



COOPERATIVE DEVELOPMENT INSTITUTE
The Northeast Center for Cooperative Business

Testimony in support of LD 756 – An Act Creating and Sustaining Jobs Through the Development of Cooperatives and Employee-owned Businesses by Providing Tax Deductions for Certain Qualified Business Activities

By

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Senator Grohoski, Representative Cloutier, and members of the Committee, my name is Heather Foran, I am from Gray, Maine, and I am the Education and Training Manager for Business Ownership Solutions at the Cooperative Development Institute (CDI). I am testifying in support of LD 756, An Act Creating and Sustaining Jobs Through the Development of Cooperatives and Employee-owned Businesses by Providing Tax Deductions for Certain Qualified Business Activities.

CDI supports LD 756 because it is a targeted, cost-effective strategy to preserve and grow good jobs and stable, long-standing businesses here in Maine.

In my work with the Business Ownership Solutions, I support workers in existing businesses to convert their businesses to worker cooperatives. I also work with groups of workers after the transition to employee ownership and have the benefit and privilege of witnessing over the subsequent years the impact of worker ownership on the business itself as well as on those who work in it.

Employee-owned businesses are more stable in a recession than conventionally-owned firms. They have been shown to be ⅓ less likely to lay off workers in an economic downturn than their conventionally-owned counterparts, thereby stabilizing employment for those workers, but also having the potential to create more resilient communities in an economic downturn. They are also more likely to survive their first five years of business than conventionally-owned firms.¹

¹ <https://econreview.studentorg.berkeley.edu/co-ops-vs-firms-different-sides-of-the-same-market-coin/>

Employee-owned businesses are more productive and profitable than their conventionally-owned counterparts.² Worker-owned businesses in the United States outperform firms of similar sizes when it comes to profit margin.³ Worker-owned businesses around the world have been demonstrated to operate more effectively, with employees working “smarter and harder” as employees are incentivized to identify and address waste and inefficiency.

Employee-owned businesses succeed and grow over time. Worker-owned companies in the US have been shown to generate 2.5% more jobs, and to stabilize after their initial phase to grow reliably.⁴

Employee-owned businesses create quality jobs. Employee ownership has been shown to have 53% higher median job tenure, provide better skills training, and 33% higher wages than conventionally-owned firms.⁵

Employee-owned businesses create widespread, broad-based prosperity. By distributing profits directly to workers, and by prioritizing the workers’ needs, employee-owned businesses address economic disparity. In turn, workers reinvest that money in the local economy. Because they remain relatively stable during economic downturns, worker-owned businesses can act as an economic buffer in small, rural communities where good job opportunities are precious.

Time and again I have had the opportunity to watch revenues grow after companies convert to worker ownership as customers seek out and increase their loyalty to an employee-owned company. I’ve seen business processes become more effective as previously disengaged employees are encouraged to give their perspective and address waste and inefficiencies in the business that they now own. I’ve seen profound leadership development as workers develop the skills needed to govern the company. I’ve seen workers who never thought they could own a home or a car or pay off their debt transform their personal financial circumstances. And as cooperatives mature and stabilize after the conversion, I’ve reliably seen an increased orientation towards community impact and well-being as workers start asking how they will benefit not only themselves, but the community that they live in.

At a time when political division is tearing up our country, we need win-win solutions. Creating policy that incentivizes the conversion of existing businesses to worker cooperatives is such a solution. It creates a needed pathway for aging business owners to retire without losing

² <https://www.thenation.com/article/archive/worker-cooperatives-are-more-productive-than-normal-companies/>

³ https://institute.coop/sites/default/files/resources/State_of_the_sector_0.pdf

⁴ https://institute.coop/sites/default/files/resources/State_of_the_sector_0.pdf

⁵ [https://www.nceo.org/what-is-employee-ownership#:~:text=A%202017%20NCEO%20study%20found,\(see%20ownership%20economy.org\).](https://www.nceo.org/what-is-employee-ownership#:~:text=A%202017%20NCEO%20study%20found,(see%20ownership%20economy.org).)

important businesses and jobs in rural communities. At the same time, it provides the opportunity to build stable, resilient businesses that create good, quality jobs for people across this state while rooting wealth and building widespread, broad-based prosperity that builds local economies over time.

LD756 creates significant incentive for business owners to pursue a conversion to employee ownership as they plan their exit from the business. At the same time, it allocates state funding for the necessary education, training, and technical assistance so that not only can we create more employee-owned businesses, but so that those businesses can thrive for generations to come.