



2018 ESOP Economic Performance Report

Since 2000, The Economic Performance Survey has been the yardstick for measuring the success of The ESOP Association's member companies in the United States.



Sponsored By: The Employee Ownership Foundation



The Economic Performance Survey is sponsored each year by the Employee Ownership Foundation, which is dedicated to researching ESOPs and employee ownership.

The Foundation sponsors a variety of efforts, including the Kelso Fellowships—a program that conducts academic research on employee ownership and is administered by The Institute for the Study of Employee Ownership and Profit Sharing, at Rutgers University.

The Foundation also sponsors questions in the General Social Survey that have consistently shown that companies with employee stock ownership retain employees at a rate seven times higher than conventionally owned firms.

For more information on the Employee Ownership Foundation, or to donate and support its efforts, visit www.employeeownershipfoundation.org.

The 2018 Economic Performance Survey was sent to all corporate members of The ESOP Association in September, 2018. A total of 186 companies responded.

Some answers have been rounded. Totals therefore may not necessarily equal 100 percent.

The survey is made possible by The Employee Ownership Foundation.

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Foreword

The results of this year's Economic Performance Survey (EPS) show that, once again, companies belonging to The ESOP Association have experienced positive corporate performance.

A History of Strong Performance

Since the EPS was launched in 2000, the majority of responding companies have reported increases in profits for every year but two (2002 and 2010), and increases in revenue for every year but one (2010).

The exceptions noted above reflect the nationwide economic downturns of the prior years (2001 and 2009). Even in those challenging economic times, 29 percent or more of ESOP companies responding to our survey reported that profits and/or revenue *increased*.

These results align with recent academic research that found employee-owned businesses surpass conventionally-owned companies at riding out tough economic times. (See *How Did Employee Owned Firms Weather the Last Two Recessions?* by professors Fidan Kurtulus and Douglas Kruse.)

Employee Owners Share the Rewards (New Data)

When companies perform well, employee owners share in the rewards—and in a manner never previously revealed by this study: New data this year show that 75 percent of responding companies increased wages at or above the national average of 2.7 percent, and 29 percent increased wages by 4 percent or more.

In addition, 55 percent of responding companies contributed to their ESOPs an amount equivalent to **11 percent or more** of their employee owners' pay—far surpassing the typical 401(k) match.

Sharing the wealth with employee owners is a fundamental aspect of ESOPs and one that helps align the efforts of all employee owners with the performance of the company.

Profits Rose More than Revenue

The engagement of employee owners may help to explain a noteworthy trend: Companies responding to our survey realize profits that exceed their revenue.

Ever since we started asking for more detail on revenue and profits in 2016, ESOP companies have reported profit margins that exceed the highest increases in revenue. The only explanation we can find is that these companies excel at managing costs, which is consistent with businesses that engage their employees and seek better, more efficient ways to operate.

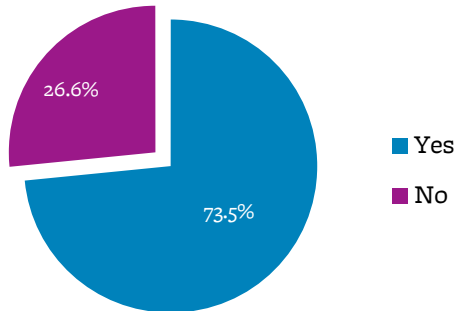
Not every employee can contribute to greater sales or revenue. But every employee—especially those engaged in the business and who stand to benefit from its improved performance—can help reduce waste and improve efficiency.

ESOPs Perform Well

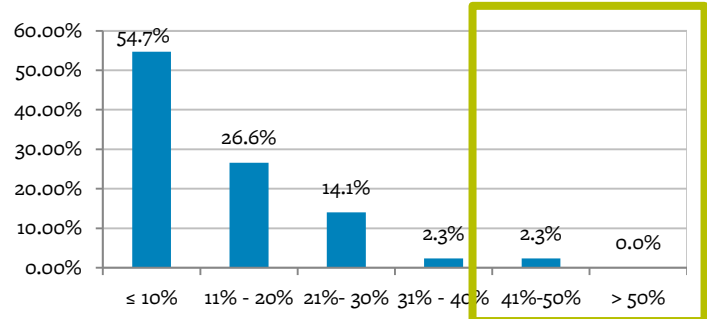
For the third year in a row, respondents saw profits rise more than revenue; 19 percent of respondents saw profits rise 40 percent or more, even though only 2 percent of respondents reported a revenue rise of more than 40 percent (See boxes below).

Revenue

Did Revenue Increase from 2016 to 2017?

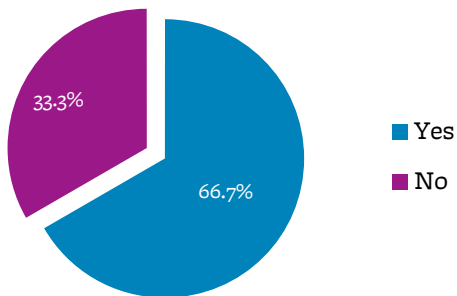


By what percentage did 2017 revenue increase over 2016 revenue?

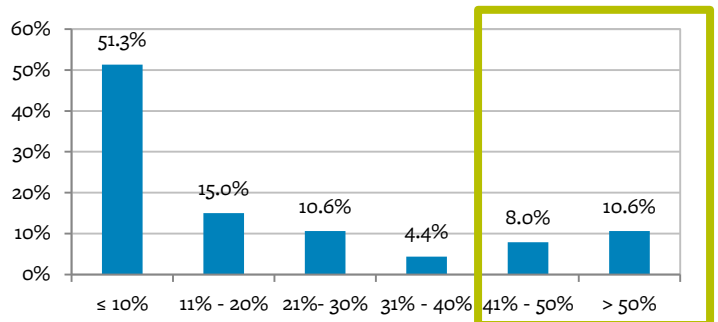


Profits

Did profits increase from 2016 to 2017?

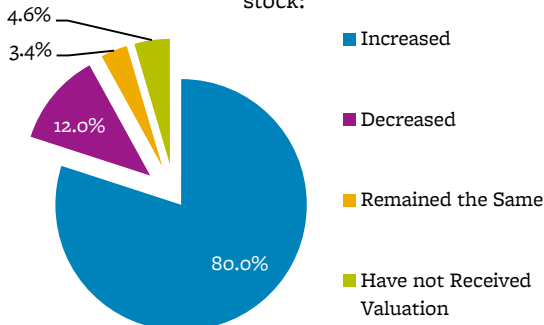


By what percentage did 2017 profits increase over 2016 profits?

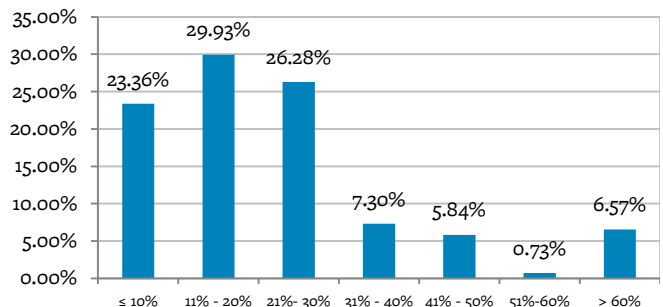


Stock Valuation

If you've received your independent valuation for 2017, has your company's stock:



If your company experienced a stock increase, please indicate the percentage change:

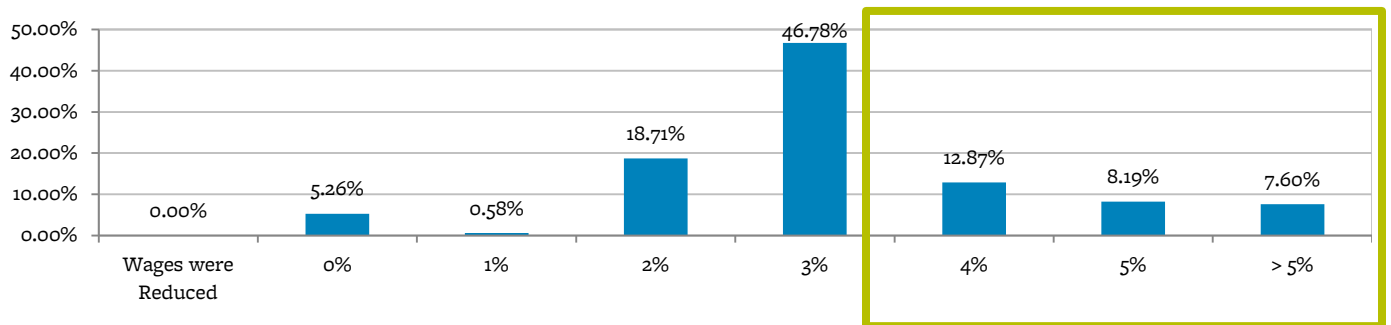


ESOPs Share the Wealth

When ESOP companies perform well, employee owners earn a proportional reward in their retirement accounts. But this year's survey also shows that **ESOP companies share the wealth in other, more direct ways**—including offering generous pay increases and contributions to employees' ESOP accounts.

Wages

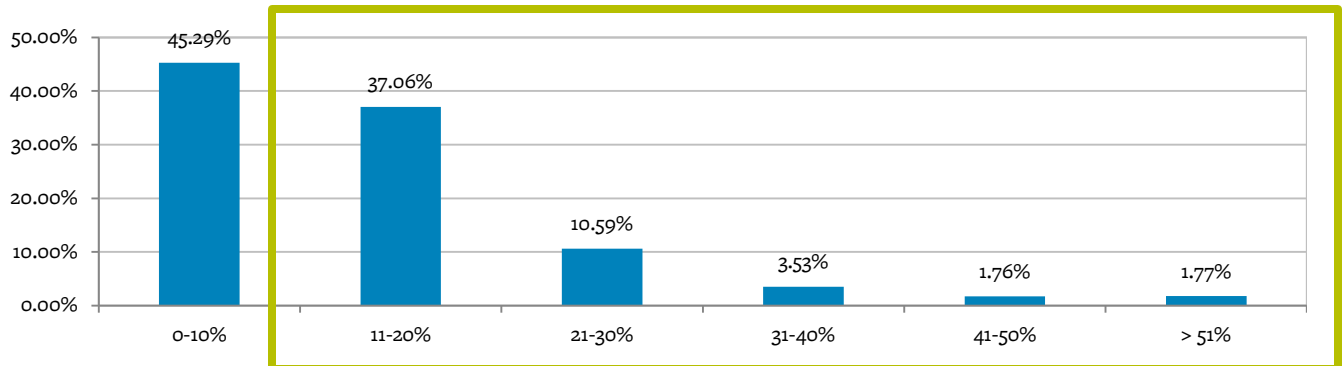
What was the average percent wage increase for your production and non-supervisory workers last year?



75.4 percent of responding companies increased wages at or above the national average of 2.7 percent; 28.7 percent increased wages by 4 percent or more.

ESOP Contributions

What was the average contribution as a percent of pay last year?



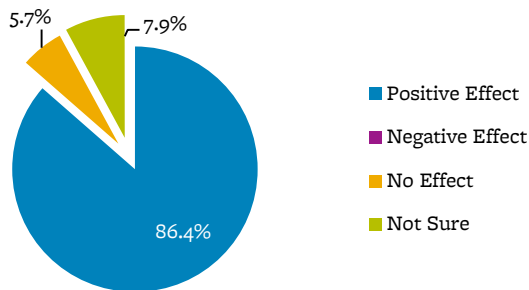
54.71 percent of respondents contributed 11 percent or more of pay to employee owners' ESOP accounts. This far exceeds the typical 401(k) match of 3 percent.

Non-Financial Benefits to ESOP Companies

In 2018, more respondents than ever—**94.9 percent**—reported that implementing an ESOP was a good decision. Positive responses to this question have trended upward since the survey was launched. This upward trend correlates to a steady rise in the percentage of companies implementing an employee communications program. Members tell us these groups—which provide education and information to employee owners—help maximize the benefits of their ESOPs.

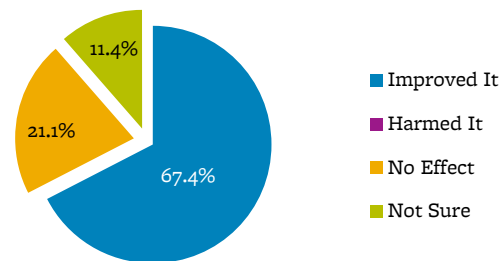
Culture

Has having an ESOP affected your company culture in any way?



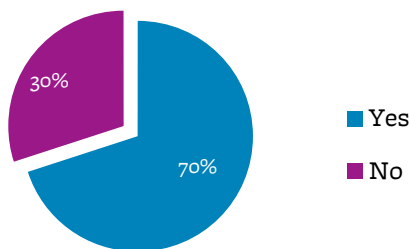
Productivity

How has the ESOP affected the overall productivity of your company's employees?

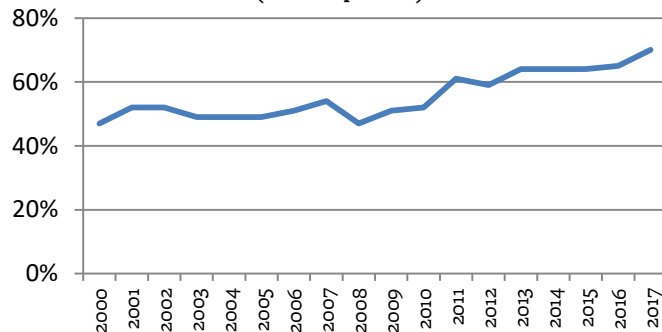


ESOP Committee

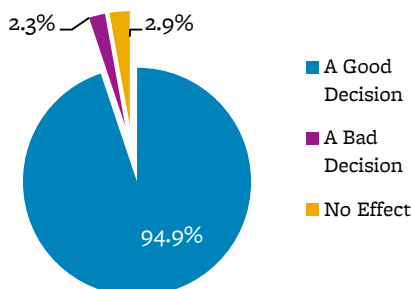
Do you have an ESOP education program or ESOP advisory committee?



Responses to this Question Over Time (Yes Responses)



How do you evaluate your company's decision to implement an ESOP?



Responses to this Question Over Time (Good Decision)

