

# ESOPs: Review of COVID Times and Challenges Ahead

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## **KEYNOTE ADDRESS**

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# Survey Comparing Majority ESOPs to Other Firms During the Pandemic

- Survey was done by SSRS, one of the leading social survey firms working for CNN and the New York Times
- Representative Sample of all small businesses with 50-500 employees stratified for industry and different company sizes
- Representative samples of majority-owned ESOPs and all other firms in the economy
- Members of the ESOP Association participated in the ESOP survey
- SSRS work was funded by the Employee Ownership Foundation and Professors Blasi and Kruse designed the survey and did the analysis of SSRS data, as volunteers. The results of the study follow. A full copy is available.

# Majority ESOP Versus Other Firms Overall

- 75% versus 56% received PPP
- 20% versus 35% received zero aid.
- 78% versus 61% expect assistance to be a gift.
- 88% versus 68% designated “essential”
- Similar impacts overall, 1/6th strong (-), 1/2 moderate (-), 1/5th little/no, 1/10 moderate or strong (+) effect
- **BUT** 1% versus 6% will not return to usual operations.
- Source: Rutgers funded by the Employee Ownership Foundation

# Pandemic Response: Majority ESOPs versus Other Firms

- Employment decline: -4.8% versus -19.5%
- 1/3 versus 2/3 cut hours
- 27% cut pay versus 57%; cut was 41% vs 29%
- 20% versus 41% did work sharing
- 81% versus 60% sent workers home, and earlier
- Source: Rutgers funded by the Employee Ownership Foundation

# Protective Measures

- 98% of ESOPs versus 89% of other firms, \$50/worker
- Quicker response 50% versus 36% in March
- More workplace re-arrangements
- More sanitizing and professional cleaning
- Less COVID virus or antibody tests
- Similar at mask/gloves, shifts, temp checks, sanitizer stations, plexiglass, daily health screens
- Source: Rutgers funded by the Employee Ownership Foundation

# Challenges: Preserve Special Employment Relationship

- Significantly more ESOPs report motives to preserve: employee skills and customer ties, teamwork culture and sense of ownership.
- ESOP workers share: 70% versus 35% have profit sharing and 53% versus 26% have gain sharing and significantly more PP over 10%
- 97% with a second diversified retirement plan versus 54% with a 401k plan
- Risk that this will be compromised during a downturn.
- There is also an opportunity to acquire other firms.
- Source: Rutgers funded by the Employee Ownership Foundation

# Challenge of Inclusion

- Blacks: 16% of ESOP & 14% of non-ESOP workers, overrepresented
- Latinx: 9% of ESOP & 13% of non-ESOP workers: underrepresented
- Men: 63% of ESOP & 50% of non-ESOP workers: overrepresented
- Women: 37% of ESOP & 50% of non-ESOP workers: underrepresented
- Blacks & Latinx: employee ownership \$ value only 60% of whites
- ESOPs: more egalitarian when skills/education/tenure/salaries are =
- The Rutgers-WK Kellogg Foundation qualitative study demonstrates that ESOPs can have a meaningful impact on the lives of women and under-represented workers. For copies of the study, see the link in the slides below.
- Source: National Science Foundation's General Social Survey, questions funded by the Employee Ownership Foundation

# Priority Implications for Action

- Swampworks rapid innovation team
- Acquisition team
- Inclusivity audit: capabilities or status
- Credit team
- Base line survey on employee relations and employee involvement

# Copies of the Studies

- For a copy of the first report, **Employee-Owned Firms in the COV-109 Pandemic**, funded by the Employee Ownership Foundation, see: [https://employeeownershipfoundation.org/sites/eof-master/files/2020-10/EOF\\_COVID\\_2020.pdf](https://employeeownershipfoundation.org/sites/eof-master/files/2020-10/EOF_COVID_2020.pdf)
- For a copy of the second report, **Building the Assets of Low and Moderate Income Workers and Their Families: The Role of Employee Ownership**, funded by the W.K. Kellogg Foundation, see: <https://smlr.rutgers.edu/rutgers-kellogg-report>

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# THE END

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