The Dawn of an ESOP Renaissance: Seven Forces That Will Define the Future of Employee Ownership

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We Are Not Spectators — We Are the Answer

I want to begin with a question I've been wrestling with for a while. When historians look back on the first quarter of the twenty-first century, what will they say about the defining economic tensions of this era?

And when all the near-term, immediacy of individual micro-economic frustrations boil away I believe they will say this: that America struggled — urgently and painfully — with three fundamental failures.

A failure to build wealth broadly, while incentivizing wealth consolidation.

Relatedly, a failure to secure a dignified economic future for working people that included a pathway to dignified retirement.

And finally, a failure to protect the privately owned Main Street businesses that have always formed the backbone of the American economy.

I also believe those historians will note the moment — right around now — when an old idea began its renaissance.

When a proven, bipartisan, financially sound model called an Employee Stock Ownership Plan stopped being a niche strategy and became a national priority.

That moment is now. And we are not spectators to it. We are the architects of it.

I know speeches are supposed to stick to groups of threes, but today I want to quickly walk you through seven converging forces — forces bigger than any one election, any

one Congress, any one economic cycle — that are bending the arc of public policy directly toward what we do.

And I want to leave you with a road map for the next three to five years, because this window will not stay open forever.

Force One: The Retirement Security Crisis

Let me start with a number that should alarm every person in this room — and every person in Congress.

According to the most recent Vanguard data, the median 401(k) balance in America is $38,176 – an entire life savings in the most widely held retirement vehicle, and it's worth less than the typical cost of a Toyota Camry.

Not the average — the median. Meaning half of all participants have less than that. Social Security, which pays the average retiree just $24,000 a year, faces trust fund failure by 2034 when payments will exceed income.

It was never designed to be a complete retirement system — yet for tens of millions of Americans, it has become exactly that: the last line of defense against poverty in old age.

Hardship withdrawals from 401(k) plans are now hitting record highs every successive year. More than a third of those withdrawals were taken to avoid home foreclosure or eviction.

American workers are raiding their retirement savings, not for vacations — but to stay in their homes.

This is not a marginal problem. This is a systemic crisis that Congress will be forced to confront.

And here is where we come in. ESOPs have been the single most effective retirement plan contemplated within ERISA when measured by any metric. It's not even a close fight.

Because ESOPs don't require employee contributions, workers build ownership and retirement wealth without taking a dollar out of their paycheck.

The average ESOP account balance now exceeds $230,000.

ESOP plans will distribute nearly $175 billion in plan benefits this year, and the amount is rapidly increasing in the future.

It should be little surprise, then, why more than eight in ten ESOP workers report high confidence they will retire comfortably — nearly double the confidence of their non-ESOP peers.

Here's the point: ESOPs don't tinker around the edges of the retirement crisis. They solve it at the structural level, for the workers who need it most.

When Congress searches for retirement solutions — and they will — we must make sure the ESOP answer is the first answer they hear.

Force Two: The Private Equity Problem

The second force is generating bipartisan anger unlike anything I've seen in my years in this work.

Researchers, journalists, think tanks, and lawmakers on both sides of the aisle are converging on a damning picture of an out-of-control Private Equity industry that uses financial engineering and tax breaks to extract value from companies, workers, and communities.

The mechanics are well-documented. PE firms acquire companies using leveraged debt, charge management fees and dividends that drain operating cash, cut staffing and services to maximize short-term returns, and exit within five to seven years — leaving a hollowed-out company behind.

The community, the workers, the customers — they bear the risk. The firm books the return.

And our tax code subsidizes this. The carried interest loophole saved just eight individual executives at Blackstone and KKR a collective $335 million in taxes over five years. And the One Big Beautiful Bill Act, signed on July 4, 2025, left that loophole entirely intact — even though President Trump himself suggested it should be looked at.

We are the alternative. We are the antidote. And we need to be far louder about saying so.

Force Three: The Silver Tsunami

The third force is one I call the greatest succession opportunity in American history — and right now, it is also the greatest succession risk.

Baby Boomers own approximately 12 million businesses — about 40% of all privately held small businesses, employing more than 25 million Americans.

Over the next decade, an estimated $10 trillion in business assets will change hands. Fewer than one in three of those owners has a formal succession plan. This is the Silver Tsunami.

10,000 Baby Boomers reach retirement age every single day — and those who own a business need an exit strategy.

Private equity is actively positioning itself as the buyer of first resort for this wave of transitions. ESOPs need to be the buyer of first resort instead.

The ESOP model is uniquely suited to this moment. It allows an owner to exit on favorable terms — often with significant tax advantages under Section 1042 — while keeping the business intact, the employees employed, and the legacy preserved.

The owner gets liquidity. The employees get ownership. The community keeps the business.

Our work over the next three to five years must include a major push to reach Boomer business owners before private equity does. We need policies that ensure sellers are not forced to take an artificially low valuation for fear of government second guessing or downstream litigation, if they sell to an ESOP.

We need new finance tools to make deals work, so sellers can achieve liquidity and not be forced to self-finance a deal.

And we need changes that reduce the cost and complexity of ESOP formation – we need to make ESOP formation and administration more routine and affordable. Not every ESOP needs to be a bespoke plan, and costs must come down.

<u>Force Four: Artificial Intelligence and the New Ownership Question</u>

The fourth force is the one keeping a lot of people up at night — in boardrooms, in union halls, and in the offices of Members of Congress who don’t quite know what to do about it yet.

AI and automation are reshaping the workforce with a speed and breadth that most institutions are not prepared for. The World Economic Forum projects 92 million roles displaced globally by 2030.

The IMF finds that 40% of all jobs worldwide face meaningful exposure to AI capabilities — a figure that rises to 60% in advanced economies like ours. In just the first four months of 2026 alone, nearly 78,000 tech job losses have been directly attributed to automation.

But here is the deeper question that too few in Washington are asking: even for the workers who keep their jobs, who is capturing the productivity gains?

A landmark study recently found that in a high AI-adoption scenario with no structural change to ownership, the combined wage and capital income accruing to workers falls by roughly 5 percentage points a year.

AI intensifies the trend toward disproportionately rewarding capital over labor — unless workers own the capital.

This is the core insight that makes employee ownership so vital in the age of AI. When a company deploys automation and productivity rises, the gains flow to whoever owns the company. In a conventional structure, that means shareholders and executives.

In an ESOP company, it means the employees — and the productivity gains that might otherwise hollow out the middle class, instead build it.

We need to be at the table in every AI policy conversation in Washington. Not as a special interest. As the solution.

Force Five: The Regulatory Clarity Dividend

The fifth force operates more quietly than the others — but it may be the most consequential for immediate ESOP growth.

For nearly fifty years — since ERISA was enacted in 1974 — ESOP transactions have operated under a fog of regulatory ambiguity. The central question of ‘adequate consideration’ — the standard governing how ESOP shares are priced — has never been clearly defined in regulation.

That ambiguity has cost us thousands of potential ESOPs — transactions never started because advisors couldn’t give sellers reasonable certainty, companies explored and abandoned because the litigation risk was too high or the valuation was viewed as intentionally suppressed so as to avoid DOL scrutiny.

The good news — and it is genuinely good news — is that this is changing. The current DOL has placed adequate consideration on its regulatory agenda this year. The Retire

Through Ownership Act is now pending a floor vote in the full House of Representatives after passing every other legislative hurdle unanimously.

It would establish a clear statutory definition for ESOP valuations, giving trustees the certainty they need to move forward, with minimal risk of being second-guessed.

A DOL that issues workable adequate consideration rules, resting on a statutory foundation passed resoundingly by Congress, would effectively remove the single biggest structural barrier that has created impedance to ESOP formation for the last several decades.

Regulatory clarity is not a sexy headline and it doesn't make for a viral social media campaign. But in the long run, it may be the most powerful accelerant we have. Without it, we are building on sand.

Force Six: The Bipartisan Political Alignment

The sixth force is the one that makes me most optimistic — and the one that makes this moment genuinely historic.

Employee ownership is one of the very few economic policy ideas that generates genuine enthusiasm on both sides of the political aisle.

Republicans see it as capitalism working as it should — distributing ownership broadly, incentivizing productivity, and reducing dependence on government programs.

Democrats see it as a powerful tool to reduce wealth inequality, improve retirement security, and give workers a voice in the companies that shape their lives.

They are both right. And that is exceptionally rare in Washington today.

Last July, when the Senate HELP Committee voted to advance the Retire Through Ownership Act and the Employee Ownership Representation Act, Chairman Cassidy and Ranking Member Sanders stood shoulder to shoulder in their praise for the ESOP model.

Think about that. In the most divided Congress in generations. On the same bill. Unanimously.

And it has been this way at every stage of the legislative journey.

Senator Sanders reminded the room that even Ronald Reagan once called employee ownership ‘the next logical step’ in the American economy. And nearly forty years later, Congress appears finally ready to take it.

This is not a fragile consensus. It is durable, ideologically coherent, and gives us something rare: a policy agenda that can survive changes in who controls Washington.

Force Seven: The Political Horizon — Preparing for Every Scenario

The seventh force requires us to think like strategists, not just advocates. We are in a favorable environment today — and we should press every advantage while we have it. But honest preparation is how movements endure across administrations, and we must always plan with clear eyes for what political shifts could mean.

If Democrats regain the majority in 2026 or 2028:

Beyond the immediate rush of oversight and re-establishing checks and balances on the Executive branch, Democrats will need to tackle the substance of affordability and economic policy that is driving voter anger – and the top target for that will be a rewrite of the “one Big Beautiful Bill”.

If you haven’t noticed recently, billionaires and their hold over government purse strings are getting a lot of attention.

Democrats have already begun to signal that Private Equity tax breaks like the carried interest loophole would be among their top targets, along with the broader array of private equity tax shields the law left intact.

And Republicans, whose rural small-town communities with lost jobs and PE displacements, are increasingly supportive of this as well.

Here is the critical strategic opportunity: those tax expenditures represent hundreds of billions in annual federal revenue forgone.

When a potential new Democratic majority moves to recapture them, the question will not only be how much to recover — but what to do with the proceeds.

We must be in that room, with data and legislative proposals already drafted, making the case that those resources should fund ESOP expansion — expanded incentives, new ESOP finance programs, reduced transaction costs, federal matching for technical assistance, and simplified plan administration.

The frame we want to establish now, before any election: the policy question is not ‘whether to tax private equity.’ The policy question is ‘whether to use those revenues to expand ESOPs.’

We are going to own that answer.

If a Democrat wins the White House in 2028, a comprehensive rewriting of major tax policy becomes very likely — because the OBBBA will be right near the top of the list of Trump economic policies to unwind, and they will not hold back.

If Republicans retain the majority or win the Presidency in 2028:

We maintain and deepen the gains of the current environment. We push hard for passage of the American Ownership and Resilience Act.

We continue working with the DOL on regulatory and sub-regulatory guidance with the goal of eliminating uncertainty, increasing simplicity, and lowering the cost of forming and operating an ESOP.

And we press for ESOP expansion provisions in any subsequent tax legislation — framing employee ownership as the pro-growth, pro-worker, anti-government-dependence policy that it is.

Engaging the 2028 Presidential field:

But before we ever get there, let me be direct: we need to make employee ownership part of the 2028 Presidential conversation on both sides.

The candidates who run in 2028 will be building platforms on AI and workforce disruption, wealth inequality, retirement security, and the future of Main Street businesses.

Those are our issues. Every single one of them.

Starting this year, we should be conducting outreach to the likely Presidential field — both parties — with a compelling policy briefing.

We should be hosting candidate forums and working with sympathetic policy advisors to draft ESOP provisions into platform language.

We should be building the relationships now so that when a candidate says ‘I want to double the number of employee-owned businesses in America’ — and one of them will,

because the political opportunity is too clear to miss — we have already written the policy behind the promise.

The goal is not to pick who the winner should be. It is to ensure the winner — whoever they are — takes office already committed to expanding ESOPs.

The Road Ahead: A Three-to-Five Year Agenda

So what do we do with this moment? Let me be direct.

In the immediate term — the next six to eighteen months:
Push the Retire Through Ownership Act and the Employee Ownership Representation Act through the House.

These bills passed committee unanimously. They deserve a floor vote. We need to continue to engage actively in the DOL's rulemaking process on adequate consideration — we must ensure the rule that emerges enables ESOP formation, not impedes it.

And begin systematic outreach to the 2026 congressional campaigns, building the relationships and briefing materials that position us for the 2028 Presidential cycle that will start the day after this fall's general election.

In the medium term — 12 – 36 months:

Build the infrastructure to intercept the Silver Tsunami wave before it defaults to private equity or closure. Partner with the SBA, state business development agencies, the accounting and legal communities, and simplifying ESOP plans and transactions – not every ESOP needs to be bespoke.

Every retiring business owner in America should know that an ESOP is a viable and attractive option. That is not the case today.

Develop and publish a comprehensive policy brief on private equity tax expenditures with a detailed proposal for redirecting those revenues toward expanding ESOPs — peer-reviewed, scored if possible, and in the hands of Ways and Means and Finance Committee staff before the next major tax debate begins.

And launch a dedicated initiative positioning ESOPs as the primary worker-ownership response to AI displacement.

Employee ownership is not just a retirement policy or a succession policy. Employee ownership is now a technology policy.

In the longer term — years four and five:

Depending on the 2026 and 2028 electoral outcomes, be ready with a comprehensive ESOP Expansion Act — expanded financing mechanisms, new incentives for AI-intensive industries, federal investment in technical assistance.

Our goal: double the number of ESOP companies and ESOP employee owners in America within a decade.

We can get there. The policy window is open. The research base is solid. The bipartisan support is real.

The Right Idea at the Right Time

I want to close with something I believe deeply.

There are moments in history when the right idea and the right moment find each other. When the conditions that have been building for years — demographic, technological, social, political — converge to make a particular solution not just attractive, but necessary.

I believe we are living in that moment for employee ownership.

The retirement system is failing tens of millions of Americans.

The ESOP model fixes it.

Private equity is extracting value from Main Street businesses and communities.

The ESOP model preserves it.

Ten trillion dollars in business wealth is changing hands, and without intentional action, too much of it will be consolidated by billionaires or simply disappear.

The ESOP model captures it for the workers who helped build it.

AI is reshaping who captures the gains from productivity. The ESOP model ensures workers share in those gains.

Regulatory ambiguity has suppressed ESOP formation for fifty years. We are finally on the verge of ending it. And whatever happens in 2026 and 2028, the political alignment for employee ownership — from both directions — has never been stronger.

We are not at the end of something. We are at the beginning of a renaissance.

The momentum is ours. The moral argument is ours. The bipartisan support is ours.

And the strategic horizon — if we plan well and advocate relentlessly — is ours.

All that remains is to seize it.