Statement on behalf of The ESOP Association by James J. Bonham, President and CEO, to the Senate Health, Education, Labor and Pensions Committee in Support of the Nomination of Keith Sonderling to be Secretary of Labor
July 16, 2026

On behalf of The ESOP Association (TEA) and its nationwide membership, I want to express our strong support for Keith Sonderling to be the next Secretary of Labor. For ESOP companies, the millions of Americans participating in an ESOP, and professional service providers, Keith Sonderling is an excellent choice based on his experience, expertise, and track record of leadership at the Department. The ESOP Association and our members are highly supportive of his nomination and look forward to working with Secretary Sonderling on an agenda that creates more ESOPs, protects Americans' retirement security, and allows more workers to participate in broad-based employee ownership.

In 1974, Congress created Employee Stock Ownership Plans (ESOPs) in ERISA. Over the next 50 years, with Congress' support, that great idea grew and matured into more than 6,400 companies with over 14 million ESOP plan participants that collectively hold about $2 trillion in total wealth. ESOPs exist nationwide across nearly every economic sector, with the largest concentrations in manufacturing, professional scientific and technical services, and construction. Most importantly, ESOPs have succeeded at their goal in creating better retirement security for American workers. On average, employee owners maintain substantially higher retirement balances and greater economic security than non-ESOP workers.

Decades of independent ESOP research also consistently shows that employee-owned companies exhibit higher productivity, stronger resilience during economic downturns, and significant growth in sales and employment following transitions to employee ownership. Furthermore, employee-owned companies anchor jobs within local communities, preventing job losses from closures or foreign acquisitions and preserving the legacy of family-owned businesses. For these broad societal and economic benefits, Congress has consistently demonstrated bipartisan support for ESOPs and employee ownership.

However, despite proven benefits to workers, companies, and communities, the growth and expansion of ESOPs have been curtailed by several factors – factors on which the DOL can have a direct, quick, and positive influence. Keith Sonderling's experience and leadership at the Department can continue undoing the effects of the DOL's longstanding prior bias against ESOPs and help unleash the tremendous economic power of employee ownership for workers, businesses, and communities.

Notably, Sonderling brings extensive experience to the Department. As the current Acting Secretary of Labor, Keith Sonderling serves as the President's principal advisor on labor and workforce matters, leading the Department of Labor's efforts to administer and enforce federal laws protecting workers' wages, workplace safety and health, and retirement and health benefits. Immediately prior to serving as Acting Secretary of Labor, Sonderling was Deputy Secretary of Labor since March 12, 2025, where he oversaw the Department's day-to-day operations, strategic planning, budgets and financial management, and both information technology and human resources. Before that, he served for several years with the DOL's Equal Employment Opportunity Commission (EEOC) and the Wage and Hour Division (WHD). Prior to government service, he was a partner at a law firm and taught employee law. His extensive experience and expertise make him supremely qualified for the position of Secretary of Labor.

Today Sonderling's experience and approach is needed to prompt the DOL to action in several areas that will support extending the benefits of employee ownership to more workers. Of vital importance to the ESOP community, Sonderling has been a leading advocate for reforming the DOL's enforcement priorities, and earlier this year ended the Department's 20-year National Enforcement Project against ESOPs. Ending this longstanding and unnecessary targeting of ESOPs and employee owners has already been met with a positive response in the ESOP community

Sonderling has repeatedly noted the importance of proper guidance as it relates to both regulation and litigation. One example vitally important to ESOPs is the issue of adequate consideration. The DOL has been required for more than 50 years to provide formal guidance on what constitutes adequate consideration when employees purchase a company through an ESOP. Adequate consideration means a good faith estimate of fair market value, including a clear process for determining that value. Yet in 50 years the DOL has <u>never</u> done so, leaving the ESOP community to depend on an inconsistent patchwork of court cases, process agreements, settlements, withdrawn regulations, and even media reports or interviews with DOL staff. This regulatory uncertainty – confusing and often conflicting – has led to countless lawsuits, investigations, and audits for ESOP companies, and contributed to a reputation of hostility from the DOL towards ESOPs. The resulting "chilling effect" on ESOP formation limited the number of employee owners. Eliminating this uncertainty by sweeping away this thicket of sub-regulatory guidance and replacing it with simple, clear formal guidance would help grow employee ownership for American workers.

In fact, Congress wisely provided a mandate in the WORK Act section of the SECURE 2.0 Act to direct the DOL to issue regulation on adequate consideration, a mandate which remains in effect today. This regulation is vitally important to creating the necessary framework for ESOP formation and for regulatory certainty for existing ESOPs as part of their regular valuations. Implemented properly, this regulatory certainty will remove a major barrier to ESOP formation. A regulatory heavy hand, influenced by the past anti-ESOP bias at the DOL, would only curtail and restrict ESOP formation and further complicate business transitions to employee ownership. Instead, Keith Sonderling's likely approach, informed by his prior comments about ERISA and proper regulation, would allow ESOPs to flourish.

Sonderling has also addressed the need to curb ERISA litigation abuse by plaintiffs' attorneys. Similarly, a modest litigation approach by the DOL to pleading standards for ERISA cases would relieve the tremendous burden plaintiff's firms have placed on ESOPs through nuisance, "sue and settle" lawsuits, and restore a proper balance to enforcement efforts. Additionally, simply adding transparency to some of the DOL's enforcement tactics would help reduce the currently onerous and costly burden on ESOPs by extensive and lengthy government investigations and audits. The ESOP Association has endorsed both legislation and regulatory reforms by the Department to help address these pressing matters, and Sonderling's experience and approach has been key to resetting the balance needed in this regard.

ESOPs have a strong record of promoting secure retirements, creating wealth for workers, and sustaining good jobs in communities. Recent research shows that 90% of employee owners believe the American Dream is attainable, compared to just 65% of the general public. In his remarks in a prior confirmation, Sonderling stated, "…*we must put American Workers First and give everyone a fair shot at the American Dream."* Employee ownership helps achieve that dream.

American businesses are facing historic succession challenges and American workers are facing enormous retirement challenges. Congress already supports ESOPs as a bipartisan tool to help address both of these important areas. Growing the ranks of employee owners will strengthen retirement security, improve company performance, preserve American jobs, and stabilize local economies. To do so, effective leadership is needed at the Department of Labor. Keith Sonderling has already demonstrated that leadership, and he should be confirmed as Secretary of Labor.

Sincerely,

James J. Bonham
President & CEO
The ESOP Association

About the ESOP Association
The ESOP Association is the largest organization in the world supporting employee-owned companies, the nearly 11 million U.S. employees who participate in an ESOP, and the professionals who provide services to them. Since 1978, The ESOP Association has led on policy advancement, independent and academic research, and the promotion of Employee Stock Ownership Plans (ESOPs). Headquartered at the International Employee Ownership Center in Washington, DC and operating as a 501(c)(6) organization with the affiliated Employee Ownership Foundation, The ESOP Association conducts and funds academic research, provides more than 160 annual conferences and events attended by nearly 15,000 individuals, and advocates on behalf of employee owners and their businesses to federal and state lawmakers. To learn more please visit: esopassociation.org