

Frank Shipper's Testimony on House Bill 403

Hello, distinguished members of the Maryland House and members of the Budget & Taxation Committee. My name is Frank Shipper. I am Professor Emeritus of Management at Salisbury University. I have researched, written, and taught about them both domestic and foreign employee-ownership for close to 40 years. Largely for my studies of employee-owned enterprises, I received the University of Maryland System Regents' Award for Research. In addition to the Regents' Award, I have received multiple awards, grants, and fellowships for this work. Furthermore, I have made multiple invited presentations from the Haier Group in China to Oxford University in the UK.

Before proceeding, I want to make two points. First, let me clarify that employee-ownership does not have to be 100% for it to be effective. Some of the best-known, employee-owned companies such as Southwest Airlines, Herman Miller, Lincoln Electric, and NUCOR are also publicly traded. Other well know companies such as Intel, Google and many high-tech companies also are partially employee-owned. Second, the benefits from employee-owned companies are too numerous to cover all of them in this brief, so I have enclosed a hand out that lists many others than I will cover.

When combined with a high involvement culture, employee-ownership represents a win-win-win-win form of enterprise. In short, the shareholders win because these companies are more profitable and faster growing than traditional ones. The worker-owners win because they have higher compensation both short and long-term and they are laid off less frequently than those in traditional companies.

The planet wins because they tend to be more environmentally conscious than traditional organizations. For example, Herman Miller designs cradle to cradle products from recycled material that can be recycled again at the end of its useful life. NUCOR Steel and SRC Holdings are two of the largest recyclers of ferrous products in the US. Maryland's own EA Engineering was honored in 2017 with the Outstanding Corporate Leadership Award from the Maryland Recycling Network. In addition, its corporate headquarters won a LEED's Platinum certification from the U.S. Green Building Council.

The community and its leaders win because employee-owned companies build a more vibrant economy than traditional companies. In the US, this has happened in Silicon Valley, Grand Rapids, MI, Twin Fall, ID, and Springfield,

MO. In Spain, this happened against all odds in the Basque region and in Italy, around Bologna.

Employee-owned enterprises with a high-involvement culture provide an opportunity where every worker can be an owner, a leader, and an entrepreneur. Employee-ownership represents an alternative approach to business that works for all.

It is only logical that the State of Maryland supports employee-ownership for three reasons. First, other states such as New Jersey, Pennsylvania, New York, Ohio, Virginia, and California are doing so. The two states with which Maryland shares long borders -- Pennsylvania, and Virginia -- have 312 and 302 employee-owned companies, respectively. By contrast, Maryland has only 135 based on 2019 data. The competition for employee-owned companies nationwide was escalated by the President signing the Main Street Employee Ownership Bill in August 2018. Therefore, in the interstate competition for good paying and stable jobs for Maryland's citizens, it makes sense to support the bill.

Second, as you know, House Bill 403 which seeks to make it attractive to establish employee-owned companies within Maryland's borders has been judged to be revenue neutral. Publicly held companies such as Amazon demand multiple long-term forms of support including tax breaks that are seldom revenue neutral to move to a state. Therefore, it is financially advantageous for the State of Maryland to make it attractive for employee-owned companies to form and remain within its borders rather than pay for publicly held firms to move to it. In addition, the long-term forms of support, including tax breaks, tend to make the wealthy wealthier. In contrast, employee-owned companies tend to increase the wealth of all employees.

Three, employee-ownership (EO) helps to moderate income and wealth inequality by enlarging the economic pie, not by redistributing portions of the pie. It works under a variety of socio-economic conditions. A nationwide study released in 2018 found that EO had positive impact on distressed communities that "... are disproportionately rural, nonwhite, and concentrated in the South and East of the U.S.; they were also hit hardest by the recession that began in 2007..."

Thus, I ask you to support House Bill 403 to enhance the growth of Maryland's economy, and increase the wealth and well-being of all.