



## Having a Stake

### The Potential of Employee Share Ownership for Workers and Businesses

The Aspen Institute | Thursday, May 10, 2018

#### Background Information

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In today's discussion, panelists will consider how strategies that transform workers into owners have the potential to give working people a stake in our growing economy and include them in the nation's prosperity. With employee share ownership strategies, employees may hold a majority or a minority of shares as participants in an Employee Stock Ownership Plan (ESOP), be members of a worker cooperative, or have a meaningful stake in a public company or start-up through a variety of forms of equity participation. Below we present some background information to inform the discussion.

#### How many people are employed in companies with employee share ownership?

Employee ownership has a meaningful presence in the US economy. Based on recent data, 22.9 million employees, or 19.5% of all employees, owned some stock in their employer; and 8.5 million employees, or 7.2% of all employees, held stock options in their employer. Some employees participate in multiple employee share plans. It is worth noting that just over a third of employees participate in a profit sharing plan nationally although the size of the profit share is modest in most firms, and 54.3% of all employees in all corporations with stock are in an employee share ownership or profit sharing plan, or hold stock options, suggesting that the formats are widely known.<sup>3</sup>

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<sup>3</sup> For the Institute for the Study of Employee Ownership and Profit Sharing, see <https://smlr.rutgers.edu/content/institute-study-employee-ownership-and-profit-sharing> Based on the U.S. General Social Survey (GSS) administered to a national random sample of working adults by the National Opinion Research Center of the University of Chicago in 2014. See: <http://www.norc.org/Research/Projects/Pages/general-social-survey.aspx>. The GSS is funded every two years by the National Science Foundation with supplementary questions under contract by the Employee Ownership Foundation every four years. Capital shares have been measured every four years in the GSS since 2002. The current 2018 survey is now underway. These data are publicly available: <http://gss.norc.org/>. For detailed data tables see: <https://www.nceo.org/articles/widespread-employee-ownership-us>; and <https://www.nceo.org/assets/pdf/articles/GSS-2014-data.pdf>.

## What are the different forms of employee share ownership, and how do they work?

*Employee Stock Ownership Plans:* Employees in closely-held companies often own stock through an ESOP, which usually allows the company to finance the purchase of a majority or all of the shares of the company for employees with credit using federal tax incentives. Employees are typically granted the shares without having to buy them with wages or savings. Most ESOPs are the result of the sale of the stake of a retiring business owner to the employees of the firm using credit. Stock market companies also sponsor ESOPs typically owning under 5% of the stock. There are an estimated 6,359 ESOPs with more than 10.5 million employees in the US with about \$1.3 trillion in assets.<sup>4</sup>

*Employee Equity Grant or Purchase Plans:* Employees in companies traded on the stock exchanges tend to receive grants of stock such as restricted stock directly from their employers. They also participate in Employee Share Purchase Plans (ESPPs) that typically allow employees to purchase the stock at a 15% discount to market, or they can purchase company stock through 401k plans, often with company matches in stock. Direct purchases of shares without discounts can be very risky. A rough estimate is that 10 to 15 million employees participate in these forms of equity grants or purchases.

*Employee Stock Option Plans:* Employee stock options typically allow employees to purchase the stock for ten years at the purchase price on the day the options were granted, thus allowing employees to share in the upside of the stock's gain into the future. As noted, 8.5 million employees are in these financial participation plans, far more than the number of executives in America's stock market companies.

*Worker Cooperatives:* Employees in worker cooperatives typically establish the companies with worker savings and financing from other sources. Most worker cooperatives are founded as start-ups, but 2 in 10 are now the result of conversions from other previous business owners. These business transitions are currently on the rise as worker cooperatives establish themselves throughout the US economy in larger companies in a major expansion. There are currently an estimated 323 worker cooperatives with 6,033 employees in the United States with an estimated \$395 million in annual revenue.<sup>5</sup>

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<sup>4</sup> ESOP statistics are an analysis of the US Department of Labor Form 5500 Research File for 2014 by Douglas Kruse and Joseph Blasi. ESOPs were created under the Employee Retirement Income Security Act of 1974. For a brief overview of all share plans, see Joseph Blasi, Richard, Freeman, and Douglas Kruse, *The Citizen's Share* (New Haven: Yale University Press, 2014). For an overview of the Employee Stock Ownership Plan, see the National Center for Employee Ownership at [www.nceo.org](http://www.nceo.org)

<sup>5</sup> Precise data do not exist for each different type of financial participation plan, and numbers do not add up because many employees are in multiple share plans. The estimates for equity grant or purchase plans are based on data provided in 2018 interviews with several major financial services firms that manage equity compensation plans, adjusting for the US DOL statistics on ESOPs in the entire economy. For related data on employee share ownership plans and equity compensation plans in stock market companies and closely-held companies other than ESOPs and worker coops, see: <https://www.nceo.org/articles/statistical-profile-employee-ownership>. The membership organizations of corporations with equity compensation in stock market companies are: the Global Equity Organization (see: <https://www.globalequity.org/geol/>) and the National Association of Stock Plan Professionals (see: <https://www.naspp.com/>). On worker coops, see *Worker Cooperatives in the U.S.: 2015 State of the Sector*, by Tim Palmer, director of research, <https://institute.coop/worker-cooperatives-us-2015-state-sector>.

## What is the size of the financial stakes that workers can accumulate with employee share ownership?

The employees with the top quarter of generous employee ownership stakes have been able to accumulate significant wealth, as shown below. This group includes all the various forms of employee share plans. Employees in ESOPs in closely-held companies where the employees have generally bought out a retiring business owner have an average stake of \$134,114. The stakes are typically significantly higher for employees with more than 20 years of tenure.

### Mean Employee Share Wealth of Employee Owners



Sources: US General Social Survey and US Department of Labor Research File data, 2014; computed by D. Kruse and J. Blasi, Rutgers University Institute for the Study of Employee Ownership and Profit Sharing.

## In which industries is employee share ownership most commonly found?

The 2014 US General Social Survey paints a picture of who works in companies with employee share ownership. These data reveal that shares are common in both white-collar industries (such as finance/insurance and professional management services) and blue-collar industries (such as durable and nondurable manufacturing). Other evidence indicates employee share ownership is very common in high technology industries.<sup>6</sup>

Industry	% of all employees in this group with any employee share ownership	% of all employees in this group with employee stock options
Transportation/utilities/info	34.0%	17.3%
Durable manufacturing	32.7%	11.6%
Finance/insurance	31.0%	9.8%
Non-durable manufacturing	26.1%	11.6%
Professional and management services	18.7%	9.2%

<sup>6</sup> Based on the 2014 U.S. General Social Survey with analysis of the data by Douglas Kruse and Joseph Blasi. See: <http://gss.norc.org/>. For detailed data tables see: <https://www.nceo.org/articles/widespread-employee-ownership-us>; and <https://www.nceo.org/assets/pdf/articles/GSS-2014-data.pdf>. For a study of the 100 largest internet and high tech companies, see *In the Company of Owners* by Joseph R. Blasi, Douglas L. Kruse, and Aaron Bernstein (New York: Basic Books, 2003).

## Who are the employee owners in the United States?

The 2014 US General Social Survey paints a picture of who works in the employee ownership sector. These data reveal that employee share ownership includes employees of different occupations, affiliations, and earnings levels.<sup>7</sup>

Type of Employee	% of all employees in this group with any employee share ownership	% of all employees in this group with employee stock options
<b>Management-related*</b>	42.6%	30.9%
<b>Management</b>	30.2%	11.9%
<b>Clerical</b>	24.1%	8.9%
<b>Professional/technical</b>	19.1%	6.2%
<b>Blue collar</b>	17.9%	5.1%
<b>Sales</b>	16.1%	4.8%
<b>Service</b>	8.5%	2.2%
...		
<b>Not a union member</b>	18.9%	7.4%
<b>Union member</b>	20.8%	6.5%
...		
<b>Annual earnings &lt;\$15,000</b>	5.8%	2.1%
<b>Annual earnings \$15,000-\$30,000</b>	9.1%	2.1%
<b>Annual earnings \$30,000-\$50,000</b>	20.4%	7.3%
<b>Annual earnings \$50,000-\$75,000</b>	31.8%	10.1%
<b>Annual earnings \$75,000+</b>	44.3%	19.6%

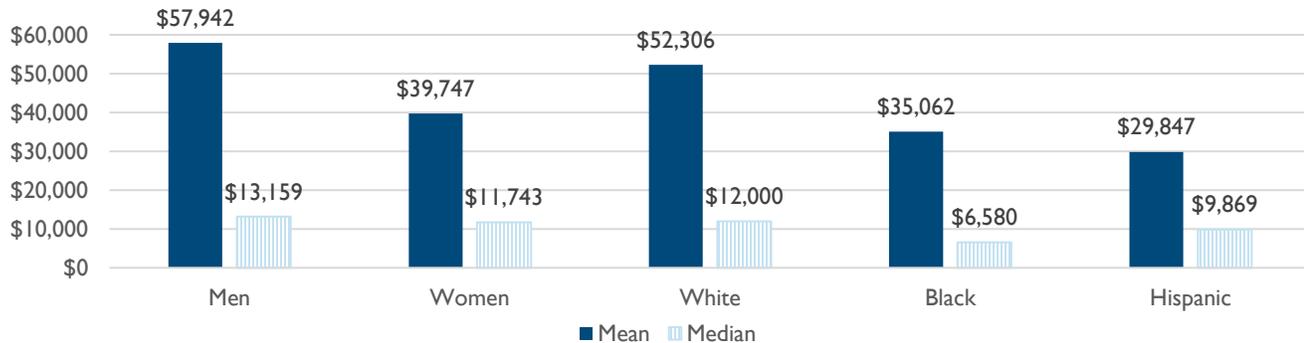
*\*Management-related employees in core management operations such as finance, human resource management, IT, laboratories, etc. Management employees are other managers and supervisors.*

<sup>7</sup> Based on the 2014 U.S. General Social Survey with analysis of the data by Douglas Kruse and Joseph Blasi. See: <http://gss.norc.org/>. For detailed data tables see: <https://www.nceo.org/articles/widespread-employee-ownership-us>; and <https://www.nceo.org/assets/pdf/articles/GSS-2014-data.pdf>.

## How do employee share ownership stakes compare by gender and race?

The 2002, 2006, 2010, and 2014 US General Social Surveys together paint a picture of employee share ownership by gender and race, as shown below. Separate data on worker coops indicate that the female and minority presence is quite extensive in worker cooperatives, although Blacks are the smallest group. Of those that work in worker cooperatives, 70% are female, 60% are non-White and Latino, and 11.9% are Black. An analysis of all counties nationwide indicates that employee share ownership is low in counties with high minority populations. Significant economic differences exist in the current wealth in employee share plans available to Blacks versus other demographic groups.<sup>8</sup>

### Mean and Median Employee Share Wealth of Employee Owners, by Gender, Race, and Ethnicity



## What is the history of public policy of employee share ownership and the policy levers?

America's Founders stressed the importance of extensive Federal support for broad-based property ownership. The Federal Government has provided a variety of tax incentives for all forms of employee share ownership for both corporations and individuals for over a century since the adoption of the Sixteenth Amendment to the US Constitution in 1913 allowing Federal individual and corporate income taxes. Some state-level tax incentives now exist and are under consideration in many other states. Municipal tax incentives are now being considered in some localities.<sup>9</sup>

Learn more about employee share ownership on our event page, [as.pn/esop](https://as.pn/esop).

The Economic Opportunities Program and Financial Security Program are grateful the Ford Foundation, The Prudential Foundation, the Walmart Foundation, and JPMorgan Chase & Co. for their support of this event, which is part of the Working in America series.

Working in America is an ongoing discussion series hosted by the Aspen Institute Economic Opportunities Program that highlights an array of critical issues affecting low- and moderate-income workers in the United States and ideas for improving and expanding economic opportunities for working people. For more information, visit [as.pn/workinginamerica](https://as.pn/workinginamerica).

<sup>8</sup> Based on the 2002, 2006, 2010, and 2014 U.S. General Social Surveys with analysis of the data by Douglas Kruse and Joseph Blasi. On worker coops, see *Worker Cooperatives in the U.S.: 2015 State of the Sector* by Tim Palmer, Director of Research, see <https://institute.coop/worker-cooperatives-us-2015-state-sector> For the national county analysis see, *Examining the Relationship of Employee Ownership to Local Economic Factors* by John Guzek (Chapel Hill, North Carolina: University of North Carolina at Chapel Hill, 2014).

<sup>9</sup> For a history of the Founders' views on broad-based property shares and US employee share plan policy, see *The Citizen's Share* by Joseph Blasi (Yale University Press, 2014).