

# RESEARCH BRIEF

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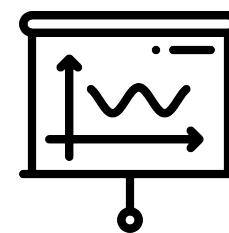
## Comparing the Previous Employment Experience of Current ESOP Employee-Owners

Question: How do pay and other benefits compare between ESOP and non-ESOP firms?

A recent survey of current ESOP workers asked them to compare their previous non-ESOP employment experience with the current ESOP employment on seven areas including compensation, benefits, and participation.

Employees who came from other companies to ESOP companies and were new to ESOPs had consistently higher assessments of their current ESOP job from their previous non-ESOP company job..

Higher assessments of the current ESOP employer are associated with lower intention to quit, satisfaction with the ESOP, a sense of psychological ownership, a sense that the organization is treating them fairly, and several other key attitudes.



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This report is based on the  
National ESOP Employee Survey  
administered by Rutgers in  
2019-2021 and supported by the  
Employee Ownership Foundation.

## What comparisons do current ESOP workers make with their previous workplace?

- Workers were asked to compare their current ESOP employer to their previous employer with the questions seen below about their total pay, job security, profit sharing, pension benefits, health insurance benefit, paid vacation benefit, and the opportunity to participate in making decisions.
- When workers had an ESOP at their previous employer, tenure at the previous employer did not influence the comparisons they made between their current ESOP and previous non-ESOP jobs.
- Adjusting for changes in employee tenure in companies, moving from a non-ESOP to an ESOP company was still associated with higher scores on all relative comparisons.

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When compared to your previous employment experience,

Question 1

- The TOTAL PAY of the current job is...

Question 2

- The JOB SECURITY of the current job is...

Question 3

- The PROFIT or GAIN SHARING pay of the current job is...

Question 4

- The PENSION benefit of the current job is...

Question 5

- The HEALTH INSURANCE benefit of the current job is...

Question 6

- The PAID VACATION benefit of the current job is...

Question 7

- The OPPORTUNITY TO PARTICIPATE in making decisions on department level or unit level issues of the current job is...

1=Substantially worse  
2=Worse  
3=Comparable  
4=Better  
5=Substantially better

Key Learning #1

## How do workers compare their current ESOP job to their previous employment experience?

- ❑ Most of the workers (85.6%) who had previous employment experience came from non-ESOP employers to ESOP employers.
- ❑ ESOP first timers gave more positive answers.
- ❑ Perceptions of the current new ESOP employer are very positive compared to the previous non-ESOP employer. Over 95% of workers also participate in the company's 401(k) plan in the current ESOP job.

The chart below shows how current ESOP workers rate their current ESOP job compared to their previous job, ranging from substantially worse to substantially better.

For all seven areas of comparison, workers from non-ESOP employers made a better assessment of the current ESOP employment. Workers who were previously employed by another ESOP employer made higher or comparable assessments.



- 1=Current ESOP job is substantially worse than previous job
- 2=Current ESOP job is worse than previous job
- 3=Current ESOP job is comparable to previous job
- 4=Current ESOP job is better than previous job
- 5=Current ESOP job is substantially better than previous job

Key Learning #2

## Comparison of the Current ESOP Job to Previous Employment and Other Attitudes

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The positive comparison of the current employer to the previous one was associated with better core attitudes.

- ❑ When employees reported their current ESOP employer was better than their previous non-ESOP one, this was associated with better core attitudes at their current ESOP employer, and the employees' intention to quit was lower, suggesting that perceptions of previous employment can influence attitudes at the current ESOP employer.
- ❑ For most attitudes, a previous employer with an ESOP was associated with a larger positive attitude than a previous employer without an ESOP.
- ❑ One notable exception was loyalty—Employees reported much greater loyalty to their current employer if their previous employer did not have an ESOP.

Positive attitudinal effects still hold after taking into account age, gender, education, race, and position in the company.

- ❑ A positive comparison of the current ESOP employment was associated with:
  - Lower turnover intention;
    - Employees are less likely to leave in near future.
  - Increased ESOP satisfaction;
  - Increased sense of ownership;
    - An important mechanism in understanding how ESOPs and other HR policies can influence employee attitudes.
  - Perception of fairness—both distributive and procedural fairness;
    - Employees perceive their ESOP company is more fair.
  - Increased intrinsic job satisfaction;
    - Employees enjoy their work.
  - Increased pay satisfaction;
  - Higher affective commitment, and;
  - Greater perception of the company being socially responsible.

## Conclusion

When we examined workers who moved from a recent employer to an ESOP employer, most of the workers (85.6%) who had previous employment experience came from non-ESOP employers. For all seven areas of comparison, workers from non-ESOP employers made better assessment of the current new ESOP employment. Workers who were previously employed by another ESOP employer had higher or comparable assessments.

When employees reported their current ESOP employer was better than their previous one, this was associated with better core attitudes at their current ESOP employer, and the employees' intention to quit was lower, suggesting that perceptions of previous employment can influence attitudes at the current employer.

Acknowledgement: This research would not have been possible without the participation of hundreds of ESOP company employees who devoted substantial time to answering an extensive employee survey. Thank you to the employees and the firms.

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## Suggestions for Further Reading

Wiefek, N. (2017, May 15). *Employee Ownership and Economic Well-being*. The National Center for Employee Ownership. <https://www.ownershipeconomy.org/>.