2018

The ESOP Association Media Kit

Facts and background about ESOPs and the companies and employee owners who participate in them.

The ESOP Association

www.ESOPAssociation.org

ESOPs and Jobs

ESOPs excel at preserving jobs. When a company is sold to another business, it may be moved, merged with another firm, or shuttered entirely, resulting in the potential loss of some or even all the jobs in the business that was sold.

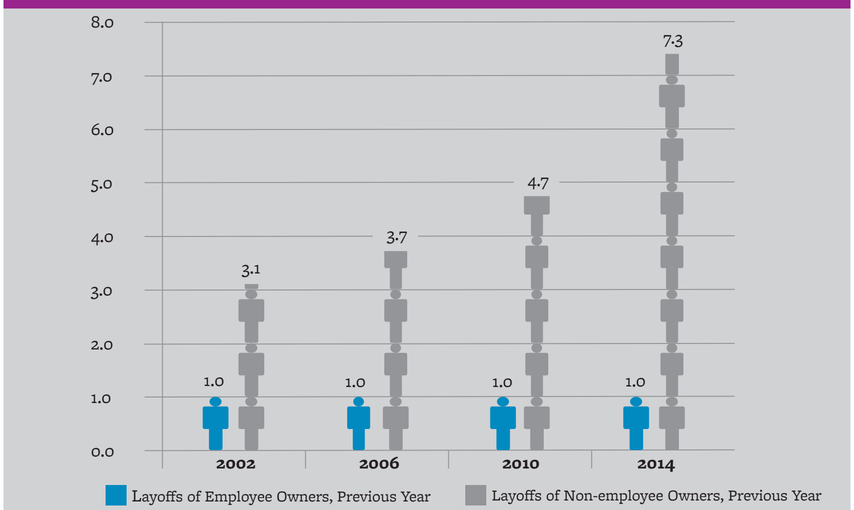
But when a firm is sold to an ESOP it must operate in a way that benefits the employees, making post-sale layoffs far less likely.

Fewer Layoffs

In general, employee owned companies are less likely to layoff employee than conventionally-owned businesses. The disparity between the two forms of ownership has grown steadily and dramatically over time.

In 2002, employee owned firms were 3.1 times less likely to lay off employees. By 2014, the number had more than doubled, and employee owned firms were 7.3 times less likely to lay off employees.

Layoffs of Employee Owners vs. Non-employee Owners



Source: Analysis of data from the General Social Survey by professors Douglas Kruse of Rutgers University and Fidan Kurtulus of the University of Massachussetts Amherst, published in *How Did Employee Ownership Firms Weather the Last Two Recessions?*

Research made possible by funding from the Employee Ownership Foundation.

Preserving Jobs in North Carolina

The North Carolina Justice Center found ESOPs can be an excellent way to keep mature businesses running and employees employed.

> "North Carolina is particularly reliant on older businesses," the report found, noting that the percentage of the state's businesses that are 15 years or older is twice the national average. These businesses may close when the owners retire if suitable buyers can't be found, especially since many are located in rural, less affluent areas where capital is limited.
>
> "Compared to the traditional economic development incentive programs, expanding employee ownership is an incredible bargain," the report found.

Preserving Jobs in New York

A report from the Advocate for New York City, Letitia James, found the City loses 2,220 jobs each year when owners of mature businesses retire. The reason: The owners can't find buyers for their businesses. James wants to encourage more ESOPs as a way of keeping jobs in the City.

Retiring Early

Rob Zicaro, who retired after working for an ESOP company for many years, wrote the following in The ESOP Association's blog on Oct. 24: "The financial benefits provided by my ESOP enabled me to retire seven earlier than I otherwise could have."

Many employees had to delay retirement after the economic downturn of 2008 decimated their retirement accounts. Zicaro retired early, creating an opening for someone else at a stable company with a great retirement plan.

Enabling employees to retire on time, or even early, is a good jobs program.

(Click here to see video of Zicaro interacting with President Bill Clinton at the 1993 Future of the American Workplace Conference.)

ESOP Facts and Figures

Wealth Inequality

1. Multiple studies have found that ESOPs often offer higher wages and benefits than non-ESOP firms. (notes, p. 263, *The Citizen's Share*)

2. Greater ESOP participation may help address wealth inequality because capital income has risen faster than wage income.

   "By giving workers across the economic spectrum a share of profits and company stock, moreover, shared capitalism could perhaps play a role in mitigating the rising inequality in income and wealth that has characterized the United States since 1970s and 1980s. The reason is that capital income has risen more than wages, with labor's share of national income falling in the 2000s, so that those with a share of business profits...have done better than wage earners." (page 9, *Shared Capitalism at Work*, Kruse, Blasi, and Freeman)

3. A 2010 survey of 1,400 corporate members of The ESOP Association revealed that employees' average account balances were nearly $200,000—much higher than data reported for average 401(k) account balances. (Source: The ESOP Company Survey, 2010, The ESOP Association.)

4. Many firms don't offer employees a single retirement plan. Yet, according to the 2015 survey of ESOP Association members, 93.6 percent offer the ESOP companies polled offer a 401(k) and 2.6 percent offer a pension.

ESOP Corporate Performance

1. S ESOPs outperformed the S&P 500 total return index in terms of total return per participant by 62 percent, from 2002 to 2012, according to a study by Ernst & Young.

2. **Sales per Employee.** A study found "strong evidence that majority employee-owned businesses have a significant advantage over comparable traditionally-owned businesses in sales per employee." The average advantage: $44,500. (Source: *Employee Ownership and Participation Effects on Firm Outcomes,* Brent Kramer, Ph.D.)

3. **Sales per Employee.** ESOPs appear to increase sales, employment, and sales/employee by about 2.4 percent over what would have been anticipated, absent an ESOP. (Study by Professors Joseph Blasi and Douglas Kruse, Rutgers University.)

4. **Revenue.** 71 percent of ESOP Association Members responding to a poll saw their revenue increase in 2015 compared to 2014. Of those, 46 percent saw revenue increase by 11 percent or more. (Source: 2016 Economic Performance Survey)

5. **Stock Price.** 73 percent of ESOP Association Members responding to a poll saw their stock price increase in 2015 compared to the year before. Of those companies that saw an increase, 58 percent saw the stock price rise 11 percent or more, 30 percent saw the price rise 21 percent or more. (Source: 2016 Economic Performance Survey)

6. **Sales and Survivability.** ESOPs are linked to higher sales growth per worker, higher sales per worker, and greater likelihood to survive than conventionally-owned firms. (*Firm Survival, Performance, and Employee Ownership: Comparing Privately Held ESOP and non-ESOP Firms*, 2013, Joseph Blasi, Doug Kruse, Daniel Weltmann)

Engaging Employees

The facts and research on the following pages can help provide background and context for ESOPs.

If you need additional data, [contact The ESOP Association](#).

Employee Training

Providing training to employees helps keep their skills sharp and can lead to improved productivity. Companies with employee stock ownership tend to do far better than their conventionally-owned counterparts at providing such training.

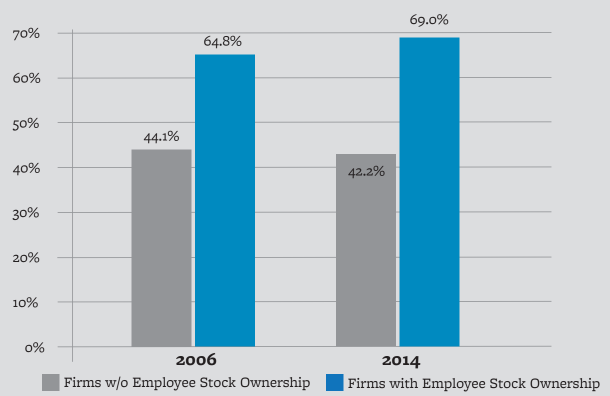
What's more research shows that, over time, conventionally-owned companies have backed away from training, while companies with employee stock ownership have become *more* likely to provide training. (See the graph below.)

Employee Productivity

Companies that invest in training, as ESOP companies are likely to do, would be expected to see high levels of employee productivity. That is exactly what research has discovered.

The *2015 ESOP Survey* of corporate members of The ESOP Association revealed 28 percent found that implementing an ESOP resulted in "strongly improved motivation and productivity." Another 55 percent of respondents said the ESOP resulted in "somewhat improved" motivation and productivity.

Company Sponsored Training



Firms with employee stock ownership are more likely to provide employee training than conventionally-owned ones. Over time, the gap between the two types of firms has widened.

Source: Analysis of data from the General Social Survey by Professors Blasi and Kruse of Rutgers University. Research made possible by funding from the Employee Ownership Foundation.

Clearly, having an ESOP is linked to positive results in both motivation and productivity, which are key to producing great corporate performance that will benefits all employee owners.

Employee Involvement

Studies have found that employee ownership and profit sharing are linked to greater employee empowerment (which includes employee involvement, training, and job security).

When companies combine employee ownership and profit sharing with employee empowerment, they report especially low voluntary turnover rates. (Source: "Do Employee Ownership and Profit Sharing Help the Best Firms do Even Better?" in *British Journal of Industrial Relations.*)

For More Information, Contact:

Patrick Mirza
Director of Communications
Patrick@ESOPAssociation.org

Paul Pflieger
Associate Director of Communications
Paul@ESOPAssociation.org

The ESOP Associattion
1200 18th Street NW, Suite 1125
Washington, DC 20036
(202) 293-2971
www.ESOPAssociation.org
@ESOPASSOCIATION