

Employee Ownership

Different models, many benefits

There are four primary broad approaches in the United States, described briefly below. Studies suggest that giving employees a stake in a company's success can translate into stronger financial firm performance, enhanced job stability, and, in stable and growing companies, financial benefits for employees.

Employee Stock Ownership Plan (ESOP)

The most common form of employee ownership in the United States.

An ESOP is employee ownership in the form of a retirement plan. How it works: A trust holds shares of company stock on employee participants' behalf, allocating shares to individual ESOP accounts annually, enabling employees to accumulate retirement wealth over time—at no cost to them. Regulated, tax-advantaged, and broad-based by law, ESOPs also provide business sellers a pathway to sale or succession.

SCOPE

6,339 ESOP companies
11m employees & 4m retirees participate

DATA POINTS

\$151,332 = average ESOP account value in private firms
5-6% increase in labor productivity
3-4x more likely to retain employees during downturn

EXAMPLES

Wawa, WL Gore, Black & Veatch, Amsted Industries
Source: Rutgers Institute (eohub.rutgers.edu)

Worker-Owned Cooperative

Democratic worker owned and governed businesses.

A worker cooperative is a democratic worker-owned and governed business where worker owners, cooperative members, govern the company, one person-one vote. These are deeply participatory worker-centered businesses.

SCOPE

1,300 worker cooperatives & other democratic workplaces
10,000-16,000 workers (approx.)

DATA POINTS

Pay Ratio in worker co-ops: 1 : 1.45
Median size: 6 to 8 workers

EXAMPLES

Equal Exchange, CHCA, Ward Lumber, Proof Bakery
Source: USFCW (www.usworker.coop) & DAWI (institute.coop)

Employee Ownership Trust

Perpetual purpose trust-owned with a mission to benefit employees.

The trust holds the shares collectively on employees' behalf; no individual share accumulation. Flexible and low cost.

SCOPE

New in the United States, and rare, but rapidly growing. The model has a longer history and presence in the United Kingdom.

EXAMPLES

Optimax, Text-Em-All

Broad-based Equity Compensation

Stock-based pay.

Stock grants, restricted stock units, stock options, and employee stock purchase plans, where they include the broad workforce.

SCOPE

More than 10 million US employees receive equity compensation but most plans are highly skewed to high-income earners. Plans may, however, be designed to include the broader workforce.

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