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STUDY: EMPLOYEE OWNERSHIP NARROWS GENDER AND RACIAL WEALTH GAPS

Rutgers Institute for the Study of Employee Ownership and Profit Sharing Completes Three-Year Research Project Supported by the W.K. Kellogg Foundation

PISCATAWAY, N.J. (April 30, 2019) – In the first-ever national study of low-income and moderate-income workers at employee-owned companies, researchers discovered employee stock ownership plans (ESOPs) enable families to significantly increase their assets, shrinking—though not eliminating—gender and racial wealth gaps. The research by the Rutgers Institute for the Study of Employee Ownership and Profit Sharing suggests employee ownership can reduce wealth inequality in the U.S.

"The top 10 percent of American households own more wealth than the bottom 90 percent combined," said **Beyster Distinguished Professor Joseph Blasi, Director of the Rutgers Institute for the Study of Employee Ownership and Profit Sharing**. "This study demonstrates that employee share ownership can chip away at inequality by putting significant wealth in the hands of the working middle class."

Supported by a grant from the W.K. Kellogg Foundation, a Rutgers-led team of researchers interviewed close to 200 employees at 21 companies that offer an ESOP retirement account. About half of the workers surveyed are defined as low-income or moderate-income based on earnings. The ESOP account gives them significant wealth, above and beyond their wages and other income. The three-year study finds:

- The low/moderate-income workers have ESOP account values ranging from $15,000 to $6 million, with a median value of $165,000. By contrast, the typical American household has just $17,000 in savings.

- Of the low/moderate-income workers surveyed, those closest to retirement (ages 60 to 64) have 10 times more wealth than the typical American in that age group.

- ESOPs do not eliminate gender and racial wealth inequality, but they significantly narrow the gaps.

Wealth Comparison by Gender and Race	Median Wealth of Single Workers in the U.S.	Median ESOP Account Value of Low/Moderate-Income Workers in Rutgers Survey
African-American Women	$200	$32,000
African-American Men	$300	$180,000
Latina Women	$100	$143,500
Latino Men	$950	$200,000
White Women	$15,640	$172,000
White Men	$28,900	$323,500

- Several workers in the survey borrowed against their ESOP account to pay for medical expenses, make the down payment on a home, or send their children to college. The ESOP kept them out of debt.

- Many low/moderate-income workers—especially single women—told researchers the ESOP gives them a sense of economic security and enables them to think about retirement for the first time.

- In ESOP firms with participatory management, workers improved their communication skills and learned open book management, which also enabled them to make better financial decisions at home.

"Past research showed that employee-owned firms perform better on average, but we didn't know much about what employee ownership means to regular employees," **said Distinguished Professor Douglas Kruse, Associate Director of the Rutgers Institute for the Study of Employee Ownership and Profit Sharing**. "This study provides rich data from the perspective of workers about the many ways in which employee ownership transforms the workplace."

"This was a proof of concept study and we found the proof," said **study co-author Janet Boguslaw, a Kellogg Fellow in the Rutgers Institute for the Study of Employee Ownership and Profit Sharing and a Senior Scientist at Brandeis University**. "Low and mid-income employees who have the opportunity to share in the capital built through their labor have greater wealth than their non-employee owner peers. Period."

"Employee ownership can have particular benefits for low-income women and people of color, who are often marginalized at the bottom of workplace organizations," said **study co-author Lisa Schur, a Kellogg Fellow in the Rutgers Institute for the Study of Employee Ownership and Profit Sharing and Professor at Rutgers University.** "Not only can employee ownership lead to economic rewards, but it can also help these workers attain increased voice and skills in the workplace."

"The gender wealth gap is fundamental to inequality, and this study shows the potential of employee ownership to begin to address it," said **Glenda Gracia-Rivera, a Kellogg Fellow in the Rutgers Center for Women in Women and Work**. Rivera served as project manager for the study, coordinating a team of 15 researchers from nine colleges and universities nationwide.

"There simply was not evidence in the field that employee ownership and profit sharing actually worked for everyday people," said **Jeanne Wardford, Program Officer at the W.K. Kellogg Foundation.** "This research is pathbreaking, and will guide our investments to support poor families with small children, and – hopefully – stimulate more interest in the philanthropic world in developing new strategies for wealth creation."

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About ESOPs
An ESOP is a retirement account that does not require employee contributions. The ESOP takes out a loan to buy shares of the company's stock. As the company repays the loan, its employees receive the shares—making them owners. The employees typically do not pay for the stock or provide collateral on the loan. ESOP account values are not taxed while the employee is earning, and they do not count as assets when determining eligibility for SNAP, Section 8, and other public assistance. There are approximately 7,000 ESOPs in the U.S., covering about 11 million participants.

About the Rutgers School of Management and Labor Relations
The Rutgers School of Management and Labor Relations (SMLR) is the world's leading source of expertise on managing and representing workers, designing effective organizations, and building strong employment relationships. The Rutgers Institute for the Study of Employee Ownership and Profit Sharing at SMLR is the first academic institute dedicated to researching broad-based capital shares and their impact on the economy.

About the W.K. Kellogg Foundation
The W.K. Kellogg Foundation (WKKF), founded in 1930 as an independent, private foundation by breakfast entrepreneur and innovator, Will Keith Kellogg, is among the largest philanthropic foundations in the United States. Guided by the belief that all children should have equal opportunities to thrive, WKKF works to create conditions in underresourced communities for children can realize their full potential in school, work and life. The Kellogg Foundation is based in Battle Creek, Michigan, and works throughout the U.S. and internationally, as well as with sovereign tribes. Special emphasis is made on priority places where there are high concentrations of poverty, and where children face significant barriers to success. WKKF priority places in the U.S. are in Michigan, Mississippi, New Mexico and New Orleans; and internationally, are in Mexico and Haiti.

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