



City of Philadelphia

City Council
Chief Clerk's Office
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Legislation Text

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Authorizing the Committee on Commerce & Economic Development to hold hearings regarding initiatives to support employee ownership, including as a retirement strategy for small business owners.

WHEREAS, Retiring owners might be able to avoid closing their businesses by selling partial or complete ownership of the company to their employees, maintaining commercial corridors, preserving jobs, and building wealth in our communities; and

WHEREAS, Individuals born between 1946 and 1964, known as “baby boomers”, comprise a disproportionate share of America’s small business owners, and are increasingly struggling to sell or transfer ownership of their businesses as they reach retirement age, forcing them to close their otherwise profitable businesses; and

WHEREAS, There are multiple employee ownership succession strategies that a retiring business owner and their employees may consider, including worker cooperatives and employee stock option plans; and

WHEREAS, Worker cooperatives, or co-ops, are businesses equally owned and governed by their employees, operating within a multitude of industries, including food services, construction, cleaning, and other services; and

WHEREAS, Worker co-ops are mission driven organizations that focus on issues being prioritized by City government, including the provision of Keystone Stars childcare, bringing healthy food to low income neighborhoods, building wealth for immigrant communities, and facilitate job training for returning citizens; and

WHEREAS, Worker co-ops are more likely to stay in business after five years compared to other businesses, and have strategies to avoid layoffs during periods of economic recession; and

WHEREAS, As mission-driven companies focused on increasing the quality of life of the community, worker co-ops are generally more environmentally conscious and efficient than comparable businesses in the same industries; and

WHEREAS, An employee stock option plan, or ESOP, allows a company to set up a trust fund in which the company can contribute shares of its own stock or purchase existing shares from the business owner, and the trustee portions the shares among the employees of that business; and

WHEREAS, ESOPs allow small business owners to sell their shares of stock to the company at their own discretion, while the company receives significant benefits also because contributions to the ESOP are tax-deductible; and

WHEREAS, ESOPs are often used to incentivize employees as they may receive a significant increase in their personal equity; and

WHEREAS, Utilizing employee ownership succession plans keeps profitable businesses from closing their doors, preventing the City from losing millions of dollars in tax revenue; and

WHEREAS, As employee ownership is rooted in the community, profits are re-circulated to local stakeholders and a stable source of jobs across multiple generations of local owners is sustained; and

WHEREAS, Employee ownership succession strategies generally ensure that the business owners will be able to retire with a nest egg or a continual source of income through which to sustain themselves; and

WHEREAS, Owners and employees often need technical assistance to successfully convert their businesses into an employee-owned enterprise; and

WHEREAS, There are organizations, such as the Pennsylvania Center for Employee Ownership and the Philadelphia Area Cooperative Alliance, with missions to provide financial and technical assistance for employee-owned businesses within Philadelphia, which currently have frameworks to effectively utilize additional resources; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That the Committee on Commerce and Economic Development hold hearings regarding initiatives to support employee ownership, including as a retirement strategy for small business owners.