

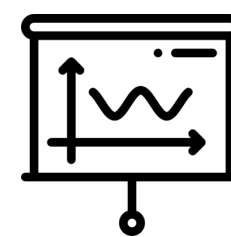
RESEARCH BRIEF

Institute for the Study of
Employee Ownership and Profit Sharing

Employee Satisfaction with ESOP Plans: Key Drivers and Insights

Question: How Satisfied Are Employees with Their ESOP Plans and What Factors Influence Their Satisfaction?

Summary: This research is based on the National ESOP Survey administered in 2019-2021 for ESOP workers, supported by the Employee Ownership Foundation. The survey is a non-representative sample of 9 ESOP firms that offers insights on certain issues of interest. In this sample, most employees report satisfaction with their ESOP plans. Employment factors, such as employee involvement, supervisor status, and team-based work, make a difference in employee satisfaction, while demographics do not.



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Organizations with ESOPs should consider employment-related factors to ensure that employees feel involved, valued, and integral to the broader organization. By doing so, organizations can encourage more positive attitudes and behaviors, ultimately benefiting the bottom line. This approach helps organizations fully realize the anticipated advantages of ESOP plans.



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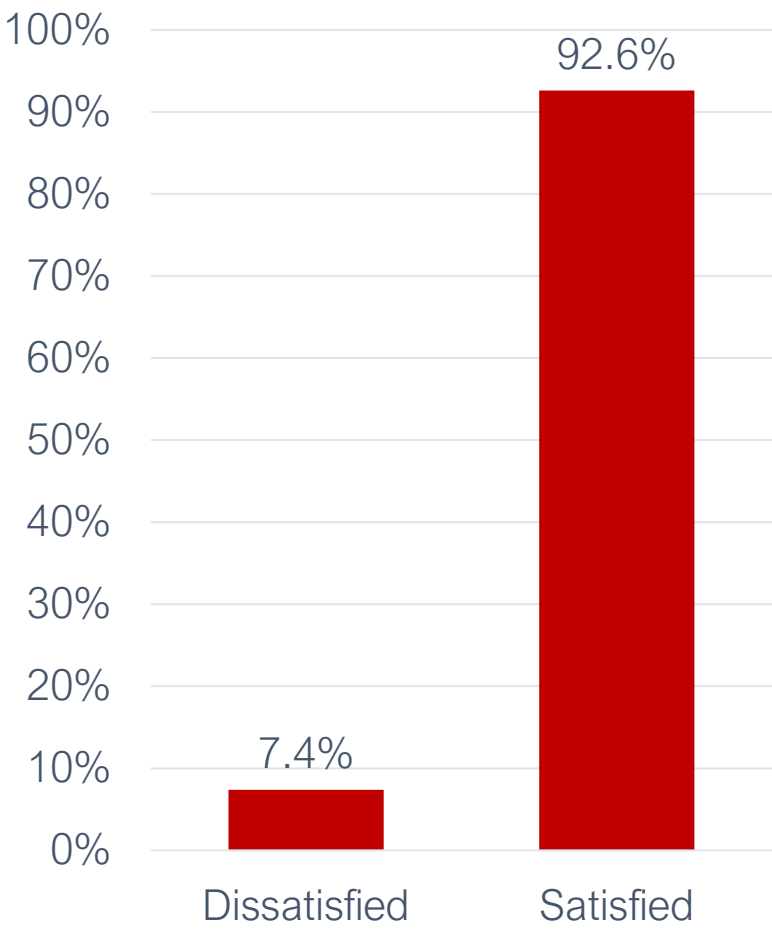
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Do ESOP workers report that they are satisfied with their companies' ESOP plans?

- ❑ An increasing number of firms today are implementing various types of ESOP plans, motivated by the numerous benefits demonstrated in prior research. These benefits include improved labor productivity and a reduction in financial misdeeds.
- ❑ But *how satisfied are employees with their ESOP plans?*
- ❑ This question is critical because employee satisfaction is a necessary condition for fully realizing the benefits associated with ESOP plans.
- ❑ To explore this, we surveyed approximately 1,000 employees from nine ESOP firms. Participants assessed their satisfaction levels with their ESOP plans by responding to the five questions listed below.



- ❑ As shown in the chart above, the survey results indicate that most employees in ESOP firms are satisfied with their ESOP plans. Specifically, 93% of ESOP workers reported satisfaction, while only 7% expressed dissatisfaction.

For each statement, rate how satisfied or dissatisfied you feel about your stock compensation.

Question 1

• Because of employee ownership, my work is more satisfying.

Question 2

• I really care about the employee ownership plan in this company.

Question 3

• I'm proud to own stock in this company.

Question 4

• Employee ownership at this company makes my day-to-day work more enjoyable.

Question 5

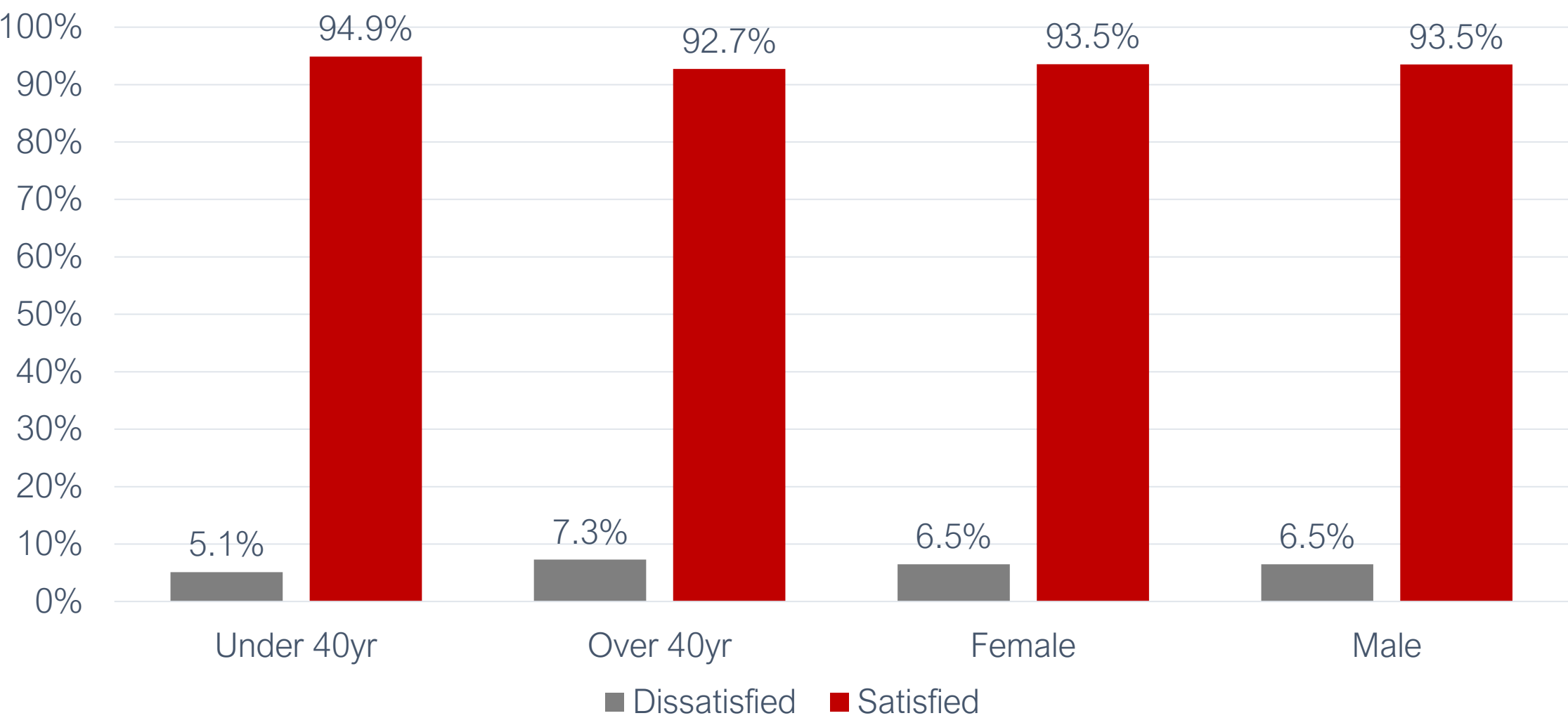
• Owning stock in this company makes me want to stay with this company longer than I would if I did not own stock.

- 1 = Disagree completely
- 2 = Disagree moderately
- 3 = Disagree slightly
- 4 = Neutral
- 5 = Agree slightly
- 6 = Agree moderately
- 7 = Agree completely



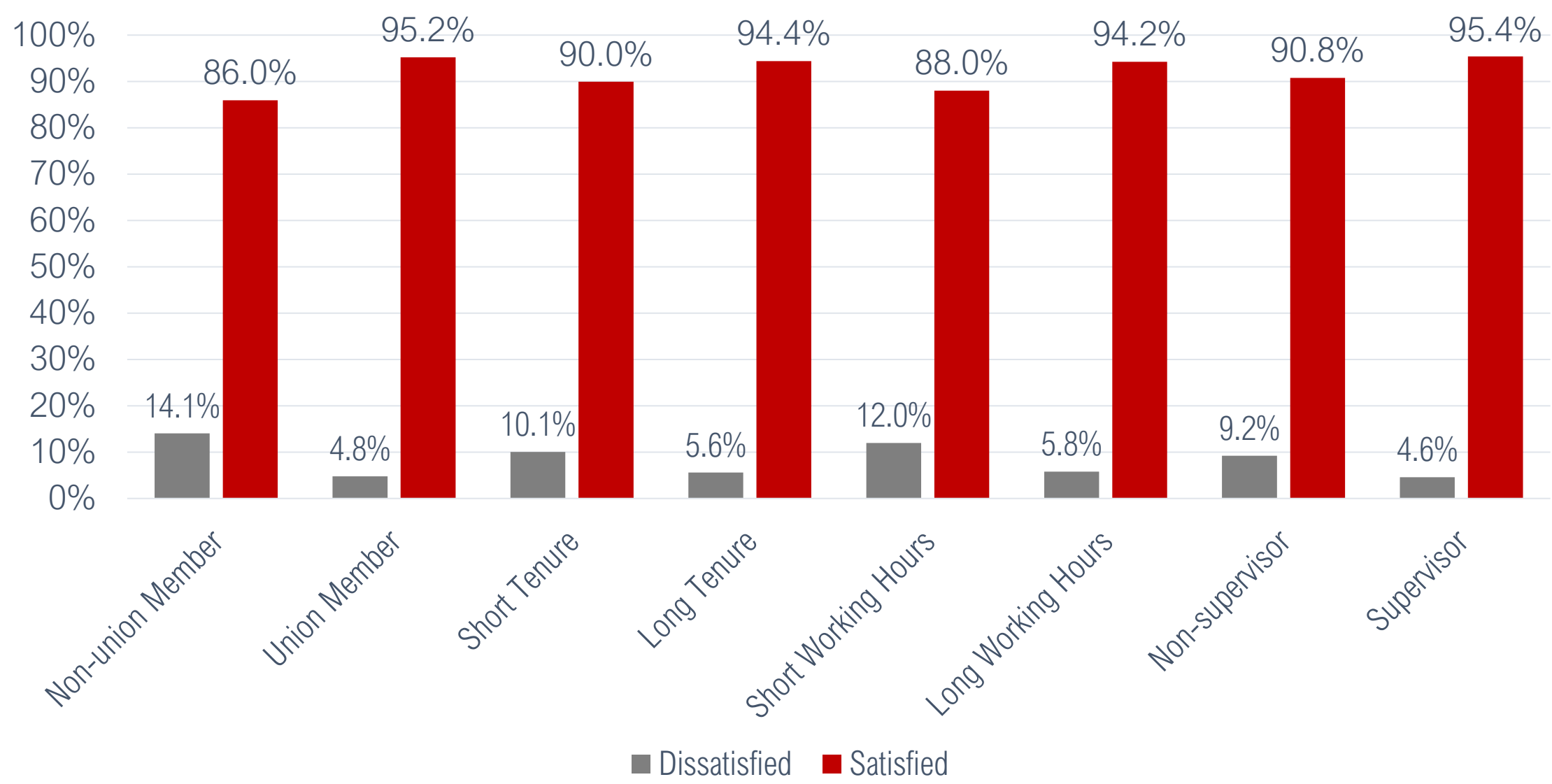
Gender and age make no difference in employees' ESOP satisfaction

- ❑ While a significant majority of employees are contented, the 7% who are dissatisfied is not negligible.
- ❑ Therefore, we further analyzed the data to identify factors influencing employee satisfaction.
- ❑ First, we examined demographic variables, specifically gender and age.
- ❑ The chart below compares ESOP satisfaction between workers under and over 40, as well as female and male employees.
- ❑ Employees under 40 are very slightly more satisfied with their ESOP plans than those over 40, while there is no difference between male and female employees.
- ❑ Overall, demographics do not make a difference in ESOP satisfaction.
- ❑ Next, we examined employment-related factors, including union membership, organizational tenure, working hours, supervisor status, employee involvement, and team-based work.



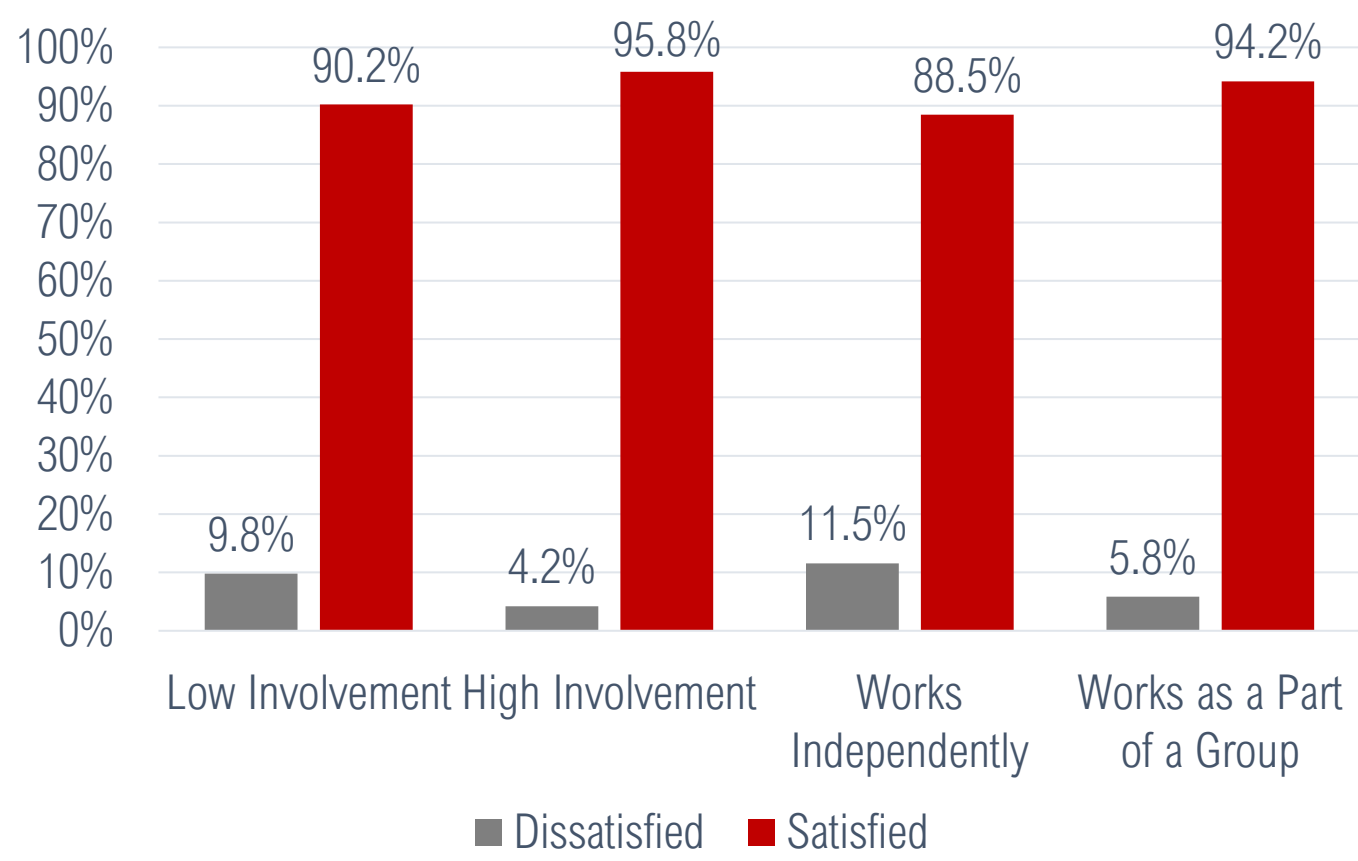
Employment-related factors drive the differences in employee satisfaction with ESOP plans

❑ As the chart below reveals, employees who are union members, have long tenure, work long hours, or hold supervisor roles are more satisfied than those who are not union members, have short tenure, work shorter hours, or are not supervisors.



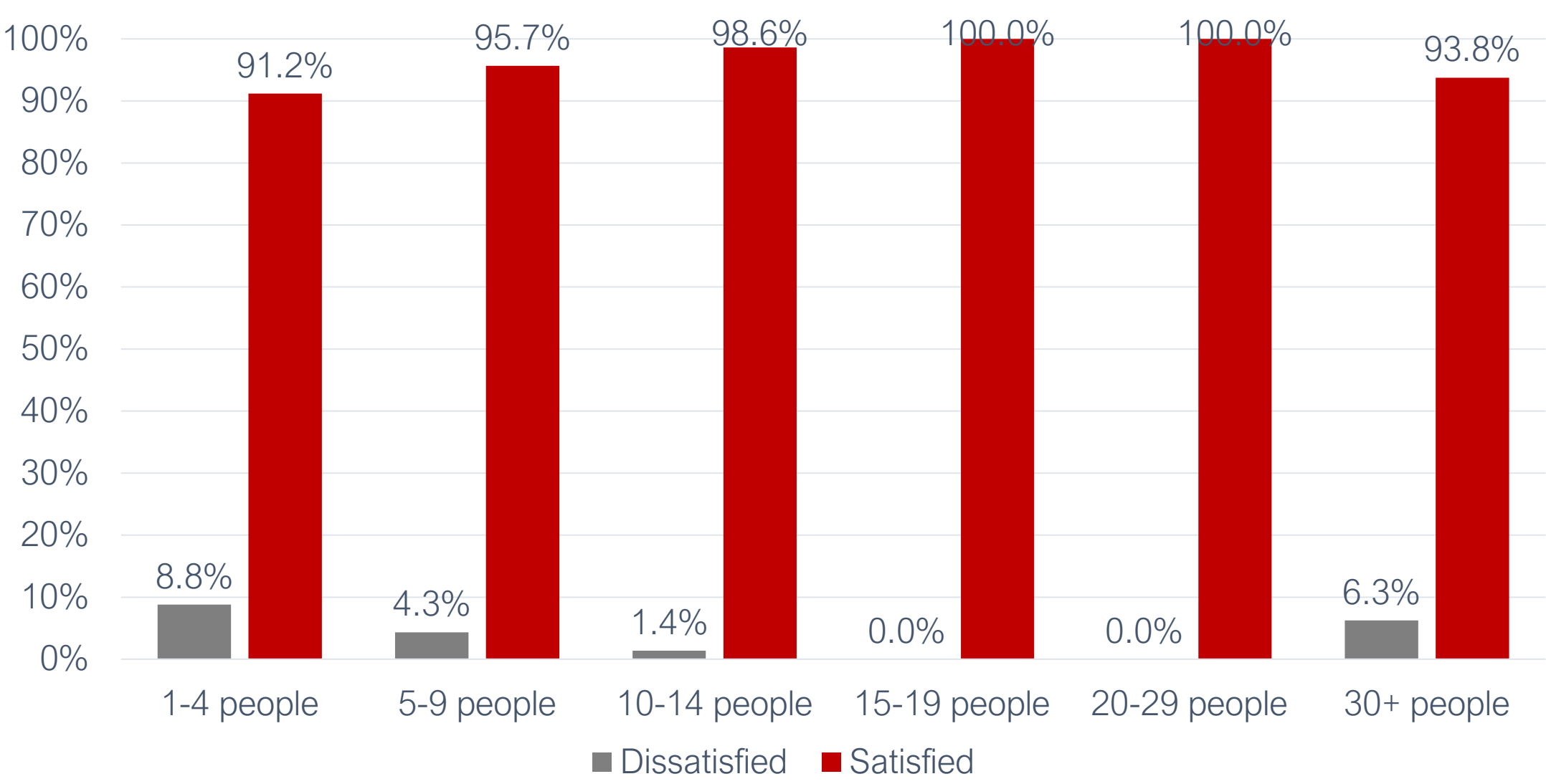
❑ As shown in the chart on the right, employees highly involved in their jobs are more satisfied than those less involved.

❑ Employees who work as part of a group are more satisfied than those who work mostly independently.



Team size of 10-29 appears to be ideal for ESOP workers

- ❑ Whether employees work as part of a group is a key factor influencing their satisfaction with ESOP plans.
- ❑ However, in today’s organizations, there is significant variation in team size, which could further contribute to employee satisfaction.
- ❑ Therefore, we examined how ESOP satisfaction might differ depending on team size.
- ❑ As shown in the chart below, teams with 1-4 members and more than 30 members reported lower satisfaction compared to other team sizes. In teams of 10 to 29 members, more than 99% of employees reported being satisfied with their ESOP plans.
- ❑ This team size may foster a greater sense of belonging within the ESOP organization, making employees feel that they are working for the organization, rather than just for their team.



Conclusions

- ❑ A significant majority of employees are satisfied with their ESOP plans, but a non-negligible number still report dissatisfaction, which can affect their job attitudes and behaviors.
- ❑ This study finds that while demographics such as gender and age do not influence employees' satisfaction, employment-related factors like union membership, organizational tenure, working hours, supervisor status, employee involvement, and team-based work play a significant role.
- ❑ Additionally, the study reveals that in teams of 10-29 people, more than 99% of employees are satisfied with their ESOP plans. This team size seems optimal for fostering a sense of belonging within the ESOP organization, as employees feel they are contributing to the organization as a whole, not just their individual team.
- ❑ Therefore, when executing ESOP plans, organizations should consider adjusting employment-related factors to ensure that employees feel involved, valued, and integral to the broader organization. By doing so, organizations can encourage more positive attitudes and behaviors, ultimately benefiting the bottom line. This approach helps organizations fully realize the anticipated advantages of ESOP plans.



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