



National ESOP Survey

# FULL ANALYSIS REPORT

**By RUTGERS INSTITUTE FOR THE STUDY OF EMPLOYEE OWNERSHIP AND PROFIT SHARING**

This study is funded by Louis O. Kelso Fellowships from  
Employee Ownership Foundation

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## Publication

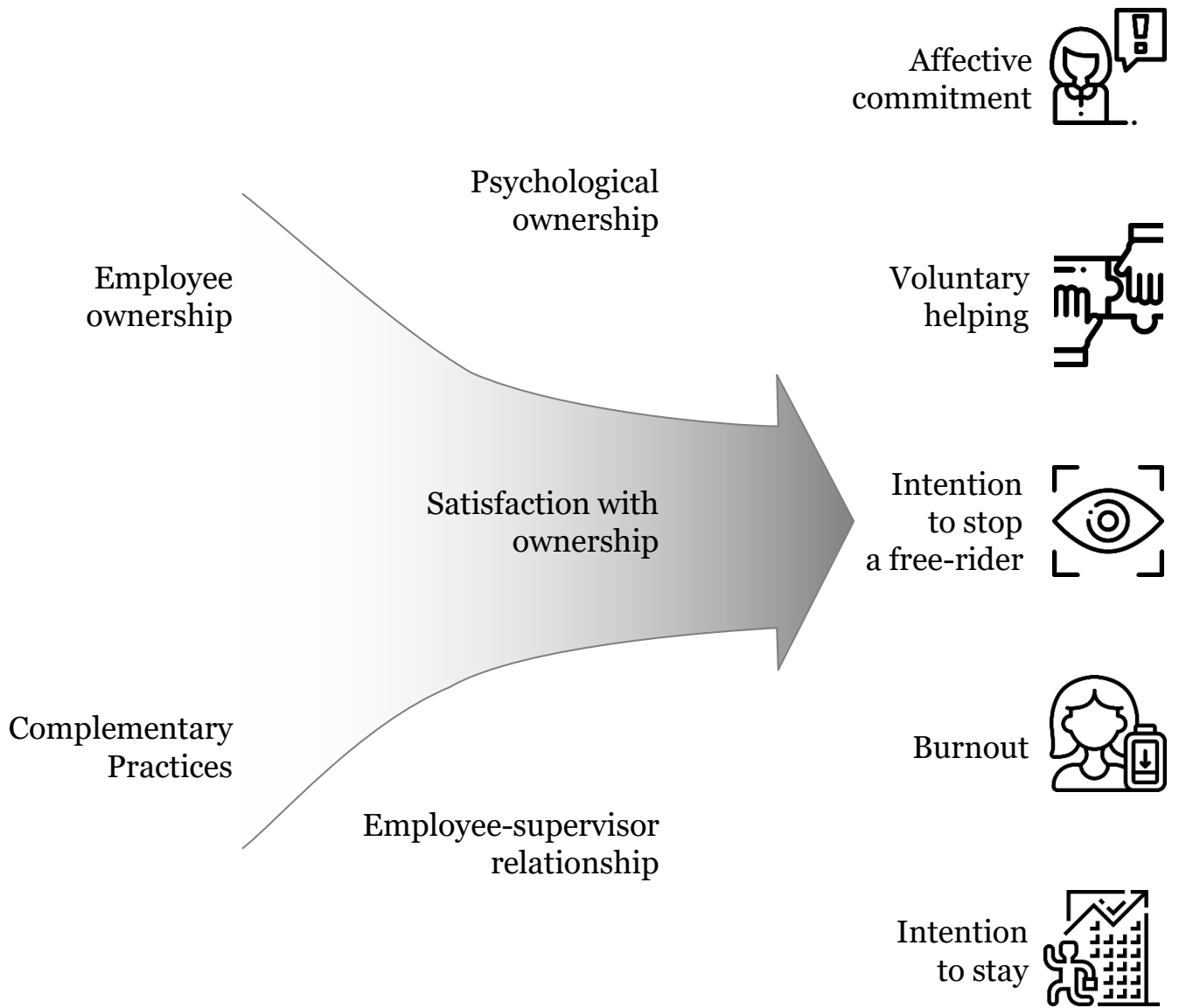
This research project is funded by Employee Ownership Foundation.

A team of researchers from Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University administered survey to nine companies with broad-based employee ownership in the United States from Oct. 2018 to Dec. 2019.

## Executive Summary

- Despite the wide variation in the amount of the stock share, profit sharing and gain sharing across individuals, these dollar values did not always show significant association with various attitudes and behaviors.
- We tested the effect of ESOP, profit sharing (PS), gain sharing (GS), other complimentary practices on important attitudinal and behavioral outcomes. These are: Affective commitment, helping or organizational citizenship behavior (OCB), intention to stop a free-rider, burnout, and intention to stay with the organization.
- The results of the analysis imply that what's most important is employees' satisfaction with the ESOP, and how employees feel about their ownership—whether they feel like they are the owners. But at the same time, as in conventional firms, the relationship with supervisors mattered. A combination of satisfaction with ESOP (from good communication), psychological ownership, good employee-supervisor relationship will produce the best outcomes.
- Clustering analysis identified two distinct groups of workers with significant differences in dollar value of employee ownership stake owned, profit and gain sharing, and several other important work attitudes. Understanding the variation among employee owners and compensating for the difference can lead to greater overall commitment and improved attitudes and behaviors among employees.
- Assessing and reorganizing company practices focusing on employee ownership satisfaction, psychological ownership, and employee-supervisor satisfaction can contribute to maximizing the benefit of employee ownership.
- Younger workers and workers with shorter tenures had significantly smaller ownership stakes and profit sharing and gain sharing values. These workers showed significant differences in several major work attitudes and require special attention.

# **ANALYSIS RESULTS**



**Predicting desirable key attitudes and behaviors**

Predicting affective commitment, helping behavior, intention to stop a free-rider, burnout, and intention to stay.

## PSYCHOLOGICAL OWNERSHIP

### **Psychological ownership—ownership thinking comes from various sources.**

- Psychological ownership is defined as a “state in which individuals feel as though the target of ownership (material or immaterial in nature) or a piece of it is theirs (Pierce et al., 1991).”
- The three roots of psychological ownership are:
  - Efficacy and effectance.
  - Self-identity (possessions serve as symbolic expressions of the self).
  - Having a place.
- Psychological ownership is typically generated through control of an object, close knowledge of the target, or investment of the self into the target (Pierce et al., 2001).

### **Psychological ownership is an important mechanism that links ownership to desired attitudes.**

- Psychological ownership results in a claim to the rights to information and to voice, increased responsibility, and it can lead to organizational change because employees will be positive to the changes that are self-initiated, evolutionary, and additive versus resistant to imposed, revolutionary, and subtractive changes (Pierce et al., 2001).
- The theory of psychological ownership provides an explanatory mechanism of how formal ownership and participation in decision making can contribute to positive employee attitudes and behavior.

## PSYCHOLOGICAL OWNERSHIP

**Psychological ownership carries the positive effects of EO onto various employee attitudes and behaviors.**

- Psychological ownership is closely related to the five attitudes and behaviors tested.
- Higher psychological ownership leads to greater commitment, intention to help coworkers and intervene with free-riding.
- Employees with greater psychological ownership are less likely to leave and experience burnout.

**Make sure to align HR practices to enhance efficacy, identity, and feeling of community.**

- What predicts psychological ownership?
  - Participation in making work-related decisions and satisfaction with workplace participation.
  - Eliminate the futility of speaking up.
  - How easy to see how hard coworkers work.
  - Age and Gender.
  - Satisfaction with EO and how EO is communicated.
  - Satisfaction with how the firm is managed.
  - If company procedures have been based on accurate information.
  - Pay raises based on job performance.



- ❑ To enhance psychological ownership, companies need to focus on:

- Providing optimal opportunities for employees to participate in making work-related decisions;
- Making sure employee suggestions and voices are heard;
- Communicate more clearly about company procedures of pay and supervision, and;
- Communicate clearly how the EO arrangements work.

## SATISFACTION WITH EMPLOYEE OWNERSHIP

### Satisfaction with EO leads to greater commitment, which in turn leads to positive individual/firm outcomes.

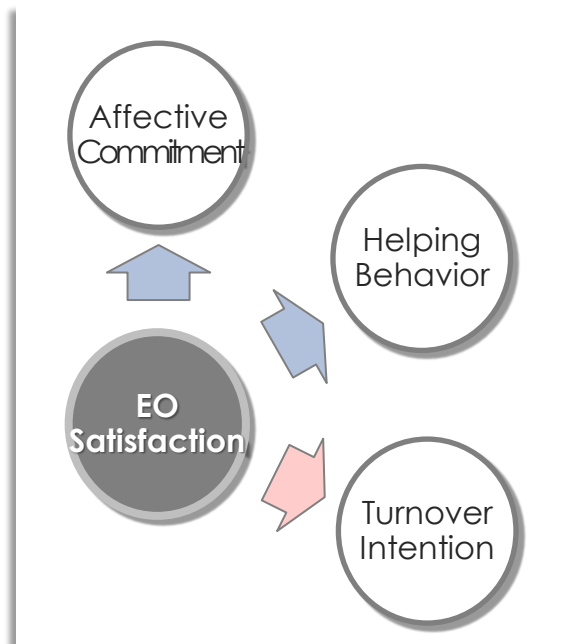
- The analysis found that satisfaction with EO is associated with higher commitment, greater willingness to help coworkers voluntarily, and the intention to stay longer with the company.
- Stock performance, pay equity, and influence on decision making are the main source of individual satisfaction with EO (Hallock, Salazar, & Venneman, 2004).

### Companies can boost EO satisfaction by focusing on the sources of satisfaction.

- From the analysis, we found additional sources of satisfaction with EO.
  - Employees' satisfaction with their opportunity to use abilities.
  - Satisfaction with how the firm is managed.
  - Pay satisfaction—satisfaction with chances for salary increases, and the feeling of being appreciated by the organization when thinking about pay.
  - Dollar amount of ownership stake.
  - Competitive pay compared to similar jobs in the region.
  - Low futility of speaking up.
  - Formal evaluation of employee performance at least once a year.
  - Promotion opportunity
  - Highly selective hiring.

#### ❑ To enhance EO satisfaction, companies need to focus on:

- Enhancing autonomy and making sure workers' inputs are heard, and;
- Establishing core high-performance work environments including formal individual performance evaluation, opportunities for promotion, and competitive pay.



## THE EMPLOYEE-SUPERVISOR RELATIONSHIP (LMX)

### LMX leads to greater commitment, intention to help coworkers, and intention to stay longer at the firm.

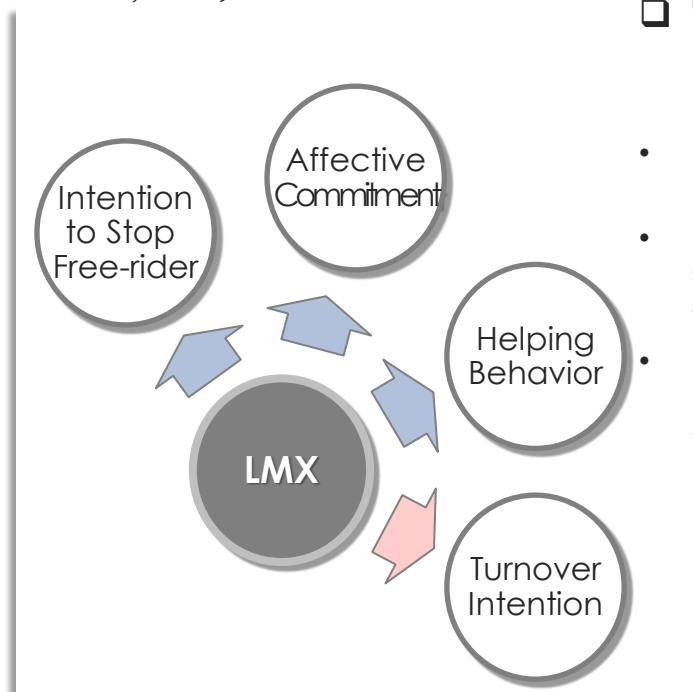
- Leader-member exchange (LMX) is a relationship-based theoretical approach that focuses on a dyadic relationship of an employee and the supervisor. LMX involves interdependent patterns of behavior, sharing of mutual outcome instrumentalities, and producing of conceptions of environments and value (Scandura, Graen, & Novak, 1986).
- LMX quality is linked to higher job and leader satisfaction, wellbeing, organizational commitment and citizenship behaviors (Hopper & Martin, 2008).

### Employee- supervisor relationships can be improved through fairness and feelings of efficacy.

- The analysis found that the employee-supervisor relationship is associated with higher commitment, greater willingness to intervene with free-riding and help coworkers voluntarily, and greater intention to stay.
- Better employee-supervisor relationships comes from various sources.
  - Perception of fair company procedures.
  - Low futility of speaking up.
  - Job satisfaction.
  - Information sharing.

### ❑ To improve the employee-supervisor relationship, companies need to focus on:

- Making sure employees feel that the organizational procedures are fair;
- Making sure the employees feel that the company listens to them when they speak up, and;
- Sharing information on the mechanism of EO and performance of the company stock.





## NEW INSIGHTS: CORPORATE SOCIAL RESPONSIBILITY (CSR)

### CSR perception leads to greater job satisfaction, commitment, and intention to help coworkers.

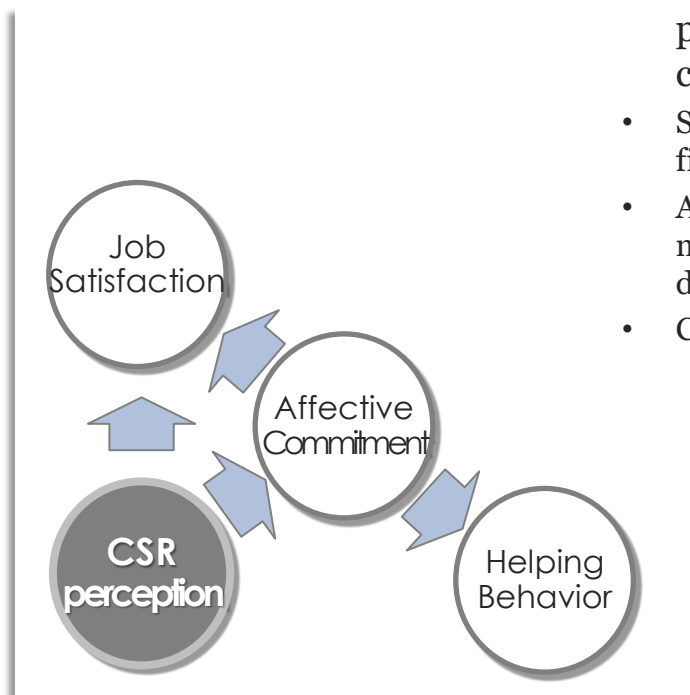
- Perception of corporate social responsibility (CSR) is employees' perception on how responsive their company is to environmental and social issues and proactive in philanthropic, ethical, and environmental activities.
- CSR has gained its importance in the past decades in relations to its influence on corporate reputation and marketing strategy.

### CSR not only affects company reputation but also has psychological impact on workers.

- CSR perception has positive relationship with job satisfaction and commitment. When employees feel that their company is socially and environmentally responsible, they can feel greater satisfaction with their job and be affectively more committed to their companies.
- Greater commitment leads to intention to help coworkers and the company voluntarily.

#### ❑ To improve your employees' perception of CSR activities, companies need to focus on:

- Sustaining employee satisfaction with firm management.
- Allowing employees to participate in making important work-related decisions, and;
- Communicating how an EO works.



# **DESCRIPTIVE SUMMARY/ CLUSTER ANALYSIS**

## Company and individual characteristics

Industry (#)	Transportation/Manufacturing	4
	Professional and technical services	5
ESOP	YES	8
	NO	1
Size	Range	27~5,818
	Total (average)	8,326 (925)
	Total sample (average)	2,945 (327)
	# response	1,252 (42.5%)
% ESOP own (8 companies)	Average	72.4%
	Range	30%~100%

### ESOP, 401(k), profit sharing, gain sharing, and individual bonus value by company size

Size	ESOP	401(k)	Profit sharing	Gain sharing	Individual bonus
1-100	\$22,400	\$56,900	\$2,690	\$1,410	\$3,320
100-1000	\$30,611	\$74,785	\$4,261	\$1,469	\$1,274
1000-	\$117,909	\$83,227	\$22,419	\$1,206	\$580

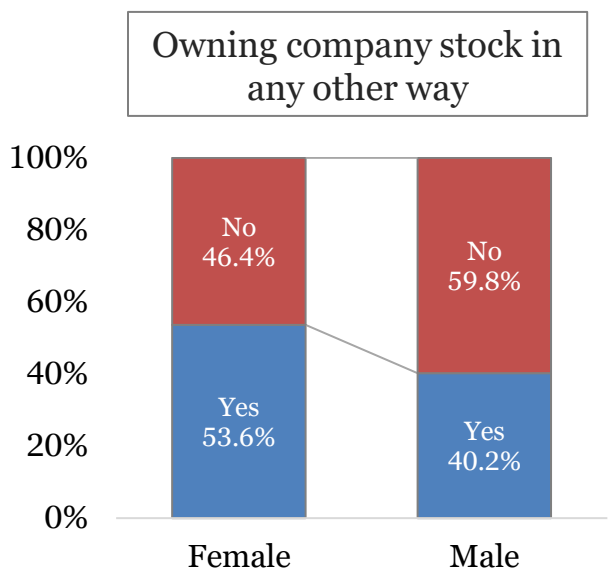
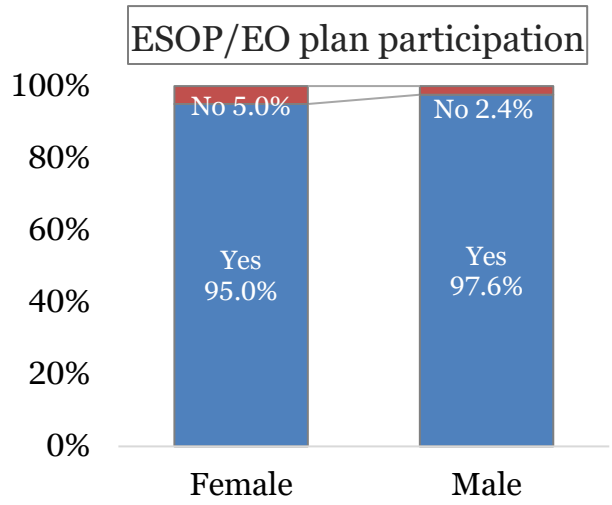
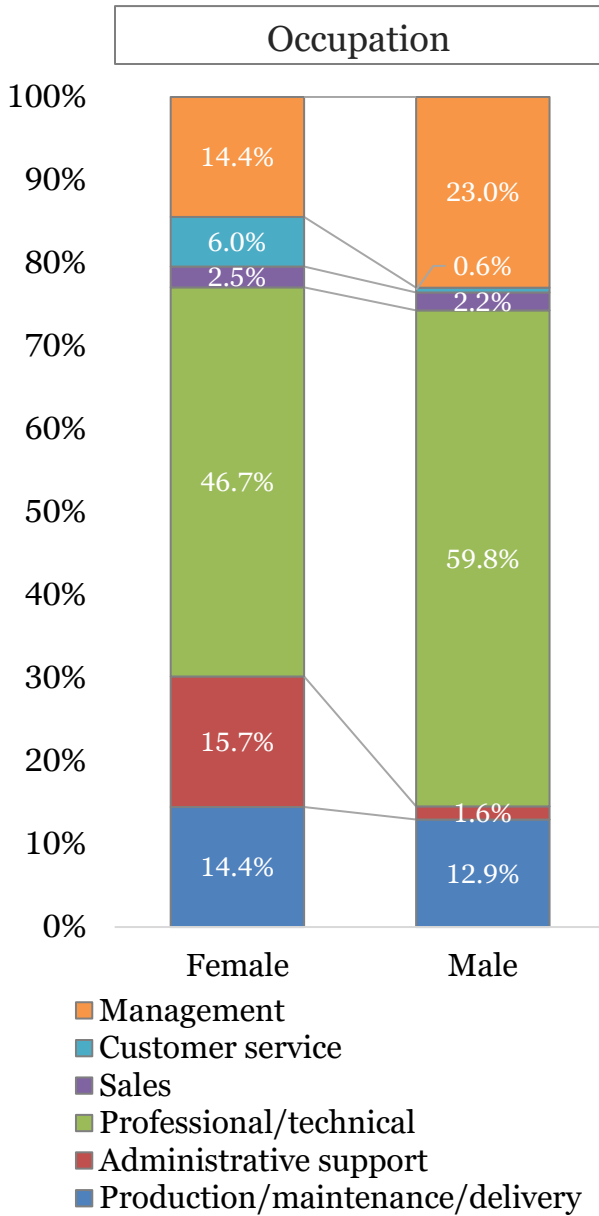
Approximately 3,000 individual workers representing 9 employee-owned companies were surveyed and 1,252 responses were collected. The response rate was 42.5%.

The size of the companies ranged from 27 to approximately 6,000. We randomly selected 20% of all workers for the company with 6,000 employees. The ownership stake owned by employees through an ESOPs in the 8 ESOPs ranged from 30% to 100%.

## Individual characteristics

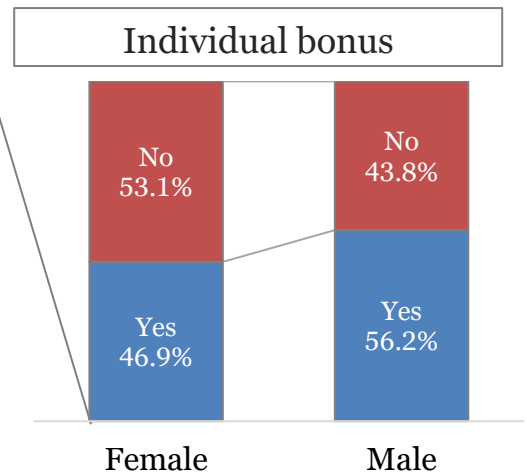
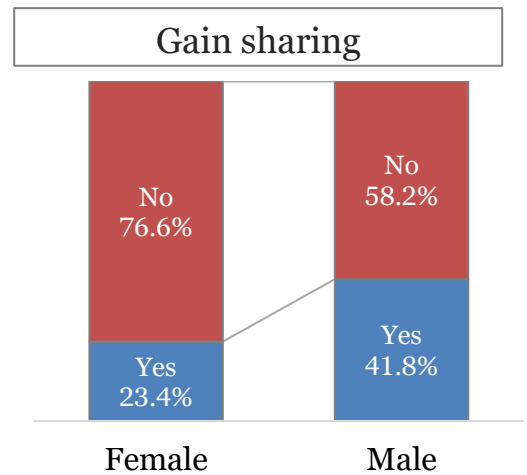
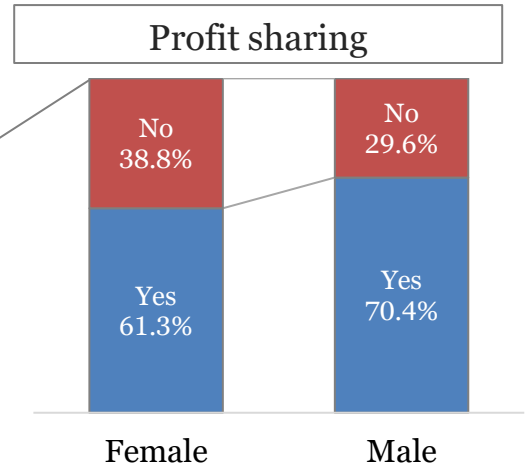
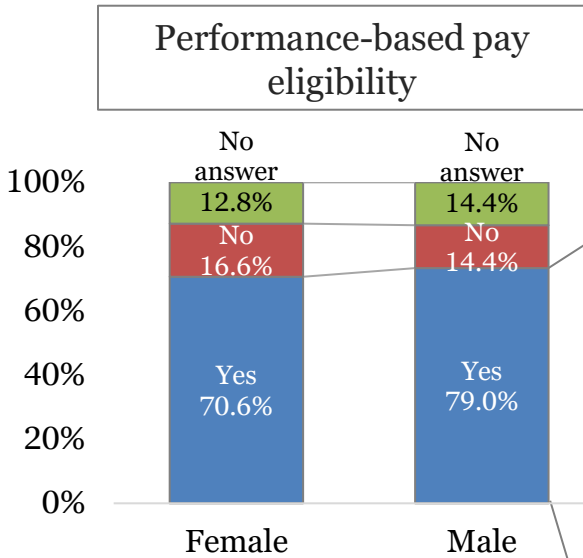
Age	Average	41.3
Gender	Male	68.5%
	Female	31.5%
Occupation	Production, maintenance, or delivery work	12.7%
	Administrative support staff	6.0%
	Professional/technical staff	57.6%
	Sales staff	2.6%
	Customer service staff	2.1%
	Management	18.9%
Tenure	0~1 year	17.9%
	2~4 years	23.8%
	5~9 years	26.7%
	10~19 years	22.4%
	20 or longer	9.3%
Participation in decision making	Yes	43.6%
	No	56.4%
Base pay before tax	Less than \$50,000	25.3%
	\$50,000~\$110,000	56.3%
	More than \$110,000	18.4%
ESOP participation	Yes	97.1%
	No	2.9%
ESOP value	Less than \$75,000	60.0%
	\$75,000~\$250,000	18.8%
	More than \$250,000	20.9%
401(k) participation	Yes	96.5%
	No	3.5%
401(k) value	Less than \$75,000	64.2%
	\$75,000~\$250,000	19.4%
	More than \$250,000	15.1%

# Demographic Breakdown Gender Differences



23% of men were managers, and 60% were professional or technical staff, whereas for women, only 14.4% were managers and 47% were professional or technical staff. More women workers (53.6%) owned company stock other than in the ESOP or in a company-provided program than men (40.2%). Men and women's EO participation rates were almost the same.

# Demographic Breakdown Gender Differences



In contrast to almost identical level of EO participation rate, females were less likely to be eligible for profit sharing, gain sharing, and individual performance-based bonuses.

Eligibility of women for performance-based pay of any type was 70.6% (men=79.0%), for profit sharing was 61.3% (men=70.4%), gain sharing was 23.4% (men=41.8%), and individual bonuses was 46.9% (men=56.2%). The result is consistent with fewer female managerial and professional workers among the surveyed workers.

# Demographic Breakdown

## Dollar amount of: EO, 401 (k), and bonuses



### ESOP, 401(k), profit sharing, gain sharing, and individual bonus value by age, gender, and tenure

Age	ESOP	401(k)	Profit sharing	Gain sharing	Individual bonus
20-29	\$23,640	\$27,978	\$9,152	\$662	\$275
30-39	\$93,897	\$86,447	\$20,105	\$1,526	\$864
40-49	\$157,360	\$127,500	\$29,294	\$1,701	\$2,797
50-59	\$145,096	\$134,339	\$23,627	\$1,865	\$1,409
60-69	\$165,867	\$146,667	\$20,953	\$3,253	\$560
<b>Gender</b>					
Male	\$127,130	\$107,978	\$23,667	\$1,593	\$860
Female	\$67,672	\$68,852	\$12,386	\$1,559	\$1,875
<b>Tenure</b>					
0-1 year	\$3,640	\$23,895	\$4,584	\$900	\$470
2-4 years	\$13,698	\$23,759	\$8,764	\$1,549	\$781
5-9 years	\$73,489	\$71,184	\$18,185	\$1,051	\$983
10-19 years	\$207,907	\$148,787	\$29,728	\$1,178	\$1,374
20+ years	\$242,813	\$214,777	\$28,906	\$2,839	\$1,781

If a worker is younger, has shorter tenure in an organization or is a woman, the dollar amount of ownership stake, 401(k) account, and performance based bonuses are likely to be significantly smaller than an older, male, or a worker who has longer tenure in the organization.

## CLUSTER ANALYSIS:

### Value of ownership stake, profit sharing, and gain sharing

<b>Cluster</b>	<b>Cluster 1</b>	<b>Cluster 2</b>
<b>Size</b>	85.6% (837)	14.4% (141)
<b>EO value</b>	\$24,384.71	\$337,588.65
<b>PS value</b>	\$4,807.65	\$60,773.05
<b>GS value</b>	\$163.68	\$5,514.18
<b>EO satisfaction</b>	47.26	52.46
<b>Age**</b>	38.79	46.40
<b>Pay***</b>	\$62,476.60	\$94,239.13
<b>Individual PFP***</b>	\$382.32	\$2,900.71
<b>Wealth</b>	\$143,772.40	\$387,163.12

- Cluster analysis is based on dollar value of ownership stake (or ESOP account), profit sharing, and gain sharing by dividing workers into groups that are compared to each other.
- Clustering of the nonmanagerial workers identified these two distinct groups of workers.
- The two groups showed significant differences in the value of ownership stake, profit sharing, and gain sharing.
- The top 14% of the workers had total value of ownership, profit sharing, and gain sharing as ten times much as the rest of the workers.
- The two groups showed significant differences in commitment, fairness perception, psychological ownership and intention to stay with the firm.
- However, the two groups did not show differences in intention to help coworkers, burnout, and job satisfaction, levels of work-decision involvement, and employee-supervisor relationships.
- Companies need to understand the differences between the two groups to improve e.g., surveying them more on their weaknesses and working harder to provide younger work with opportunities to participate at various levels.
- The big deficit in gainsharing, profit sharing value for the younger workers that may need reexamination.

\*\* Significant at  $p < 0.01$  level.

\*\*\* significant at  $p < .001$  level.



## Conclusion: Next Steps

### **The analysis raises new questions that warrant further examination—we will keep on analyzing the data.**

- This analysis raises new questions that warrant further examination. There is a depth of additional insights from these data yet to be mined. We will continue to analyze the data in individual standalone companies and as a part of the larger, multi-firm dataset of companies with broad-based employee ownership across the U.S. to examine some of the following questions:
  - ✓ How do employees from the 9 companies compare to the employees from other datasets, including nationally representative General Social Survey, in terms of major job attitudes?
  - ✓ How do employee ownership and other performance-based incentives interact and correlate with major job attitudes?
  - ✓ Are there any patterns in the results based on demographic characteristics—age, gender, tenure, etc.—or job characteristics?

### **Continuing analyses will provide insights for the participants and the employee ownership community.**

- It is our hope that by continuing to analyze the data and investigate these questions, we can identify implications that can contribute to the business strategies of the companies with broad-based employee ownership.
- This survey also includes questions that are used in the nationally representative General Social Survey (GSS), which enables us to compare some of the constructs in the current data to the data representing the national population.
- Comparison of the current data to the nationally representative data will allow us to further investigate the impact of employee ownership on individual work experiences, job attitudes, and behavioral outcomes, and will provide valuable insights for both participant companies and the broader community of businesses with employee ownership.

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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 of the United States and around the world. The Institute will study approaches that broaden financial participation and inclusion in the economy and business organizations, and allow employees to be fully engaged and share 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>

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