Understanding Support for ESOPs


Based on the 2018 General Social Survey (GSS) conducted by the National Opinion Research Center (NORC) at the University of Chicago. Analysis by Joseph Blasi and Douglas Kruse, Institute for the Study of Employee Ownership and Profit Sharing, Rutgers University School of Management and Labor Relations on a volunteer basis. The GSS questions were sponsored and supported through a contract between the University of Chicago NORC and the Employee Ownership Foundation. Please credit the Employee Ownership Foundation when using these charts.
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AMERICANS DISAGREE ABOUT A LOT OF THINGS

Source: https://parade.com/621697/ccopelan/this-is-americas-favorite-pie/
OVERWHELMING AMERICAN SUPPORT FOR EMPLOYEE OWNERSHIP
ALMOST \( \frac{3}{4} \) OF ALL WORKERS PREFER TO WORK FOR EMPLOYEE OWNED COMPANIES
EMPLOYEE OWNERSHIP IS A POLITICAL UNICORN

IN TODAY’S ENVIRONMENT IT IS UNHEARD OF TO FIND SUCH A NATIONAL CONSENSUS ON ANYTHING.
POLITICS DON’T MATTER: NOT PARTY, NOT PRESIDENTIAL CANDIDATE, NOT IDEOLOGY

COMPANY CHOICE BY POLITICAL PARTY

- **Republican:** 72%
- **Democrat:** 74%
- **Independent:** 67%

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Republican</th>
<th>Democrat</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Owned by employees</td>
<td>72%</td>
<td>74%</td>
<td>67%</td>
</tr>
<tr>
<td>Owned by investors</td>
<td>21%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>Owned by the state</td>
<td>7%</td>
<td>8%</td>
<td>17%</td>
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COMPANY CHOICE BY IDEOLOGICAL VIEWS

- **Conservative:** 69%
- **Liberal:** 72%
- **Moderate:** 73%

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COMPANY CHOICE BY VOTE IN 2016 ELECTION

- **Voted Trump:** 77%
- **Voted Clinton:** 76%

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<td>77%</td>
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BEYOND MERE CONSENSUS: AMERICANS WANT EMPLOYEE OWNERSHIP
GIVEN A PERSONAL CHOICE BETWEEN TWO SIMILAR JOBS, PEOPLE CHOOSE EMPLOYEE OWNERSHIP AND PROFIT SHARING
OVER 58% OF ALL WORKERS FROM DIFFERENT POLITICAL PARTIES, IDEOLOGICAL VIEWS, AND 2016 PRESIDENTIAL VOTES AGREE

ACCEPT THE EMPLOYEE-OWNED PROFIT SHARING JOB BY:

POLITICAL PARTY
- REPUBLICAN
- DEMOCRAT
- INDEPENDENT

IDEOLOGICAL VIEWS
- CONSERVATIVE
- LIBERAL
- MODERATE

VOTE IN 2016 ELECTION
- VOTED TRUMP
- VOTED CLINTON

58% 66% 58%
59% 65% 60%
64% 71%
ABOUT 40% OF WORKERS SAY THEY ARE MORE LIKELY TO BUY FROM A COMPANY THAT SHARES OWNERSHIP WITH ITS EMPLOYEES

PREFER TO BUY FROM A COMPANY THAT SHARES OWNERSHIP

MORE LIKELY: 38%
NEUTRAL: 54%
LESS LIKELY: 8%
SO...

IS THERE A SOFT SPOT IN SUPPORT FOR EMPLOYEE OWNERSHIP?
LOWEST SUPPORT IS AMONG LOW INCOME – BUT EVEN THEN, THE SUPPORT IS STILL STRONG.

WHAT COMPANY DO YOU WANT TO WORK FOR?

**INCOME < $15,000:**
- OWNED BY THE STATE
- OWNED BY INVESTORS
- OWNED BY EMPLOYEES

**INCOME > $15,000:**
- OWNED BY THE STATE
- OWNED BY INVESTORS
- OWNED BY EMPLOYEES
LOW INCOME WORKERS STILL LIKE EMPLOYEE OWNERSHIP A LOT...

Workers with an income below $15,000 would...

Accept the Employee-Owned/Profit Sharing Job Offer 50%

Go for the Employee-Owned Buying Choice 44%
WHAT IS IT LIKE TO WORK FOR COMPANIES WITH EMPLOYEE OWNERSHIP...?
WORKERS WITHOUT EMPLOYEE OWNERSHIP HAD LAYOFFS SIX TIMES MORE THAN THOSE WITH IT LAST YEAR.

<table>
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<th>Percentage of Workers Laid Off Last Year</th>
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<td>Non-EO Workers</td>
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<tr>
<td>Employee Ownership Workers</td>
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ESOP EMPLOYEES REPORT BETTER JOB QUALITY

- more traditional pension plans
- more performance-based pay over 10%
- more employee involvement
- more gain sharing and profit sharing
- second retirement plans with diversification
- more training
JOB BENEFITS FOR ESOP EMPLOYEES...

Comparing Benefits for ESOP to Non-ESOP Employees

- Traditional defined benefit pension plan*
  - ESOP Employee: 47%
  - Non-ESOP Employee: 29%
- Second diversified retirement plan**
  - ESOP Employee: 97%
  - Non-ESOP Employee: 51%
- Training in the last year*
  - ESOP Employee: 70%
  - Non-ESOP Employee: 48%
- Employee involvement group*
  - ESOP Employee: 36%
  - Non-ESOP Employee: 26%
- Profit sharing*
  - ESOP Employee: 70%
  - Non-ESOP Employee: 35%
- Gain sharing*
  - ESOP Employee: 53%
  - Non-ESOP Employee: 26%

*Data combined for 2014 and 2018 | **National Center for Employee Ownership 2018 S Corp ESOP Study
REPRESENTATION OF DIFFERENT GROUPS IN ESOP EMPLOYEES...

**Percent of the ESOP Population**
- Black: 16%
- White: 69%
- Hispanic: 9%
- Other: 5%
- Men: 63%
- Women: 37%

**Percent In the Non-EO Population**
- Black: 14%
- White: 68%
- Hispanic: 13%
- Other: 6%
- Men: 50%
- Women: 50%

**Percent Over/Under Represented**
- Black: +2%
- White: +1%
- Hispanic: -4%
- Other: +1%
- Men: +13%
- Women: -13%
There is a significant gender and racial and income wealth gap in the United States that we also observe in ESOPs.

Rutgers University and the W.K. Kellogg Foundation just released a three year study of mostly women and people of color who are low and modest income employees.

We found evidence that ESOPs have been able to narrow but not eliminate this gap.
WHAT DO WE KNOW ABOUT THE HIGHEST PERFORMING EMPLOYEE OWNERSHIP...?
BUSINESSES CAN HAVE STUNNINGLY LOW TURNOVER WHEN THEY COMBINE EMPLOYEE OWNERSHIP WITH JUST THE RIGHT CORPORATE CULTURE

SHARE PLANS, EMPLOYEE EMPOWERMENT AND TURNOVER

Low employee empowerment

High employee empowerment

18% 14% 6%

NO SHARE PLANS

GENEROUS SHARE PLANS

15%
Citation of the Charts

• Please use the following when citing and presenting the charts in any format:

These charts were made possible through a contract between the Employee Ownership Foundation and the National Opinion Research Center at the University of Chicago for questions on the General Social Survey. Analysis of the data was done on a volunteer basis by Professor Joseph Blasi and Professor Douglas Kruse of the Institute for the Study of Employee Ownership and Profit Sharing, Rutgers University School of Management and Labor Relations, 2019.

Note: The Rutgers/Kellogg Foundation study is available at:
smlr.rutgers.edu/rutgers-kellogg-report
THANK YOU

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