

U.S. Senate Committee on Health, Education, Labor and Pensions
Investing in American Workers: The Benefits of Expanding Employee Ownership
Thursday, August 26, 2010, State House, Montpelier, Vermont
Field Hearing regarding
S. 2909 – Worker Ownership, Readiness and Knowledge (“WORK”) Act
and
S. 2914 Employee Ownership Bank Bill
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Thank you Senator Sanders for the opportunity to testify at this hearing.

My name is Bruce Seifer. I am the Assistant Director for Economic Development for the City of Burlington’s Community and Economic Development Office or CEDO.

I have worked on employee ownership since 1983 when I was hired by the City of Burlington. Senator Sanders was Mayor of Burlington at this time.

Starting in 1983, the City of Burlington, working with Chris Mackin of the Industrial Cooperative Association, created a long-term economic development framework that focused on Local Ownership with a preference for Employee Ownership.

The overarching economic development approach focuses on Jobs and People and the concept of locally owned businesses. The focus is on fusing local business opportunity with employee development. It is a smart approach to root businesses and their workforce in your community and have them become part of your economy for generations to come.

Twenty-seven years later, we are still following this overarching economic development framework, because we have a firm belief this supports and fosters a strong local economy. Gardeners Supply is one example of a company which has benefited from this approach and which in turn has served our community. We started working with them over 23 years ago when they were still a small company. They have since grown tenfold and recently sold 100% of the company to their workers.

The City of Burlington provided financial and technical resources to support the establishment and development of the Vermont Employee Ownership Center (VEOC). VEOC is a good example of having the employee owned businesses work together through an organization that fosters their growth and development. Through the efforts of VEOC, a number of firms have decided to become employee owned. They also have provided information to a broad range of businesspeople to help them consider if employee ownership is an option to seriously consider.

Vermont and the nation would benefit if there were more financial and technical resources available to support Employee Ownership in states around the nation. The choice of employee owned businesses derives from the following assumptions:

- That successful employee owned businesses will, over the long-term, provide more stable employment opportunities since key corporate decisions will tend to be made by residents with a long-term interest in the future of local communities.
- That successful, employee owned businesses will strengthen their local economies as both wages and profits are more likely to be retained and reinvested by employee owners.
- That successful employee owned businesses, being more familiar with local resources and institutions, are more likely to hire, train, and promote local residents, therefore promoting a higher percentage of quality job opportunities for local residents.

Employee owned and controlled businesses should be particularly encouraged because of:

- Their demonstrated performance potential. Studies have found employee owned businesses to outperform conventionally owned business structures on measures of productivity and profitability;
- The breadth of local ownership which they can provide – in placing long-term strategic decisions that could affect the local economies in the hands of a broader number of local actors than one or two local entrepreneurs;
- The quality of the employment environment they can create by involving local residents in decisions which affect companies that they own; and
- The fundamental equity and fairness of employee ownership as a business structure – which helps distribute the gains of economic success to the people most responsible for that success – the blue, white and green collar employees working under the same roof together.

The two bills proposed by Sen. Sanders would be a big step forward in rooting our firms in our communities and leading to better quality jobs that spread economic democracy. The communities in the US will benefit by retaining and growing businesses thereby creating more jobs. In this way our political democracy would also support economic democracy.

Employee ownership is a growing trend in Vermont that could spread across the nation. This would help to stabilize local communities by creating jobs, preserving and growing the tax base and providing opportunity for the common people to build wealth over time.

Thank you Senator Sanders for the opportunity to testify, and I welcome the opportunity to respond to any questions.

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