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At the Institute for the Study of Employee Ownership and Profit Sharing, we are dedicated to understanding how new public policies and business practices can enable employees to be fully engaged, fully employed, and share in the rewards of their work. With growing wealth inequality in the U.S. and a fragmented relationship to the workplace driven by contingent or contract work, we know it is timely and critically important for individuals, families, and communities that the rewards of work take center stage.

This study has been a successful proof of concept. It has demonstrated that each of the key stakeholders – employees through education and investment, managers through organizational practices at the site of work, and the private and public sector through policy that affects investments and performance-together can produce productive and efficient workplaces while simultaneously building the asset wealth of low and moderate-income earners.

New questions have been raised through this work that warrant further examination and greater visibility if we are to strengthen communities and residents' ties to work, opportunity, and wellbeing.

We wish to express our deepest appreciation to our Program Officer Jeanne Wardford and the W.K. Kellogg Foundation for their interest and support in pursuing new strategies and structures that build equity and assets of all those who work – across issues of race, gender, ethnicity, class and geography. It is through these kinds of investments that we can make visible and pursue the strategies that ensure economic and social stability, and greater opportunities and wellbeing for families and communities.

Joseph Blasi

J. Robert Beyster Distinguished Professor of Employee Ownership, Co-Principal Investigator, Director, Institute for the Study of Employee Ownership and Profit Sharing
School of Management and Labor Relations, Rutgers University

Douglas Kruse

Distinguished Professor, Co-Principal Investigator, Associate Director, Institute for the Study of Employee Ownership and Profit Sharing
School of Management and Labor Relations, Rutgers University

The Institute for the Study of Employee Ownership and Profit Sharing conducts and supports research to examine existing and emerging models of employee share ownership and profit sharing in the corporation and society within the United States and around the world. It studies approaches that broaden financial participation and inclusion in the economy and business organizations, and allow employees to be fully engaged and share in the rewards of their work. Scholarship is supported through the J. Robert Beyster Professorship and a national competitive Fellowship Program, and by convening the two largest annual scholarly conferences in the nation on these issues. The Institute develops and disseminates educational materials to encourage graduate and undergraduate education at Rutgers and other colleges through the Curriculum Library for Employee Ownership. The Institute also provides policy and data analysis to government.

For more information of the Institute please see our website:
smlr.rutgers.edu/content/institute-study-employee-ownership-and-profit-sharing

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Frank Shipper, Professor of Management, Perdue School of Business, Salisbury University

Kevin McPhillips, Executive Director and CEO, Pennsylvania Center for Employee Ownership

Research Team and W.K. Kellogg Foundation Fellows:

Daphne Berry - University of Hartford

Kristin Bethune - University of North Carolina

Teresa Boyer - Villanova University

Mark Kaswan - University of Texas Rio Grande Valley

Joan Meyers - California Polytechnic - San Luis Obispo

Lisa Schur - Rutgers University

Alex Becker - Northwestern University School of Law

Janet Boguslaw - Brandeis University

Glenda Gracia-Rivera - Rutgers University

Jung Ook Kim - Rutgers University

Sanjay Pinto - Rutgers University

Carol Stack - Emeritus, University of California Berkeley

Project Manager: **Glenda Gracia-Rivera** - Rutgers University, Center for Women and Work

Administrative Coordinator: **Elizabeth Schriefer** - Rutgers University

Grant Manager: **Katarzyna Proszowski** - Rutgers University

Research Support and Report Design: **Sylvia Stewart** - Rutgers University

Research and Project Support: **Anna Mahathey, Alexis Mann, Elizabeth Olsen** - Brandeis University

Final Report Authors:

Janet Boguslaw

Louis O. Kelso Fellow, Rutgers Institute for the Study of Employee Ownership and Profit Sharing
Senior Scientist, Institute on Assets and Social Policy,
Heller School for Social Policy and Management, Brandeis University

Lisa Schur

Faculty Fellow, Rutgers Institute for the Study of Employee Ownership and Profit Sharing
Professor, Labor Studies and Employment Relations,
School of Management and Labor Relations, Rutgers University

I. Purpose of the Study

In 2015, the W.K. Kellogg Foundation engaged the Institute for the Study of Employee Ownership and Profit Sharing, at the Rutgers University School of Management and Labor Relations, to conduct a qualitative study examining the asset building impacts of employee ownership for low- and moderate-income employees and their families. Its purpose was to provide insight into the role of employee ownership in supporting employees' asset/wealth accumulation, and related issues of financial security, economic mobility, and family impact. The research team conducted interviews with long-tenured employees having low-to moderate-incomes at companies with ESOPs (Employee Stock Ownership Plans), or having started at their firms with low incomes. This is the largest qualitative, individual interview-based study of this employee population ever conducted in the United States. An ESOP is a retirement plan that invests in stock in the company where the employee works. Typically, companies use credit to purchase stock on behalf of employees with the company repaying the loan and without employees' purchase of the stock with their wages, savings, or retirement assets. We sought to find employee examples across race, gender, ethnicity, age, sector and geography in the United States. Quantitative data from the U.S. General Social Survey and prior studies were reviewed. This report provides a summary of the overall project and preliminary findings related to the core research question, "Can ESOPs contribute to building the assets of low- and moderate-income employees and if so, how?"

Why Ask the Question? Why is Asset Building Important?

The reality and lived experience of expanding wealth inequality in the United States has been well documented ^{1,2,3,4}. Assets are an alternative term for wealth or the collective set of resources held, in their many forms, which can be leveraged or invested for economic stability, security and wellbeing. Wealth is not built through income alone. It is the product of equity built through home ownership. It is cash savings from earnings, gifts, or inheritances, and holdings of stocks and bonds. It is ownership of vehicles, retirement accounts, and businesses. It is education, job skills and experience, and access to opportunity. It is the product of good health and healthcare, social networks and support, and more. Wealth consists of more than simply cash, income, or stocks; thus we refer to all of these components of wealth as assets. The combination of resources that constitute a household's assets enable individuals and families to move from just making ends meet, to managing life's challenges and still being able to plan and invest in their future ^{5,6,7}.

Today, the top 10 percent of households own more wealth than the bottom 90 percent combined^{8,9}. In fact, wealth inequality is growing faster than income inequality, making a focus on wealth increasingly important¹⁰. Additionally, the relationship of that bottom 90 percent to a stable workplace is fragmenting, with a large and growing number of workers, across all sectors, working variously as contingent workers who are still tied to a worksite, as contract labor for third-party employers, as independent workers who are often misclassified, or as self-employed¹¹. This loosening of workplace attachments and work relationships puts low- and middle-income earners' wealth building at risk. For many who experience this fissuring, they lose access to benefits such as retirement accounts, paid sick or vacation days, on the job learning, tuition support, mentorship, profit sharing and other forms of shared ownership¹². Examining the role of employee ownership as a structure to bring greater returns from the business to the workforce, as a strategy to stabilize and secure attachments to a workplace, and as a mechanism for building the asset wealth of low- and moderate-income employees is timely in an era of expanding wealth inequality and employment precarity.

Too little is known about the ways in which employee ownership can help build the asset wealth of low- and moderate-income employees. Because wealth inequality in this nation is growing, particularly for women and people of color, efforts are underway nationally to understand how to reverse these trends. This research begins to fill an important gap in our understanding of the potentially broad benefits of employee ownership. Most of the employee ownership research has focused on improving the business bottom line through more invested workforce participation and ownership, and how this in turn produces “quality” or “good” jobs^{13,14}, as well as employee wealth. What we do not know from prior studies is if and how employee ownership benefits the least skilled, or undervalued earners. The insights from this study may help inform strategic investments through public policy, philanthropy and the private sector designed to reduce the growing wealth inequality and ensure adequate wealth building opportunities for all families.



Assets Enable People to:

- Remain stable through financial emergencies¹⁵
- Have housing security¹⁶
- Pursue a path to prosperity and upward mobility¹⁷
- Advance through higher education for themselves or their children¹⁸
- Take risks that result in a better job or starting a business¹⁹
- Retire securely²⁰
- Pass on opportunity through inter-generational wealth building²¹

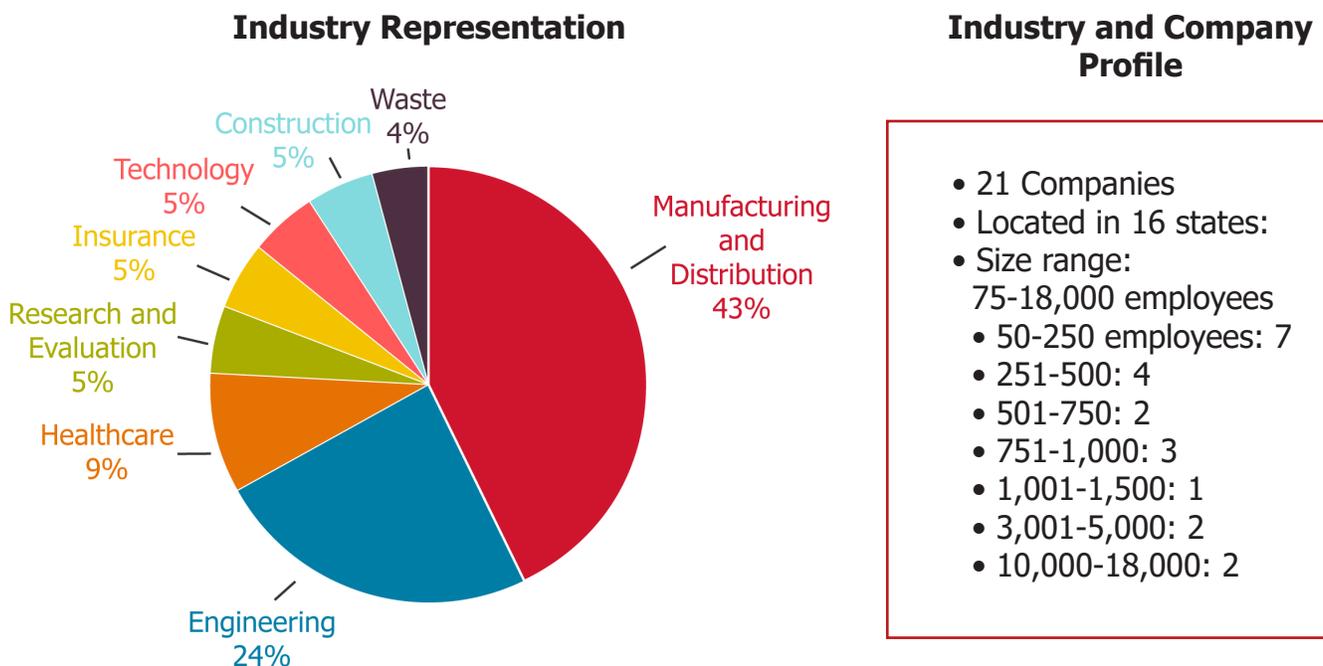
Asset Insecurity in the United States

- Only 7% of workers in low-income families own employer stock, compared to 20% in moderate-income and 30% in high-income families²².
- 43.5% of all families and 60.6% of families of color are asset poor. They do not have sufficient liquid financial assets to sustain their households at or above the poverty level for three months if they lose their income²³.
- Four in 10 adults, if faced with an unexpected expense of \$400, would either not be able to cover it or would cover it by selling something or borrowing money²⁴.
- 28% of senior citizens in the United States retiring between 51 and 61 had zero or negative financial assets when they die and 36% had less than \$50,000 in financial assets²⁵.
- 54% of all households lack sufficient financial assets to invest in opportunities that increase financial mobility, such as buying a home, creating a business, or investing in their children's education²⁶.
- Disparities in wealth holding are great. Women hold 68% less wealth than men²⁷. In 2016, white family wealth was seven times greater than black family wealth and five times greater than Hispanic family wealth²⁸.

II. Project Methodology

The research team completed interviews at 21 companies across the United States that offer ESOPs, representing 16 states and 8 discrete sectors, ranging in size from 75 to 18,000 employees (See Figure 1). Some but not all of the companies had variations of formalized asset building opportunities beyond the ESOP, including union representation, profit sharing, 401(k) plans, and others. Many of the companies in our sample were the result of retiring founders selling their companies to the employees through an ESOP. Outreach efforts were conducted through ESOP industry organizations and consultants. It is important to note that this was not designed to be a representative sample of ESOP companies. Rather, we sought to find companies across a range of industry types and geographies enabling us to compare the experiences and asset wealth building trajectories of low- and moderate-income workers with at least 15 years' longevity of employment with the firm. Additionally, within this group, we sought out firms that had representation of women and people of color who were the primary but not the exclusive focus of the interviews. In some cases we found that we had to reduce the number of years of employment to 8 or more years in order to fulfill this last criterion, an issue that will be discussed further in the findings.

Figure 1



Interviews were conducted from June 2015 through August 2018. The goal was to interview approximately 10+ employees at each firm. In most cases management sent out a notice to the employees who fit the criteria and asked for their participation. All of the interviews were conducted on company time, and the interviews themselves were held confidential. Respondents were provided a \$25 gift card of appreciation. This study was designed to serve as a “proof of concept.” The intent was to learn if employee ownership can contribute to asset building, and if so, to identify the key mechanisms and best practices for structuring ESOPs as an asset building strategy for low- and moderate-income employees.

Interviews were completed with 195 employee owners. Approximately 20 were senior managers, including some CEOs, CFOs, and HR managers who participated in interviews to share insights and history about the company’s transition to employee ownership, how employee ownership is structured at their firm, and if and how they believe employee ownership contributes to asset building among the firm’s mid-to low-level earners. In addition, 13 lower level managers who were above the study’s income target were interviewed to include their perspectives. These contributed to the development of several company profiles which were made available to the project funder.

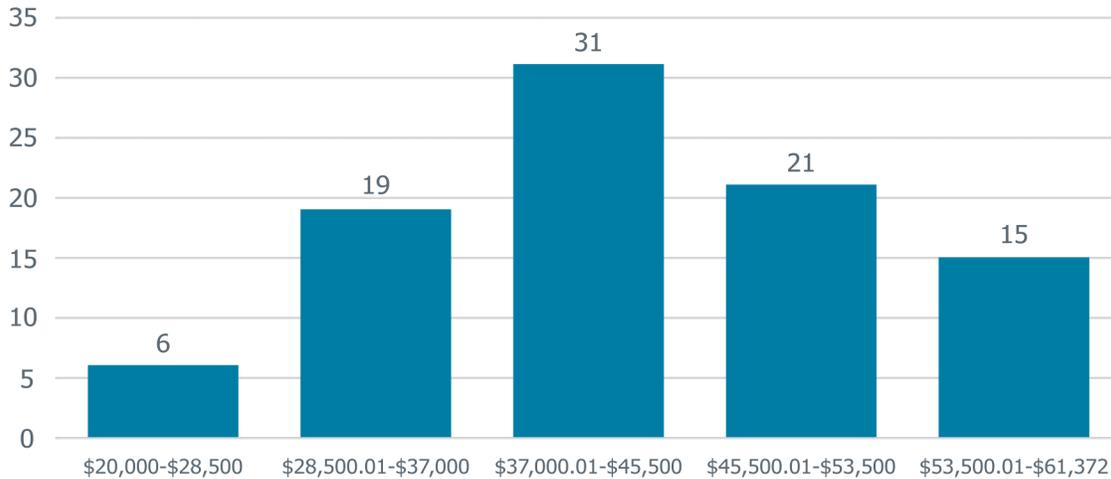
In total, 141 of those interviewed were willing to share their income information. Of these, a total of 92 employee owners interviewed earned less than the 2017 national household median of \$61,372²⁹. At or below this median is the threshold the study uses to define low- to moderate-income. It is important to note that there are some missing data. Interviewees were not always willing or able to report their ESOP and 401(k) account values, or reveal the values of their household assets and debts. Of the 92 interviewees who provided their income information and were below the national household income median, four did not provide their ESOP account values and 32 did not provide their 401(k) values (either because they did not know the value or because they did not participate in the 401(k) plan). Table 1 indicates the income range of the target population interviewed. We have completed the analysis of 92 employee interviews of those who earn less than the national median of \$61,372 and 27 who make above the median, and we will continue to analyze more interviews. Please note that the names of participants quoted in this report have been changed to ensure confidentiality and no companies are directly identified.

Among the 92 low-to moderate-income employees interviewed:

- 72% had been at their company for at least 15 years
- 62% were women
- 48% were people of color
- 26% were women of color
- 8% had not graduated high school, 50% had graduated high school or received a GED, 32% had some college, vocational school, or an Associate’s degree, 8% had a Bachelor’s degree
- ESOP account values ranged from a \$15,000 to \$6,000,000

Table 1

Annual Earnings Distribution of Interviewees Under the National Household Median (<\$61,372)



III. Research Findings

While the analysis of these rich data will continue, three important categories of impact are emerging from the work. First, we find personal and family impacts from ESOP resources as they create real and perceived economic stability and security. The role of ownership in asset building and work stability is the second big impact, as ownership seems to shape employees' actions and perceptions related to participation, inclusion, value, trust, equity and fairness. Finally, the ESOP drives development of an opportunity structure built through skill, knowledge, leadership development, mentorship and advancement. Of course, these are not discrete impacts. They are the product of a range of mechanisms that stem from the ESOP opportunity. This section introduces some emerging findings that shed light on the myriad ways that asset and family wellbeing effects are produced through ESOPs for employees in this data set. Thus, this section provides high level findings from the data that inform the study question posed, "Can ESOPs contribute to building the assets of low- and moderate-income employees and if so, how?"

What we Know from National Data

The analysis of the General Social Survey (GSS), which is a nationally representative social survey, shows that an average of 18.7% of total private sector employees held stock in their company in the 2002-2014 period. This figure is slightly higher, 19.5% or 22.9 million workers, when looking just at the most recent available data from 2014. These figures represent not just ESOPs (which are not broken out by the GSS), but include all forms of employee ownership through other types of plans, such as Employee Stock Purchase Plans, restricted stock plans, and pension plans. When we break down the prevalence of employee ownership among individuals, the data show

that workers with low family income (in the bottom quarter of the income distribution) are least likely to be employee owners. 7.1% of the workers from low income families were employee owners while more than 30% of the workers with high family incomes (in the upper quarter of the income distribution) were employee owners. In terms of other demographic characteristics, males, those with “other” ethnicity (primarily Asian-Americans), and those between 35 and 54 years old were most likely to be employee owners.

Even when only 7.1% of the individuals with low family incomes are employee owners, the size of ownership stake they have can make a significant difference. As seen in Table 2, columns (2) through (5), the size of the employee ownership stake is more than half (56.3%) of family income on average. The median stake is 11.9%, meaning that for half of the employee owners with low family income, their ownership stake is about 12% or more of their annual family income. This shows the potential of employee ownership as the source of significant additional wealth for low- and moderate-income employees.

Table 2
National Distribution of Employee Ownership among Individuals and the Size of Ownership Stake

	Percent of private sector employees with EO	If have EO, size of stake			
		Dollar value of all forms of employee ownership		As percent of family income	
		Mean	Median	Mean	Median
	(1)	(2)	(3)	(4)	(5)
Overall	18.7%	\$50,182	\$11,743	47.1%	14.7%
Family income					
Low (<\$34,848 in 2014 dollars)	7.1%	\$7,994	\$1,500	56.3%	11.9%
Middle (>\$34,848 and <\$99,047 in 2014 dollars)	20.0%	\$33,426	\$10,000	47.1%	13.5%
High (> \$99,047 in 2014 dollars)	30.4%	\$83,617	\$30,000	45.0%	20.3%
Gender					
Female	16.7%	\$39,747	\$11,743	35.1%	14.7%
Male	20.5%	\$57,942	\$13,159	56.0%	16.4%
Race and ethnicity					
White non-Hispanic	20.1%	\$52,306	\$12,000	45.2%	15.0%
Black	17.1%	\$35,062	\$6,580	60.3%	13.5%
Hispanic	10.6%	\$29,847	\$9,869	34.2%	10.8%
Other	23.2%	\$84,567	\$35,229	71.3%	34.4%
Age					
Age 18-34	12.4%	\$23,934	\$4,697	24.7%	8.1%
Age 35-54	23.7%	\$51,259	\$12,000	45.2%	12.4%
Age 55+	19.4%	\$86,801	\$35,229	88.4%	30.7%

The numbers in Table 3 are based on a different survey (the Federal Reserve’s Survey of Consumer Finances), which looks at families rather than individual employees. Like Table 2, these data include not just ESOPs but all forms of employee ownership (although the definition is more limited than in the GSS and likely excludes Employee Stock Purchase Plans and restricted stock). The big advantage of the Survey of Consumer Finances is that it has strong and detailed measures of all forms of wealth. In total, 9.5% of families in this particular survey had primary or secondary earners with employee ownership. The difference in employee ownership by family wealth is more distinct than by individual income, such that only 3.5% of the families with low family wealth had access to employee ownership whereas 16.9% of the families with high family wealth had access to employee ownership. Nationally, families with single family heads of household were less likely to have access to employee ownership.

Table 3
National Distribution of Employee Ownership among Families
and the Size of Ownership Stake

	Percent of families with EO	If have employee ownership, size of stake			
		Dollar value of all forms of EO		As percent of family wealth	
		Mean	Median	Mean	Median
(1)	(2)	(3)	(4)	(5)	
All families	9.5%	\$89,509	\$6,000	9.9%	2.6%
Family wealth					
Low (<\$8,800)	3.5%	\$1,991	\$344	26.5%	4.8%
Middle (>\$8,800 and <\$316,840)	8.8%	\$10,005	\$2,160	10.1%	3.2%
High (> \$316,840)	16.9%	\$190,627	\$25,000	8.5%	2.5%
Householder status					
Married couple or partnership	12.8%	\$109,095	\$6,500	9.5%	2.5%
Single female head	5.3%	\$19,093	\$5,200	10.9%	4.6%
Single male head	5.0%	\$37,900	\$3,225	11.6%	2.9%
Race and ethnicity of householder					
White non-Hispanic	20.1%	\$111,820	\$7,800	9.3%	2.6%
Black	17.1%	\$7,802	\$1,200	11.2%	2.8%
Hispanic	10.6%	\$20,605	\$2,000	12.3%	3.1%
Other	23.2%	\$56,928	\$18,000	12.7%	3.9%
Age of householder					
Age 18-34	12.4%	\$10,866	\$1,000	11.4%	2.6%
Age 35-54	23.7%	\$79,213	\$7,800	11.5%	3.3%
Age 55+	19.4%	\$154,965	\$10,000	6.5%	2.2%

The size of employee ownership as a percent of family wealth is greater for families with low wealth. For families with low wealth, the median ownership stake is almost 5% of their total wealth, whereas an ownership stake occupies about 2.5% of the total family wealth for the median high-wealth family. The households headed by single women have lower dollar values of employee ownership than do households headed by couples, but their ownership stake is a higher percent of median family wealth than for households headed by couples or single males. As seen from the data in Table 3, employee ownership can provide a significant wealth accumulation effect for all, and in particular for low income individuals and families.

In general, employee ownership wealth does not substitute for lower wages or other forms of wealth. The most recent important research on this issue comes from the National Center for Employee Ownership’s study of the U.S. National Longitudinal Survey. This work provides evidence that young ESOP workers have 92% higher median wealth than their non-ESOP working peers. Importantly, it finds the ratio of household income to poverty levels is higher for young ESOP workers both overall and among single women, single women of color, those with children age 8 or under, and those with less than \$25,000 in wages. Young ESOP workers also tended to have separate additional diversified 401(k) retirement plans³⁰. And, as Table 4 indicates, it also demonstrates that the median wage income of low-income workers in employee owned companies in their study was higher than that of non-employee owners.

Table 4

Wage Income of Young Employee Owners from National Data

Subgroup	Employee-owners	Non-employee-owners	% diff
Workers of color	\$35,000	\$27,000	30%
All women	\$34,000	\$29,000	17%
Low-income women*	\$21,000	\$17,000	24%
Single women of color	\$28,000	\$24,000	17%
Single women	\$31,000	\$25,000	24%
Single parents	\$33,000	\$23,000	43%

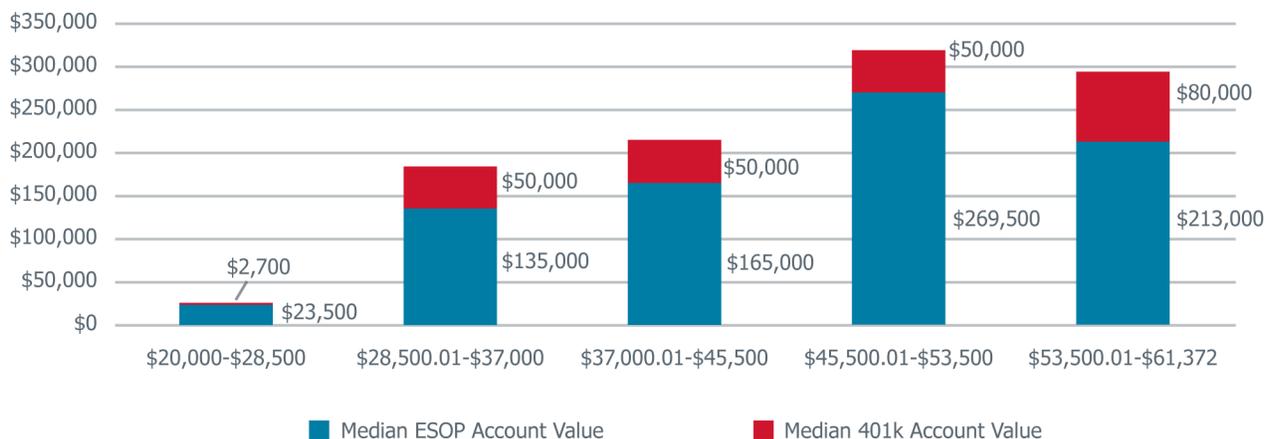
* For this table, “low income” means less than \$30,000 in annual income from wages.
 (From Wiefek, 2017, Table 2) <https://www.nceo.org/articles/esops-preferred-status-certification>

The Survey of Consumer Finances also indicates that employee ownership is tied to much higher wealth with no evidence of substitution³¹, and wages did not go down as ESOPs were adopted over 1980-2001³². In addition to the positive impact on wealth, employee ownership is also found to be generally linked to better job outcomes for workers. Employee owners are more likely to benefit from job training, enjoy greater job security, and show lower turnover intentions among workers from all income levels^{33,34}. The data indicate that employee ownership may be an underutilized tool for low- and moderate-income workers, and that it would be useful to identify and overcome any barriers for their entry into ESOPs.

Even with relatively low profit margins in a few firms, employees in our study had full time steady work, often with overtime. They had regular annual incomes, often had additional bonuses or profit sharing, and enjoyed ESOP account growth. These findings held across geographies of rural, urban, and suburban-based firms. Employees are more asset secure than if they did not have an ESOP, given the national comparisons. From a financial economic security perspective, women in particular have greater security. For example, “Rena”, a Latina woman in her 50’s who is married with adult children, has a middle school education with \$160,000 in the ESOP. “Jocina” is an African American woman in her 30’s who is a single mother of two, earning \$16.81/hour with \$120,000 in the ESOP, and is working on her BA. Both women have steady work they can count on, and wealth and opportunities for advancement. Yet, because all of the ESOP firms we encountered tied ESOP shares to income, the internal firm wealth disparities remained large as Table 5 demonstrates.

Table 5

Median Assets of Interviewees in Each Income Bracket



How Employee Ownership Helps Build the Assets of Low- to Moderate-Income Employees

It is not sufficient to report here that employee ownership can build the assets of employees. It is important to understand both how assets are built and for whom. Do all low- and moderate-income employees benefit equally within these firms across positions, income, race, ethnicity, age and gender? Analysis from this study suggests that employee owned firms stitch together five specific elements that work in tandem to enable workforce asset building. These include: 1) Building ESOP account equity and financial knowledge; 2) Expanding workforce capabilities through on the job training, external education, and internal mentoring; 3) Enabling asset preservation and personal investments; 4) Increasing access and inclusion by gender, race and ethnicity; and 5) Improving health and well-being through quality of work life experience and balance. Drawing on the qualitative interviews, we discuss how these elements work together to build employee wealth.

1. Building ESOP Account Equity and Financial Knowledge

ESOP Accounts: We begin with ESOP accounts, the automatic savings opportunity. As noted earlier, unlike 401(k)s, Roth IRAs, or most other saving structures, ESOPs require no reduction in family budgets to be started or to grow. Typically, employees do not purchase the stock in an ESOP with their wages or savings or retirement assets. Companies use credit to fund the ESOPs purchase of company shares and the company pays back the loan. As the loan is repaid the company distributes the shares to all employees, who hold the shares in their ESOP accounts. 401(k) plans, of course, require payroll deductions and are typically funded with employee contributions. This ability to build an asset without depleting resources from a family budget is critical for low- and moderate-income households. The importance of this non-family budget savings mechanism is critical for women like “Marta,” who is in her 50s, divorced with adult children, still working as a heavy equipment operator, who explains:

“It [the ESOP] changed my life. And, it’s a really big help because sometimes we, the employees, can’t save for retirement or save money in general because they can’t afford to. So the company helps us to be able to save up our money. It’s like winning the lottery.”

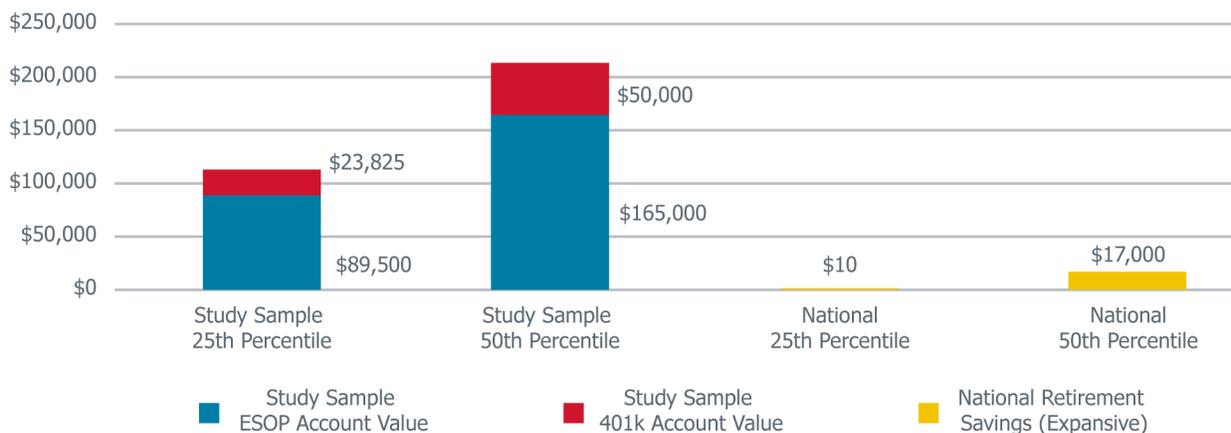
Another good example is provided by “Joe”, who is an African American man with a high school diploma and three young children. He has been at the company for 11 years, earns \$25/hr., and has \$180,000 ESOP value and \$40,000 in the 401(k). He says:

“When I started here I didn’t have much at all. I guess you can call it, I was a poor man. By today’s standards. I think I’m pretty well off right now, considering. I’ve come a long way. And ESOP has done good by me.”

Additionally, ESOP account values are not taxed while the employee is earning, nor are they considered in asset or income eligibility for federal or state tax or public benefits programs such as the tax credits (EITC), housing (Section 8), food (SNAP) and energy assistance (LIHEAP)³⁵. This enables access to more opportunities to preserve and build wealth and a more secure future.

The employees in our study have built extensive assets beyond nationally comparable employees. National data, taken from the 2016 Federal Reserve Survey of Consumer Finances and compiled by “Don’t Quit Your Day Job” (dqydj.com), uses an expansive definition of retirement savings, which includes traditional retirement vehicles, such as 401(k) and pension plans, as well as stocks, bonds, investment funds, savings accounts, and more. The national 25th percentile of savings was only \$10, while the 25th percentile of the low- to moderate-income employees in our sample with ESOPs was \$113,325*. The national median savings† of the total population was \$17,000, while that of our sample of low-to moderate-income employees in ESOPs was \$215,000 (Table 6). This puts the median of our sample in the 82nd percentile of national workers³⁶. The study sample, when compared to the national trends, provides evidence that employee ownership enhances the wealth of low- and moderate-income workers.

Table 6
ESOP and 401(k) Account Values of Interviewees
Compared to National Data



Retirement Security: All of the ESOP companies in the study offered 401(k) plans in addition to the ESOP. Some of these firms provided an employer match to the employee contribution, and some did not, which is the norm nationally.

Because they have an ESOP, many employees at the lower income levels can consider retirement, a concept not familiar to many from their own upbringing. As “Rosa”, a 30 year old Latina woman says, “Retirement. I never really heard of it too much at home.”

* Note, the 25th percentile is defined as the value that exceeds 25% of all values in the sample, and is less than 75% of the values in the sample

† Representing the worker in the exact middle of the values in the sample

Yet she reports that what she learned about retirement planning due to her ESOP helped her raise the issue among her own siblings, and created a desire for retirement savings across her extended family. Several employees who had been at her company for 15 or fewer years indicated that they had never worked for a company that provided any option to build retirement savings. The ESOP plus the 401(k) opportunity helped them “catch up” to their peers who had some of these options available earlier in their careers.

The ESOP account, in particular, reportedly made many of the women interviewed more economically secure for retirement. Across all companies studied, women who had never been married, were divorced or widowed, or did not have a second earner with retirement accounts report that the ESOP provided a way to gain greater future stability. “Kathy”, a white single mother in her 40’s who works as an executive assistant, says: “If I didn’t have the ESOP, I don’t know how much I would really have aside. I think I’d be more concerned about retiring.” Similarly, “Susan”, a divorced white woman in her 60’s who lives with her 95-year old mother, says: “The ESOP has made a difference for me. When I went through my divorce, I was very selfish and was like, ‘You don’t get any of my ESOP. I earned that.’ I earned it, I worked hard for it. It does make a difference because I’m counting on it when I retire.” “Laura” is also divorced, and is in her early 50’s. She has one son and no education past high school. She started as a clerical worker and is now a sales manager. For her, the ESOP means that she will have greater freedom after retirement: “I think it makes me look at the future different I just noticed a few conversations lately that people are saying, ‘Wow, when I retire I’m not going to be able to travel,’ and I’m thinking, ‘Wow, I’m going to be doing some cool stuff.’”

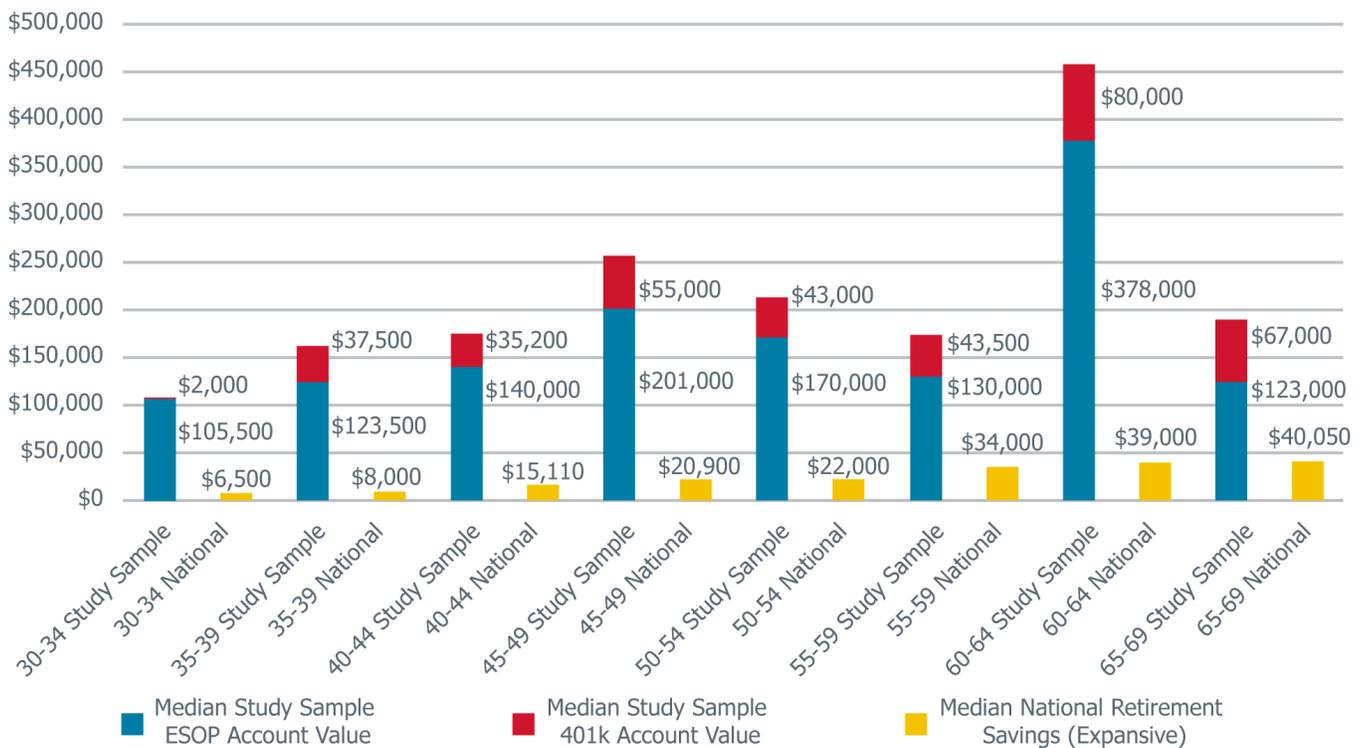
In every age range, the ESOP employees we studied earning less than the national household median income had greater wealth for retirement than did their counterparts in the nation, even when using an expansive definition of savings (Table 7)³⁷. The greatest difference can be seen in those who are closer to retirement in the 60-64 age range. The ESOP workers we interviewed in this income range have over 10 times the median savings of employees nationally.

Income and Profit Sharing: Overall, the employees interviewed believe that their incomes are competitive with local market rates. Wages are not seen as a benefit of the ESOP per se, although there seems to be awareness that many of the firms do a regular local market check to make sure they maintain market rate earnings for positions. In some cases, employees feel that longevity with the firm should have provided them with above market rate wages for lower skilled work, and on occasion they pressed for such wage increases with limited success. Some of the ESOPs also offer a profit sharing plan, delivered quarterly for some and annually for others. Employees report that they cannot count on the amount of their profit share, so they do not think of it as part of their base income. If and when it comes, it is simply considered an “extra”, although it is taxed as income, and they often have a bonus check that is based on profit sharing that comes at the end of the fiscal year. In the end, they have used these various forms of profit sharing for family outings, gifts, or to build cash savings accounts. For example, “Ramon”, a 50-year-old Latino machine operator with three children, says that

“Most of the money of the profit sharing goes to the . . .college saving account . . . When [my children] go to college, it was just a little money to pay, not much.”

Two particularly important findings emerge here about how financial assets are built and preserved. First, family budgets and resources are protected while raising children when ESOP values build without requiring income based contributions. ESOP accounts are not taxed, and do not count against any asset limits for social services for low-income employees who may be eligible. The second finding is that financial skills are learned due to individual employees investing time to understand the ESOP structure and participating in company information sharing, as well as working in a company that makes the information transparent and helps with financial literacy. This can improve opportunities for informed family financial planning and investments.

Table 7
ESOP and 401(k) Account Values of Interviewees
Compared to National Data, by Age



2. Expanding Workforce Capabilities

For many of those interviewed, being invested in the company broadened their capabilities in leadership, communications, skill and education, and more. These built their personal assets which could be leveraged for greater wealth, security, and stability.

Leadership Development and Communication Skills: The possibility of some participatory management driven through the ESOP model can help foster self-advocacy and advancement in the workplace. Leadership development can take a number of forms, but its overall asset building impact occurs when that training translates into asset building action and opportunities. “Loretta,” who has worked at the firm for over 20 years, describes herself as quiet when she first came to the firm. Through leadership and communications training she feels she has built confidence and a “voice.” She says, “I started here as a very shy person, would never really stand up for myself or anything like that. I think, working here, probably had a lot to do with helping me open up.” Loretta reports that at her firm, ownership requires participation in leadership training and leading meetings, and attendance at ESOP conferences as a representative from her company. These opportunities to be heard helped build her skills to express her views and advocate for herself, which she says have helped her at work and outside of work. We will return to Loretta when we discuss how this helped her advance. These leadership skills transferred to other employees’ personal lives as well. “Henry” participated in similar leadership training and learned public speaking by taking on different roles as an employee representative. He reflects on the broad impacts beyond the workplace. “I learned a lot that made it easier for me to participate outside of work: I felt more comfortable talking to my kids’ teachers, coaching for my kids’ baseball team and dealing with the other parents, and just being more comfortable in my neighborhood.”

Internal Mentorship and Career Coaching: Apart from formal degrees or certifications, the employees report that the ESOP helps develop skills and income through advancement on the job without cutting into family time. We heard repeatedly about three forms of workforce support. First, there is mentorship for building the skills that can lead to advancement, or simply when doing a job well is incentivized by a desire for everyone to be at the top of their game in the workplace in order to increase company performance and value. Second, advancement is frequently based on the development of skills, rather than on credentials. Many of the people we interviewed had advanced to higher income positions with greater responsibility without higher education. Being tied to a firm that takes a long view means greater attention to internal promotions. Finally, with changing external requirements in certain areas for employees with particular certifications or degrees, some firms made a commitment to advance employees in these areas in order to retain a dedicated workforce. The ownership component is important to note here. If employees leave the firm, they take their ESOP funds with them. Unplanned premature, pre-retirement payout of these resources can pose a financial challenge for companies. It is not loyalty to the employee, but rather a good business investment to keep employees with the firm.

Tuition for Formal Education and Training: Tuition that is paid for upfront, not through reimbursement, preserves family resources. “Loretta” says she regularly trained and mentored new employees, yet when a position was posted for a job she knew how to do, she was not eligible because she did not have a BA. She learned there were new

credentialing criteria for remaining competitive in the marketplace. However, the need was for quality assurance training, not a BA. As noted earlier, she felt she had a “voice” and could advocate for herself in this environment. In response to her advocacy, the firm offered a quality assurance certification program, and paid for that, the books and the exam. “Loretta” says:

“If there’s another quality job that opens up later on, which they’re thinking that there should be because we’re growing so fast here, then I can go for it and have a good chance of getting it. . . They arranged for the class for us. They’re paying for it. That, to me ... It’s like, ‘All right, well, they’re doing their part for me, so it’s up to me to do my part for them.’ I think it’s a give and take here. I think you give, but they give too.”

She says that without the earlier training, she never would have spoken up for this opportunity which will provide her with more income and increase her ESOP contribution value. It is also important here to note the language used. While it is an employee owned company, it is not a cooperative or a collective. There is a clear management structure, and employees in most of the firms we studied talk about management as “them” rather than as “us.” That said, job security appears quite strong, enabling this kind of internal staff advocacy and responsiveness.

Financial Education and Firm Financial Transparency: Education about finances, debt and balance sheets, savings, investments, returns, and profits (open book management at differing levels) all contribute to employees’ understanding of their companies, and how some of these issues translate into their own personal financial management. Various forms of open book management and financial training build skills and knowledge that are transferable to personal financial management, improving overall asset health. Employees learn about developing a balance sheet, which is useful for workplace advancement.

This knowledge helped many of them plan their own personal assets. Unlike the rest of the labor market which is trending in the opposite direction, these ESOP firms seem to be structured to promote longevity, investment, and future orientation. “Duane” reports, for example, that knowledge about the firm’s finances and planning provided information and a level of confidence about his own job security. This has helped him to make informed and sound investment decisions for himself and his family. He explains:

“Because we get financial information every month I had a pretty good idea all the time if my job was secure, because we had layoffs. But I always knew pretty much what was going on, and that made a big difference for the choices I was making for my family – you know, could we go on that vacation or did we have to save the money because I was gonna be out of a job? It made it so we could do more as a family with less worry”

Many interviewees say they thought more about personal financial planning because of the ESOP and their financial knowledge of firm resources, and this led them to talk to their children and extended families about financial planning, perhaps more than their peers would. However, a few say that the ESOP account value itself was something that they feel they cannot count on firmly, so it does not impact their current expenditures. Its impact on family lives was minimal until employees were at an age where they could begin to draw or borrow from it, or when they were approaching retirement age and began to feel secure about accessing their accounts. Several employees cite the ESOP and firm training efforts as stimulating their interest in financial planning and providing the tools to help them ensure a sound foundation for their families in their future. We heard from “Rosa”, who works in accounting, earlier. She had said that retirement was never discussed in her family. The information she gained through her firm helped her make the connection for herself and she was able to share it with her extended family. She says:

“There is six of us, two girls and three boys after me, so one of the things I have been telling my brothers is really invest in a 401(k). Not just that but if you do have an ESOP understand what that is ... And the good thing is that we’ve all talked about it and so we’ve all gotten the same where we want a retirement plan.”

3. Enabling Asset Preservation and Investments

ESOPs offer the opportunity for making intergenerational investments, creating opportunities for parents to help their children while still living, as well as potentially through inheritance of ESOP values if some resources remain after death. They are also a form of life insurance, as a few noted. If they should die before they retire, the ESOP value is transferred to their families. Several mentioned the sense of security this provided them. ESOP accounts can also be drawn upon to reduce debt or cover unexpected economic shocks, resources which are not income dependent.

Intergenerational Transfers of Asset Wealth: Among employees who reached the age or years of tenure at the firm when they became eligible to either borrow or draw upon their ESOP accounts, a number say this enabled them to spend on their families while still retaining resources for retirement security. They used ESOP accounts to pay for children’s college tuition, weddings, and down payments on a home. Others say that they are planning, once retired, to use the ESOP for these purposes. Many report that they will be secure in retirement and will not have to draw on their children’s resources for security and wellbeing, a financial situation many of them experienced with their own parents as they aged. Several of the interviewees talk about their hope that they will have some resources to pass on to their children or grandchildren when they die, a legacy of sorts. Parental ESOP wealth transfers to children while living increase young and adult children’s security, investments and next-generation opportunities. One such example is provided by “Janna”, a divorced 64-year-old African-American woman whose ESOP is valued at about \$1.3 million.

“I pulled money out [of the ESOP] over recent periods of time. Bought family land... that will be of assistance to [my family] when I retire. I used ... my ESOP helping family and as investments. My daughter became disabled and not able to work. The ESOP has helped me provide assistance to help her and my grandson.”

Since many of the ESOPs also have profit sharing as a way to share the company’s wealth prior to retirement, profit sharing can be an important element of the ESOP model. While a number of people used ESOP accounts to help their children through college, others used profit sharing in a strategic way. For example, “Donny” is a Latino male who gets profit sharing from his firm every three months, plus a December bonus. He describes their impact:

“I started saving to send my kids to college. They’re at the college now. Most of the money of the profit sharing goes to the...college saving account in [Bank xx], I put most. When they go the college, it was just a little money to pay, not much. When they finish college they don’t have to pay much, just a little. Just a little... for the oldest, I had \$17,000. For the second one was about \$11,000. I still have profit sharing for her [third child], we’re building up the profit sharing for her. She’s a freshman in the high school now, and she got only \$5,000. I’m not too worried about her because she’s so good, maybe is not going to need that money but she has it. You know what besides, it helped me a lot for the Quinceañera.”

ESOPs Help Employees Avoid Debt: A number of the ESOPs work to keep their employees as stable and productive as possible because they understand that stability improves performance and profits. As a result, some companies enable employees to borrow against their ESOP accounts after a period of employment, and others develop no-interest loan opportunities to help with economic challenges, and at times life investments such as education or home ownership. For “Louise”, a 57 -year-old African-American woman who has been at her company for 29 years and has very limited savings, being able to draw from her ESOP account provides a crucial safety net in case of emergencies: “I always like to have some emergency money. It’s scary to be living paycheck to paycheck. You’re always wondering what if something happens, like the car breaks down, you need something, you’ve gotta have some plumbing, anything can happen. So that’s what I had it for.” Stability is also critical for “Linda,” a white woman in her 50’s with a high school degree who has been in the ESOP for 24 years, earning \$22/hour with a \$266,000 ESOP account:

“My company was here for me and for others when there were hard times. Like when my mother was sick and I had to go to the hospital a lot and had some big extra expenses, they made me a small no-interest loan, and then it got paid back out of my paycheck. That really helped my family keep from going in debt with credit cards and all that. And, I borrowed from my account to help my daughter with college, so still paying back into that.”

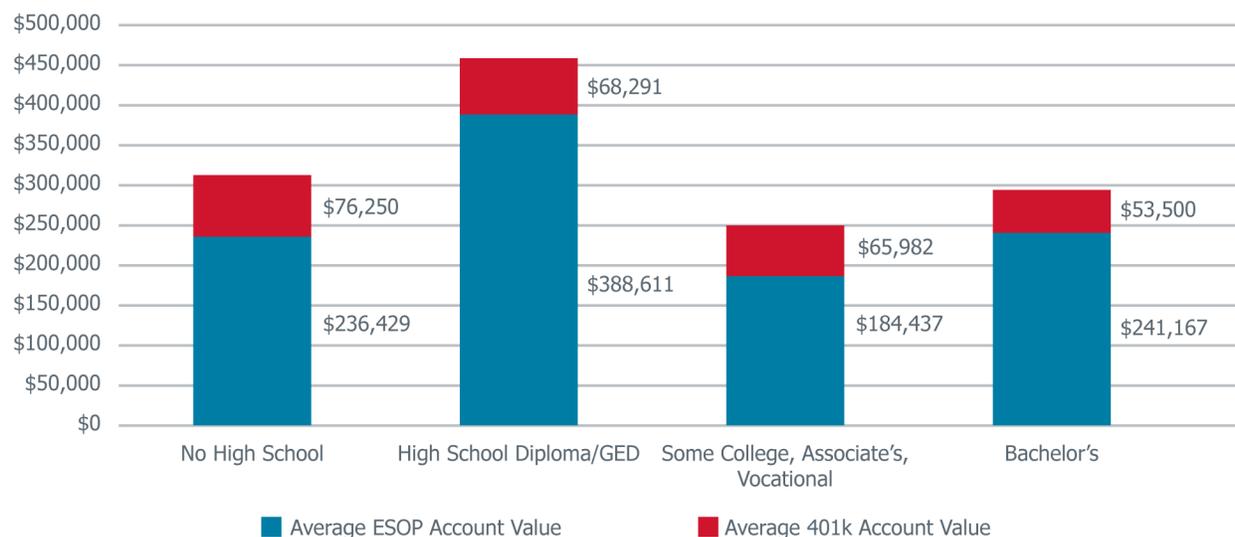
Similarly, many of the ESOP companies had a wellness committee and pay explicit attention to the safety of the workforce. Employees report that accident rates overall are low and healthy employees were seen to reduce health insurance costs, sick leave work breaks, and improve the firm's bottom line. At the same time, the health and wellbeing of the employees overall reduced their own costs for medical debt or income loss from absences. The risk of ESOP values dropping, or of an employee leaving and starting to withdraw funds, seems to encourage greater support of the employee and thus helps them avoid debt and support investment in their future. The absence of debt means that households can use their resources to leverage opportunity and maintain economic stability and security for themselves and their families.

Education and Training Lead to Advancement: The education and training on multiple levels led to opportunities for advancement. There is limited room for occupational advancement in many of the firms/ sectors where we interviewed, in part because there is significant employment stability and new employment opportunities often arise only with expansion or employee retirement. The ESOP companies often support education and training that employees, on occasion, leverage by seeking job opportunities elsewhere, trading off ESOP growth for income and position advancement. Some who left for new opportunities did return to the company when openings arose. Higher education, however, was not the only pathway to advancement. For "Joe", a 42-year-old HS graduate with \$400,000 in his ESOP account, his 23 years at the ESOP company have seen him advance through 4 positions. Currently training for a management position, the opportunities for advancement are extensive, as he says: "It's basically like an apprenticeship here... This job helped me to buy my first house and it increased in value and helped me to buy my second house." Similarly, "Delia," a 64-year-old African American woman, with 29 years tenure at the company is a good example of this. She moved within the firm from Clerk Typist to Administrative Assistant to Executive Assistant to Billing Manager to Senior Project Analyst. She finished her Associate's degree and obtained a Bachelor's degree, all while working at the company and with its support. Delia says:

"I have more focus and loyalty and really put a lot of effort into the work that I do here. I understand that the better I am...the better we will do at the end of the day, and that will translate into me having more stock, or having something to walk away with when it's all said and done."

Joe, Delia, and others interviewed were able to preserve their own personal asset wealth by having education and training paid for by the company, and were able to invest in themselves to enable advancements in income and skill that could be leveraged within or outside of the firm. When employees did not seek higher education, they were still able to see their ESOP value grow and could contribute to 401(k) accounts, building significant wealth (Table 8). In fact, those low-to moderate-earners in our study who have a high-school diploma or GED and those with no high-school diploma have saved more in their combined ESOP and 401(k) accounts than have those with Bachelor and Associate degrees.

Table 8
Average Assets of Interviewees by Education



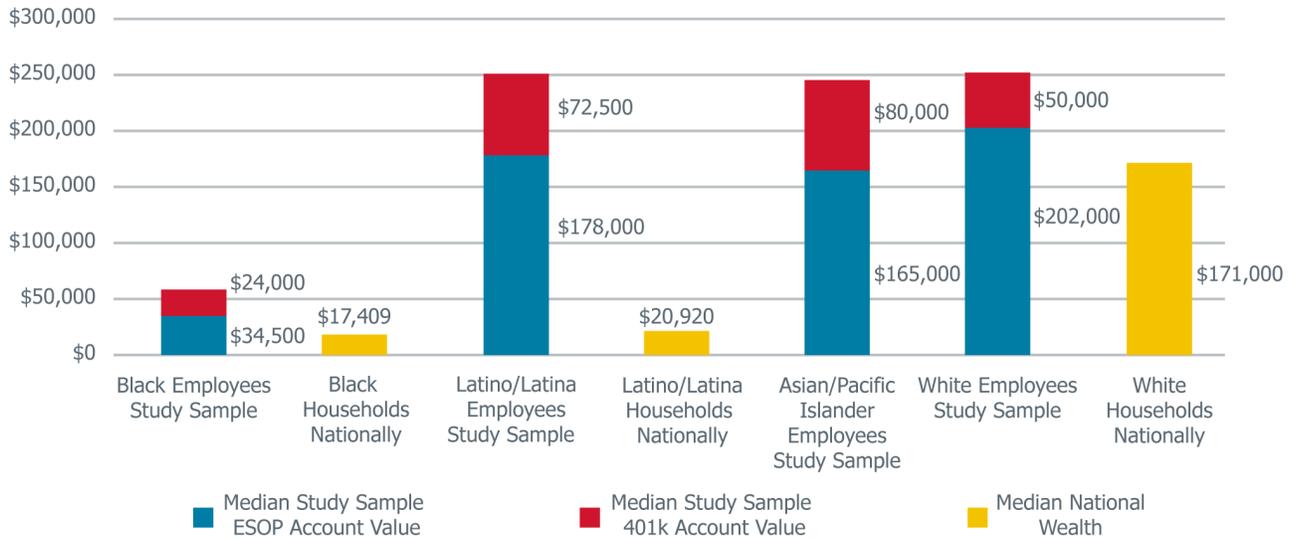
4. Increasing Access and Inclusion by Gender, Race, and Ethnicity

Two key drivers of differences in wealth ownership by gender and race are occupational segregation and wage gaps. About 40% of women workers are employed in female dominated jobs (jobs in which at least 75% of workers are women), and this is mirrored for male workers³⁸. Male-dominated occupations overwhelmingly pay more than female-dominated ones³⁹. On top of this, white men are overrepresented in jobs with the highest levels of authority, earnings, and job training⁴⁰ while black and Latina women are often concentrated in low-wage, low-prestige jobs that lack benefits⁴¹. Those who earn less have reduced capacity to save in general. For retirement savings specifically, even though women who are eligible for retirement accounts make contributions as often as men do, women accumulate less wealth due to their lower earnings^{42,43}. Against this backdrop of wage inequality and occupational segregation, the gendered wealth gap is further driven by the financial burdens of caregiving responsibilities and changes in household composition falling disproportionately on women⁴⁴.

Women and people of color in the ESOPs studied here are faring much better than women and people of color nationally in building wealth. This suggests that employee ownership is an important policy strategy that can reverse some of the national wealth gaps. While wealth gaps still exist among the employees in our sample, they are far less pronounced than in the general population (Table 9). In fact, the individual workers of color who we interviewed have savings that are much higher than that of households of color nationally. For example, the median wealth of Latinx ESOP employees in our sample is nearly 12 times the wealth of the national median for Latinx households. Black ESOP employees have approximately 3 times the wealth of Black households nationally (national data are unavailable for Asian/Pacific Islander households)⁴⁵.

Table 9

ESOP and 401(k) Account Values of Interviewees Earning Less Than the National Median Compared to National Wealth Data by Race and Ethnicity



Overall, black ESOP employees we interviewed have less tenure than their counterparts, and thus have not yet built large ESOP accounts and 401(k)s when compared to the white workforce. Additionally, the majority of the black women we interviewed work in medical service positions that do not offer high wage compensation, exacerbating this gap. This is symbolic of occupational segregation nationally, where low-to medium-skilled people of color are less likely to secure jobs in higher-income fields. Gender and racial diversity is relatively new within the ESOP companies where we interviewed. We found that this diversity has been expanding, mainly within the past 12 years. While it appears that racial, ethnic, and gender barriers to entry have lessened, questions about advancement remain. Nonetheless, we still saw significantly larger assets among the workers of color we interviewed when compared to national data. Two examples are noted here.

“Janay” is an African-American woman in her 50’s who has been with the company for 31 years, and with its conversion to ESOP 15 years ago she became an employee owner. She started at \$3.45/hour and is now a medical records scheduler at \$16.01/hour and feels her wage is “about right” for the rural area where she lives, despite wishing it were more. She has one child with no other earners in the family, has \$36,000 in her ESOP account, and also has a 401(k) but is not sure about its value. She owns a mobile home and has no mortgage. She owns a car with about \$700 debt for repairs, but has no other debt. She looks forward to being able to help her child with college expenses by using some of her ESOP funds.

Overall, we found that employees of color do not experience overt ethnic or racial disparities in the environment. “Jorge” is a Latino man who has less than a high school education, and has been at the company for 24 years. He makes \$23/hour and is married. He has approximately \$450,000 in his ESOP and does not know his 401(k) value. He feels he is very much part of the company and has a voice, despite differences that he acknowledges of education, ethnicity and race among his co-workers. The ownership factor gives him a more equal footing in the workplace. He says,

“Nobody here is gonna say we go home every night happy and dancing... It’s not like that. We still have our struggles here, we still have differences of opinions, I mean, it’s gonna happen. But at least in a job like this you’re allowed to speak your mind, say what you think, give them suggestions as to how to get through it...”

Yet others did say that while the ESOP account growth was structured in an equitable way among employees, issues of racial or ethnic barriers to advancement do exist in some of their companies. This suggests that the asset building effects of the ESOP account are important for those who secure jobs in employee owned companies, but the ownership structure is not, in itself, sufficient to ensure internal mobility opportunities or even job entry. This reflects national patterns in occupational segregation and discrimination.

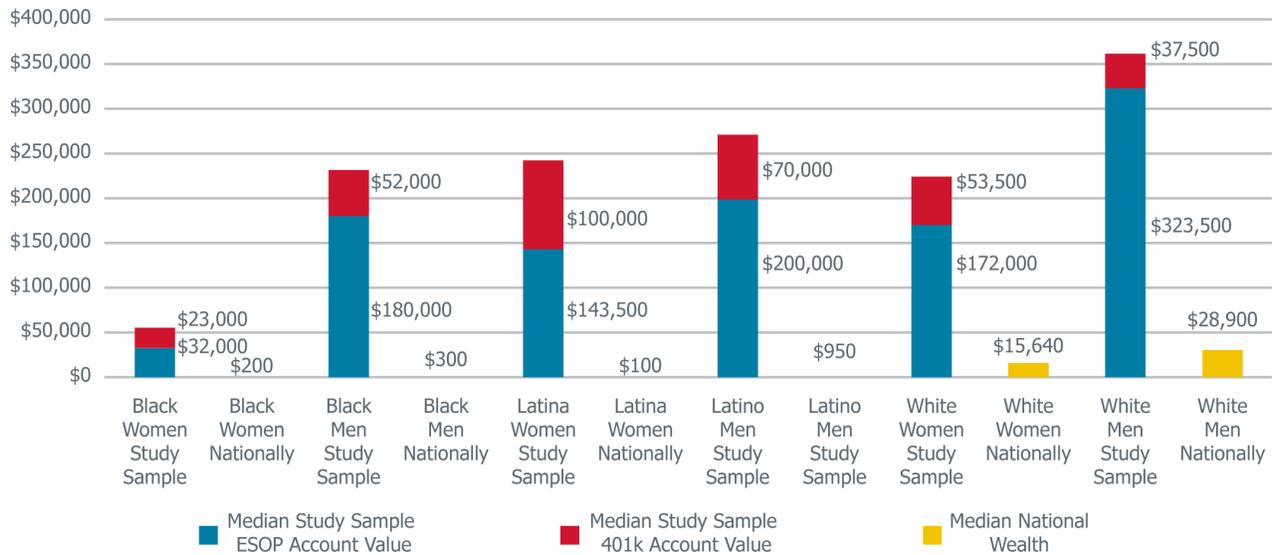
It is clear that both racial and gender disparities contribute to the wealth gaps experienced by the women of color we interviewed. We compared the wealth of the individual workers in our sample with that of the wealth of single women. This is an appropriate comparison because the data from our study are about individual workers’ 401(k) and ESOP accounts, thus comparing individual workers with individual workers.

As shown in Table 10, the individual earners we studied (who were not necessarily single) have much more wealth than single male and single female workers’ total wealth nationally. For instance, black women in our study had an average of over 275 times the wealth of black single women nationally⁴⁶. Still, in our study sample of ESOPs, black women have about one-fourth the average wealth of black men, white women, and Latinx employees. All of these groups of employees have lower assets than do white men in our low- to moderate-income sample when considering both ESOP and 401(k) accounts, although they have higher average assets than single white men in the national sample.



Table 10

ESOP and 401(k) Account Values of Interviewees Compared to National Wealth Data by Race, Ethnicity, and Gender



5. Improving Health and Well-being through Quality of Work Life and Balance

The overall impression from the study is that the combination of employee stock ownership, and the commitment that brings to the employees to make sure everyone is fit and able to do their best in the workplace, produces more emotionally and physically healthy employees. Many of the firms visited have health and wellness committees that have significant employee input and participation. A focus on good health can be considered an important asset building mechanism. Research shows that workplace experiences, especially those that cause stress, can directly affect employee and family health^{47, 48}. A number of interviewees explained how ESOP ownership decreased their stress, and how their company enhances their quality of work life and work-life balance. As described earlier, “Linda” says the company greatly relieved her stress when her mother was in the hospital by providing a no-interest loan to help with medical expenses, which kept her family from going into debt with credit cards. “Carol”, a machine operator who is married with grown children, describes how her job at the ESOP company is less stressful than her friends’ jobs at other companies:

“A lot of my friends spend their whole weekend complaining about work: It’s such a waste of time, a drain. [Being at an ESOP company] -It makes me a happier person in the house and with my family and friends. I just don’t have to have the same stress as others. I feel more secure with my job and can talk to them at work if there are problems.”

She says this security carried over to making her family “feel” and “be” more secure especially when she was raising her children.

Similarly, “Donna”, a divorced woman with adult children who is in her early 60s, says: “I feel more secure at an employee-owned company. [I] also feel that there is less conflict between employees...Management and co-workers care about me, not just as an employee, but as a person.” “Claire”, a divorced hospital aide with children in her early 40s, says that that the ESOP led to better workplace relations:

“Things changed when the company became employee-owned. There is more of a sense of community....People are hearing about the ESOP and choosing to come here because of it. I am much more secure than my family was when I was growing up, and I have tried to communicate to my kids the importance of finding security.”

Several employees emphasize that their companies are committed to promoting work-life balance. “Lainy”, a married white woman with children in her early 40s who works as a machine operator, says: “I didn’t expect to be here this long, you know what I’m saying?... Being here actually fit into my lifestyle....They work more with your family like if you need time off. They’re more flexible than some companies...”. “Rosa”, a Latina woman in her 40s who is married with two sons, directly says that she is a better parent because of her experience with employee ownership: “[The ESOP makes a difference] in thinking of my children, and how I think about my job, as opposed to how others think about their jobs...when I think of my sons, I know I am a bit better of a role model because of being an employee-owner.”

All of these positive quality of work life experiences translate into asset building in subtle but real ways. Assets of knowledge, modeling, and parental time and focus all contribute to the employee’s health and are a form of intergenerational wealth transfer to the next generation. Good health enables asset building by enabling focus, resources for investment, and the ability to sustain steady participation in work- thus securing a regular income and potential income increases over time and reducing the risk of debt.

In sum, the data from our study show that ESOPs can support the asset building of low- and moderate-income employees:

- Increasing retirement security when compared to national figures.
- Supporting development of leadership, mentoring, formal education, training, and financial skills.
- Leading to intergenerational wealth transfers, as income resources are spent on and invested in families while still building resources for retirement and possibly for inheritances.
- Reducing, although not eliminating, gender and race wealth inequality.
- Enhancing quality of work life and work-family balance, and lowering levels of stress, that can affect employee and family health and wellbeing.
- Improving overall economic and social stability and security.

IV. Translating Findings into Action for Asset Building: Stakeholder Roles

Assets are important because they increase economic security and enable new opportunities. For those workers in this study, ESOPs provide an opportunity to build wealth not available through income alone. The employment characteristics that build the assets of low- and moderate-income workers through ESOPs are not unlike those that support “good” or “quality” jobs, but with one important exception. Growing the financial wealth of employees through ownership is an essential ingredient to actual rather than potential asset building through work. Ownership ties together wealth building with business success, motivating employees to do well by ensuring the firm and the workforce do well.

This research demonstrates that employee ownership can be a wealth building tool that brings economic security, builds opportunities for intergenerational wealth transfers, and provides real asset returns from work which are not dependent on income gains alone. Structured employee ownership, delivered through an ESOP, is the source of asset building beyond what is generally characterized as good or quality jobs. While many of the opportunities that support asset building through ESOPs reflect the high standards of good or quality job practice^{49,50}, this research suggests asset building without the strategic and substantive tie to the ESOP account does not have the same transformative effects.

To be clear, across the businesses where we conducted interviews, there are substantial variations in the level of employee engagement in place due to the ESOP. Those with a high level of participation provide a good proof of concept. However, we also found that in many companies, employees are not particularly engaged in a wide range of activities even when available, nor do they always learn or understand fully the corporate financial information that is presented to them. Even in these less participatory firms, or in firms where significant numbers of employees do not actively engage in all that is available, there is sufficient evidence to conclude that ESOP ownership provides low- and moderate-income employees with significant opportunity to build financial asset wealth.

We learned a lot about strategies to increase the opportunity for ESOP companies to build assets of the workforce, and there is more to learn. A summary of key insights and possible suggestions follows, drawn from discussions about how to enhance the opportunities from ESOPs from the point of view of different stakeholders.

ESOP Structure

- **Structure and opportunities for leadership and communication development:** Encourage rotating ESOP committee activity, and include this in creation of job descriptions, hiring interviews, and new employee mentorship. Hold “town halls” and rotate employees helping to facilitate the meetings. This builds the confidence to grow and lead in jobs and to seek out new employment opportunities within and external to the firm.
- **Structure opportunities for informal and formal feedback about improving business operations and management:** Every other year consider inviting employees to submit a review of their direct management, senior leadership, and general management of the company. Incorporate findings into strategic plans to encourage direct contributions to the company’s core processes. On a more regular basis, encourage team and individual feedback discussions about work in order to make real-time adjustments. This ensures employees feel they have a stake in operations sufficient to make changes that affect the firm’s bottom line- improving their overall asset wealth.
- **Provide tuition support for both degree and non-degree courses:** Pay for these upfront and provide mentoring and support for success through the workplace. When needed, allow flexible scheduling to take classes or prepare for exams. This saves personal budget assets and builds human capital.
- **Consider creating a more progressive ESOP share structure so that lowest paid employees receive a larger percentage of income share of ESOP value each year consistent with pension law:** This is a way to overcome some of the wealth inequality gap that continues even with ESOPs when share value is tied to income or earnings.
- **Teach about the financial resources and planning of the firm and make linkages to personal family budgets:** This helps inform employees about the company while helping transfer the skills and knowledge to other contexts that may help with personal asset development.



Public Policies

A variety of federal, state, and local policies have been designed to encourage employee ownership.

- **The Main Street Employee Ownership Act** with bipartisan support was incorporated into the defense authorization bill signed into law in August 2018. This bill directs the Small Business Administration to support employee ownership in a variety of ways including loans, loan guarantees, and technical assistance. The bill was passed with an eye toward the large number of retiring “baby boomer” business owners who, over the next decade, may be interested in selling their companies to their employees⁵¹.
- **Preferred status certification** would allow women-owned, veteran-owned, minority-owned ESOP companies to not lose their preferred status certification because they are majority owned by an ESOP trust. Instead of viewing the trust as a legal entity and disqualifying an ESOP-owned company, certifying agencies could instead consider the identities of the ESOP participants in whose interest the trust owns those shares⁵².
- **State Centers** focused on advancing employee ownership should exist in each state. These are local, financially sustainable agencies that teach business owners about the value of employee ownership based on the model of the Pennsylvania Center for Employee Ownership, the Ohio Center for Employee Ownership, the Vermont Center for Employee Ownership, the Rutgers New Jersey/New York Center for Employee Ownership, and a growing list of other state centers. State centers provide resources and technical assistance to firms considering or adopting employee ownership. At the local level support for employee owned businesses targets job retention, enhancing community stability and local employee purchasing power⁵³.
- **Qualified Opportunity Zones’** fund investments could finance ESOP conversion opportunities as an inclusive economic development strategy. The Zone provisions, included in the Tax Cuts and Jobs Act of 2017, are designed to address place-based economic inequality by enabling investors to defer and reduce capital gains, but the law needs to be amended to make ESOPs possible⁵⁴.

Stakeholder Roles: Philanthropy, Academia, Private Investors, Organized Labor, and Communities

- **Philanthropy:** Large national, as well as local family and community philanthropies can play an important role in three ways. First, they can spread knowledge about ESOPs to employers and community players. They can make opportunities for ESOPs more broadly visible and understood within communities where there remain existing privately held companies, particularly in those communities where the firms employ significant numbers of women and/or people of color. Second, these groups might consider the development of an ESOP investment fund through

a combination of philanthropic actors, or through a program-related investment model of one sole philanthropy. The goal is to increase the ease and accessibility of ESOP conversions from retiring business owners that will improve the asset building opportunities of low- and moderate-income employees. Third, foundations can contribute to an education and training fund to help ESOPs structure the transition of their organizations in participatory ways, accelerating the asset building opportunities of the workforce⁵⁵.

- **Academia:** Both undergraduate and graduate business schools and MBA programs, and other academic programs and departments, could include courses and experiences related to shared capital practices of all kinds: ESOPs, Worker Cooperatives, Worker Trusts, and Profit Sharing plans. The Curriculum Library on Employee Ownership (cleo.rutgers.edu) has a wide range of resources designed to assist professors and instructors in teaching about employee ownership.
- **Private/ Social Impact Investors:** Private investors are vital to the creation of employee owned business. Investors and financial markets need to learn about the various types of employee ownership structures, including tax and legal rules that are significantly different from those of conventional corporate structures, in order to lower the costs of employee ownership transitions. Impact investors have a particularly important role to play in piloting employee ownership transactions to establish underwriting data and prove the viability of employee ownership transactions and investments to conventional investors. By being the first to jump in, impact investors can pave the way for significant growth in employee owned businesses by normalizing ESOP conversions. Financial service firms might consider creating ESOP bonds for investors to buy. The bonds could help provide capital to develop more ESOPs. A range of discussion in this arena is emerging⁵⁶. The Rutgers Institute for the Study of Employee Ownership and Profit Sharing sponsors an annual conference on Private Equity Transactions and Employee Share Ownership to document cases where private equity firms include employees in sharing the wealth.
- **Organized Labor:** Unions have traditionally been skeptical of employee ownership since it blurs the lines between management and workers, but a number of unions have become interested recently in the potential for employee ownership to enhance worker power and job security⁵⁷. The Rutgers Institute for the Study of Employee Ownership and Profit Sharing sponsors an annual conference on Unions and Worker Ownership.
- **Community Advocates:** Increasingly community players are involved in finding ways to stem the tide of industry loss in communities. The more they proactively approach business owners and educate residents about the opportunity ESOPs present, the more likely that asset building opportunities will be retained or grow in their community⁵⁸.

V. Next Steps and Key Questions

This work raises new questions that warrant further examination and greater visibility if we are to pursue new strategies and structures that build equity and the assets of all those who work – reducing racial, ethnic, gender, class and geographic wealth disparities. There is a depth of additional insights from these data yet to be mined. We will continue to analyze the interviews in order to examine some of the following questions:

- What more can we learn about how employee ownership benefits children in low-income families?
- Does employee ownership provide insight into ways that ownership improves wealth and opportunity for women overall and women of color in particular?
- What does employee ownership demonstrate about the importance of ownership in the pursuit of good quality decent jobs?
- How, if at all, do men of color benefit from employee ownership in ways that are unique?
- Does employee ownership have an impact on occupational segregation and discrimination and is it a mechanism to shift these social barriers?
- What can we learn from employee ownership about workforce education, training, and advancement for low-income earners?
- Are there any lessons about how the firms transitioned to becoming ESOP companies that are important to understanding the asset building opportunities for the employees and/or the productivity gains for the firm?
- In what ways does employee ownership benefit low- and moderate-income workers who are close to retirement?

It is our hope that by continuing to investigate these questions we can identify and specify business practices, stakeholder roles, and public policy investments that will elevate opportunities for work-based asset building. New structures of work and relations to the workplace do not preclude the opportunity for everyone to build wealth through work. Work should and can ensure economic and social stability, and greater opportunities and wellbeing for families, communities, states and the nation. We hope further research from this study about the role of ESOPs, along with the important work of others in these efforts, will serve to elevate and widely embed these findings into policies and practices, increasing the wealth and security of all those who work.

Research Dissemination – To Date

Presentations

Schur, L. (Rutgers University) Does Employee Ownership Benefit Low- and Moderate-Income Workers? IAFEP, University of Ljubljana, July 2018

Boguslaw, J. (Brandeis University) Employee Ownership and Child Well-Being: Preliminary Findings. Beyster Symposium, La Jolla CA June 2018

Boguslaw, J. “Shared Capital and Workforce Development: Revisiting Levers of Opportunity.” Session: Low- Wage and Low-Skilled Workers: Conceptualizing New Organizational Structures and Practices for Workforce Development and Wealth Building. Labor and Employment Relations Association (LERA) Annual Meeting, Baltimore, MD. June 2018

Boguslaw, J. Impacts of Employee Ownership for Women and their Families: Findings from the W.K. Kellogg Foundation Rutgers Study. 69th Annual Conference: Jobs, Opportunity, and Equality in the New World of Work. Labor and Employment Relations Association, Anaheim, CA. June 2017

Boguslaw, J. Do Shared Capital Workplaces Benefit Vulnerable Children? The Beyster Symposium, La Jolla, CA. June 2018. Available on youtube.com.

Kellogg Research Team. Impact of Employee Ownership on Modest Income Workers and Their Families. The Beyster Symposium. Beyster Foundation, Employee Ownership Foundation, Rutgers University School of Management and Labor Relations, La Jolla, CA. June 2017

Kellogg Research Team. The W.K. Kellogg Foundation Rutgers’ Study on the Working Middle Class and Employee Stock Ownership: Can Families Build Significant Asset Wealth? Kelso Symposium. New Brunswick, NJ. January 2017

Publications

Boguslaw, J. (2018) “Valuing Workers through Shared Capital Investments” Part 2 Chapter 7 (103-114) Vol. 2 Investing in Work in Investing in America’s Workforce: Improving Outcomes for Workers and Employers. S.Anderson, et. al. W.E. Upjohn Institute. Kalamazoo, MI . November

Berry, D. (2018) Employee “Ownership and Skill Development for Modest Income Workers and Women” Part 2 Chapter 10 (147-162). Vol. 2 Investing in Work in Investing in America’s Workforce: Improving Outcomes for Workers and Employers S.Anderson, et. al. W.E. Upjohn Institute. Kalamazoo, MI . November

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The Institute for the Study of Employee Ownership and Profit Sharing examines existing and emerging models of employee ownership and profit sharing in the corporation and society within the United States and around the world. The Institute studies approaches that broaden financial participation and inclusion in the economy and business organizations, and allow employees to be fully engaged and share in the rewards of their work. For more information of the Institute please see our website:

<https://smlr.rutgers.edu/content/institute-study-employee-ownership-and-profit-sharing>

