, who prefers his adopted name “Ankhti,” who is Board Secretary and Co-Chair of the Membership/Training and Development Committee, thinks ideas such as cooperatives and employee ownership are game changers

“When you control the means of production you for the first time are stepping over the threshold towards genuine freedom,” says Ankhti. “It puts control over the means of production in the hands of working people, community folk. That is crucial if we’re going to really become a self-determining and sovereign people.”

Kanyama sums up their approach:

- “An African philosophical system that undergirds the ULU way of looking at the world. Why is a holistic approach necessary? Because of our understanding of how the world, how the cosmos works; that unity is an essential principle, the idea of collective work and responsibility.”
- “How you spend your money shapes your values. We live in an economic model that stresses individualism, stresses competition. And so, we’re looking at problems in this very one-sided way of thinking. We’re in an environmental crisis because the businesses have extracted, extracted, extracted. And now the very environment itself is on life support.”

## CAFÉ X BY ANY BEANS NECESSARY

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Behind the whimsical tagline lies a serious mission—“to support generational wealth building” Black and other marginalized communities. That’s why when you visit the website you will see broadcast: It’s More Than Coffee, It’s a Movement.

Café X is a cooperative coffee shop owned by Khea Pollard and her mom, Cynthia Ajani, both former government workers who believe wealth and community building can create a powerful partnership, even in San Diego, CA, which is only six percent Black.

“Sometimes I get overwhelmed by the things we’re doing, but it really is all about the community,” says Pollard. “We’ve been very intentional about creating things that will outlive us and be here long after we’re gone.”

That means continually appearing in local media, sponsoring and partnering various community events, and managing an online shop that features coffee tees. It also means nurturing a mindset that welcomes ownership as a way of changing the negative economics that keep too many people trapped, the owners say.

“We’re all focused on civic engagement and civil rights...but the economic picture is still largely untapped. A job is the traditional pathway. Entrepreneurship is a little more edgy,” Pollard says. “Folks are focusing more on Black entrepreneurship...and talking about what it looks like to build an economy that’s rooted in solidarity and mutuality and respect and dignity, and that includes ownership—having the freedom to own your intellectual capital.”

Ajani adds: “Whatever we’ve been doing is not working. So, we need to do something else that builds generational wealth and ownership—when you can go to a space and know that you’re not just working for somebody else...you’re doing this for myself and your family and your community and your people. There’s a different sense of pride and ownership...income doesn’t do that for you.”

While Pollard and Ajani are the principal owners and employees, the two are working on a plan that expand staffing and offer all perspective employees an opportunity to buy into the cooperative through money, time, or talent.

“Anytime that you have the opportunity to build equity in a company that is successful, that is in alignment with your values and your principles...do it. It’s the difference between being beholden to someone else and having the ability to sit at a table that you design.”

## VIII. NOTES

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# EMPLOYEE OWNERSHIP IS A PATH FORWARD

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## **For Owners**

By selling your company to your employees, you capture market value with potential tax advantages, enjoy the flexibility to craft an exit on your own timeline and preserve the legacy of your business as an anchor in your community to retain good jobs

## **For Workers**

Employee ownership provides workers with business equity, this can help to resolve economic inequality

Employee owned enterprises provide consistent, steady employment with benefits. This is another driver of initial wealth accumulation for American families and another domain in which Black families find themselves at a disadvantage relative to White families.

Workers develop leadership skills as they engage in decision-making in the business

The stability provided by employee ownership gives workers the opportunity to plan, save, build credit, purchase property, and pursue a path to prosperity.

This method opens the door of business ownership to Black workers while reducing many of the risks of traditional entrepreneurship.

## **For Communities**

Employee ownership helps communities retain good businesses and jobs, increases civic engagement and circulates more money locally.

Employee ownership can be a tool to directly empower working people to preserve and acquire community assets.