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For More Information: Amy Gwiazdowski, 202/293-2971, amy@esopassociation.org

Research Indicates ESOPs Save Federal Government Billions Due to Fewer Layoffs

January 14, 2013 (Washington, DC) – Using data from the 2010 General Social Survey (GSS), an analysis by the National Center for Employee Ownership (NCEO), in partnership with the Employee Ownership Foundation, evidences that employee stock owned companies saved the federal government over \$23.2 billion in 2010, a year of high unemployment.

How? During the Great Recession of 2010, employees of employee stock owned companies were laid off at a rate more than 4 times less than employees of conventionally-owned companies.

“When a person has a job, she or he pays federal income taxes, Social Security taxes, Medicare taxes, and does not collect unemployment compensation,” said Employee Ownership Foundation President, J. Michael Keeling. “So, the fact that employee owners were more than likely to pay taxes, and not collect unemployment compensation, means Uncle Sam’s fiscal house would be so much better off if there was more employee ownership.”

The 2010 GSS showed that employee stock owned companies laid off employees at a rate of 2.6% in 2010, whereas the rate for conventionally-owned companies was 12.1%.

The NCEO analysis calculates that 18 million Americans worked for employee stock owned companies in 2010, with 11 million working in companies with employee stock ownership plans, or ESOPs. Savings from the low layoff rate of ESOP participants was \$13.7 billion in 2010, or almost 14 times more than the estimated \$1 billion a year tax expenditure attributed to the special laws promoting ESOP creation and operation.

“Hopefully our Federal decision makers, all preaching support for policies to create jobs, will take heed that the best jobs policies are those that keep the unemployment rate low, and a low unemployment rate is also the best deficit reduction policy, which is having more employee stock ownership,” Keeling concluded.

To view additional comments about the research, please visit The ESOP Association’s YouTube Channel <http://youtu.be/Eb9vaoHqzHg>.

The analysis was authored by former NCEO Executive Director, Corey Rosen, and reviewed by Dr. Douglas Kruse, a Rutgers University’s tenured professor at the School of Management and Labor Relations.

The Employee Ownership Foundation is The ESOP Association’s affiliated 501 (c)(3) organization dedicated to promoting employee ownership. More information: www.employeeownershipfoundation.org.

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The ESOP Association is the national trade association for companies with employee stock ownership plans (ESOPs) and the leading voice in America for employee ownership. The core cause of The ESOP Association is the belief that employee ownership will improve American competitiveness, increase productivity through greater employee participation, and strengthen our free enterprise economy. More information: website - www.esopassociation.org and blog – www.esopassociationblog.org.