NEW RUTGERS PROGRAM HELPS MINORITY AND WOMEN-OWNED BUSINESSES

Nationwide Initiative Advances Succession Strategies to Keep Businesses Running and Save Jobs

PISCATAWAY, N.J. (June 19, 2020) – The Rutgers NJ/NY Center for Employee Ownership (NJ/NYCEO), with support from the W.K. Kellogg Foundation, today announced a new program designed to preserve minority and women-owned businesses, save jobs, build employee wealth, and strengthen local economies affected by the COVID-19 pandemic. The nationwide initiative centers on employee ownership strategies that enable business owners to sell the enterprise to their employees.

“A large percentage of retiring business owners have no succession plan and no family members willing to take over,” said Bill Castellano, executive director of Rutgers NJ/NYCEO. “The pandemic is pressuring them to make a quick decision under severe economic conditions. Our program highlights employee ownership strategies that can help their businesses, employees, and local economies succeed.”

Mid-sized businesses could be candidates for an employee stock ownership plan (ESOP), which borrows funds to buy the company on behalf of the workforce. Shares are transferred gradually, at no out-of-pocket cost to the workers. Some businesses may explore a worker cooperative, an enterprise solely owned and governed by its workers. Federal loans may be available to help business owners execute the transition to an ESOP or worker cooperative.

Research by the Rutgers Institute for the Study of Employee Ownership and Profit Sharing, supported by the Kellogg Foundation, finds employee ownership enables low-income and moderate-income workers to build significant wealth, narrowing the gender and racial wealth gaps. Earlier Rutgers-led research found that employee-owned firms have the potential for higher productivity, lower turnover, and more stable employment when the firm implements a supportive corporate culture.

Rutgers NJ/NYCEO, a branch of the Institute that works directly with businesses, will launch a national awareness-building campaign as part of the new program. This will include:

- Conducting nationwide outreach to inform minority and women-owned businesses about these often-overlooked succession strategies;
- Developing a series of free, online programs to guide business owners, neighborhood and community leaders, and government officials through the process of becoming an ESOP or worker cooperative;
- Educating professional service providers about these succession strategies, giving them more options to mention when advising business owners; and
- Extending scholarships to professors from historically black colleges and universities to attend the Institute’s annual employee ownership conferences.

“This is an ambitious plan and we’re going to form partnerships all over the country to make it successful,” said Jim Terez, associate director of Rutgers NJ/NYCEO. “We will be talking to federal, state, and local agencies, business groups, chambers of commerce, community organizations, and universities to build awareness of these job-saving strategies.”

Rutgers NJ/NYCEO, with help from its advisory board members and noted employee ownership organizations, will collaborate with the Democracy at Work Institute to develop the online resources.
Today’s announcement advances the Kellogg Foundation’s commitment to supporting groups disproportionately affected by the COVID-19 pandemic. The Kellogg Foundation’s grant to the Rutgers School of Management and Labor Relations supports both the Rutgers NJ/NYCEO program and an initiative by the Rutgers Center for Innovation in Worker Organization (CIWO) to diversify leadership in the worker justice movement.

“We are honored—and energized—to support this program at Rutgers,” said Jeanne Wardford, program officer at the W.K. Kellogg Foundation. “As we weather this ongoing pandemic, it is crucial for us to create more active, effective partnerships with minority-owned and women-owned businesses.”

Wardford will take part in a virtual policy discussion, Philanthropic Foundations, Employee Ownership, and Inequality, as part of the Institute’s annual Beyster Symposium on Monday, June 22.

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About the School
The Rutgers School of Management and Labor Relations (SMLR) is the world’s leading source of expertise on managing and representing workers, designing effective organizations, and building strong employment relationships. SMLR’s Institute for the Study of Employee Ownership and Profit Sharing is the first academic institute dedicated to researching broad-based capital shares and their impact on the economy. Rutgers NJ/NYCEO, affiliated with the National Center for Employee Ownership, is the Institute’s regional center that provides advice, employee and management education, and technical assistance to businesses exploring employee stock ownership plans, equity compensation, and worker cooperatives.

About the W.K. Kellogg Foundation
The W.K. Kellogg Foundation (WKKF), founded in 1930 as an independent, private foundation by breakfast entrepreneur and innovator, Will Keith Kellogg, is among the largest philanthropic foundations in the United States. Guided by the belief that all children should have equal opportunities to thrive, WKKF works to create conditions in under-resourced communities for children to realize their full potential in school, work and life. The Kellogg Foundation is based in Battle Creek, Michigan, and works throughout the U.S. and internationally, as well as with sovereign tribes. Special emphasis is made on priority places where there are high concentrations of poverty, and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico and New Orleans; and internationally, are in Mexico and Haiti.

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