



RUTGERS-NEW BRUNSWICK

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Ownership and Profit Sharing

School of Management and Labor Relations



PRIMER

What Is Employee Ownership?

**Employee ownership means that the workers
in a business also become its owners.**

Adria Scharf, PhD

Every Company Has an Ownership Model

All businesses, whatever their structure, have an ownership model. Some are owned by a single founder, some by families, some by small groups of partners, and others by outside investors, or some mix.

If you ask these two questions: Who owns this company? and What percentage of the company does each owner own? The answers to those questions will indicate its ownership model.

Employee Ownership or Worker Ownership

“Employee ownership” is an umbrella term covering any arrangement where employees own a meaningful stake—shares of stock, equity, or an ownership share—in their company.

Different traditions use different names for this concept—worker ownership, employee share ownership, broad-based equity compensation—while these terms have different connotations some meaningful and different roots, the core underlying idea is the same: employees, the people who work in the business, have an ownership stake.



Why Ownership Matters

Ownership typically entitles the owner to two broad bundles of rights: the right to financial return and—sometimes—to governance rights, though the extent of governance rights varies widely. The ownership model also creates distinct incentives. For example, a private equity–owned company aims to maximize returns for outside investors, often within a relatively short time horizon. A family-owned business may prioritize continuity, stability, and preserving the business for future generations. An employee-owned business may focus on long-term sustainability and factor in the well-being of its employee owners alongside profit.

A Share

Often when we talk about what percentage of a company an owner owns, we talk in terms of shares of company stock. A share of stock is a unit of ownership in corporations. If you own one share of stock, you own one unit of ownership in that company. The percentage of shares of stock that you own determines how big a piece of the company you own. Corporations are the most common business structure. There are other business structures, however, for example, partnerships and limited liability companies (LLCs). Each type of business structure has a unit of ownership. In an LLC, the unit of ownership is usually called a membership interest or membership unit. In a partnership, partners have partnership interests defined by their partnership agreement.

Corporation → Shares of stock

LLC → Membership interests (or units)

Partnership → Partnership interests

Across all business structures, a unit of ownership—whether called a share of stock, a membership interest, or a partnership interest—represents an economic stake in the enterprise.

Capital

One common trait among traditional business owners—whether founders, family members, or outside investors—is that they typically put capital at risk; they invest capital. By contrast, employees in both closely held and publicly traded companies have historically fit into a different role. Within the traditional employment relationship, employees exchange their labor for wages or salaries but do not share in ownership. In our economic system, those who supply capital are granted ownership claims and the rights that accompany them, whereas those who supply labor—workers—are not.

Employee ownership changes this arrangement. It encompasses any structure in which employees own a share of the company where they work. This ownership may be held directly—with grants of shares, for example—or indirectly, through a trust or retirement account.

Key Takeaway

Every company has an ownership model.
Employee ownership simply expands who gets included.



Definitions

A company is described as **employee-owned** or **worker-owned** when employees hold a significant portion, or all, of the ownership.

In broad-based forms of employee ownership, participation extends across the workforce, not just to executives or managers. This inclusive approach ensures that most or all employees, regardless of their role, have access to ownership opportunities.

Types of Employee Ownership in the U.S.

There are four broad forms of employee ownership in the United States. Other parts of the world have additional models, but these four dominate in the U.S. landscape.

Type	Description	Examples
Employee Stock Ownership Plans (ESOPs)	Retirement plans where employees accumulate shares in accounts over time. Covers ~11–14 million employees.	Publix, Wawa, Amsted
Worker Cooperatives	Democratically worker owned and governed businesses that balance the needs of worker members with search for profit.	Over 600 in U.S.; median size 6-8 workers
Employee Ownership Trusts (EOTs)	Shares are held in a trust on behalf of employees. Emphasis on employee well-being.	Few in number but growing in U.S.; longstanding in U.K.
Direct Ownership & Broad-Based Equity Compensation	Stock-based grant or pay programs for most employees.	Often these programs are not broad-based but they may be designed to be.

Emerging Models

New forms of employee and worker ownership are emerging in response to changes in the economy.

Digital Platforms & Gig Work: In platform-based industries, innovators are experimenting with platform cooperatives and shared-equity digital enterprises. These models aim to give gig workers—from delivery drivers to app-based freelancers—a stake. These models are still evolving but point to a future where employee ownership can extend beyond traditional firm boundaries and into broader networks of economic participation.

Federated & Incubated Models: In low-wage contexts, federated or secondary cooperatives, shared service networks, are **being** developed to support small cooperatives

Key Takeaway

There are four main types of employee ownership in the U.S.: ESOPs, worker cooperatives, employee ownership trusts, and broad-based equity compensation.



Why This Matters

Employee ownership isn't just a way of being nice to your workers or a style of management. It's a different way of structuring the very ownership of the business. Research suggests by making workers into shareholders:

- Workers can gain wealth and stability. This is especially important given the crisis of wealthlessness and for workers excluded from other wealth-building opportunities.
- Businesses often gain resilience—employee-owned companies tend to have lower turnover and higher productivity.
- Communities can benefit—locally rooted ownership keeps jobs and profits in place.

Key Takeaway

Research shows that employee-owned businesses help workers, businesses, and communities thrive.



Suggested Next Step

Explore case studies of real employee-owned companies [\[link\]](#) to see how these models operate in practice.

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