

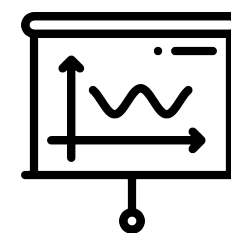
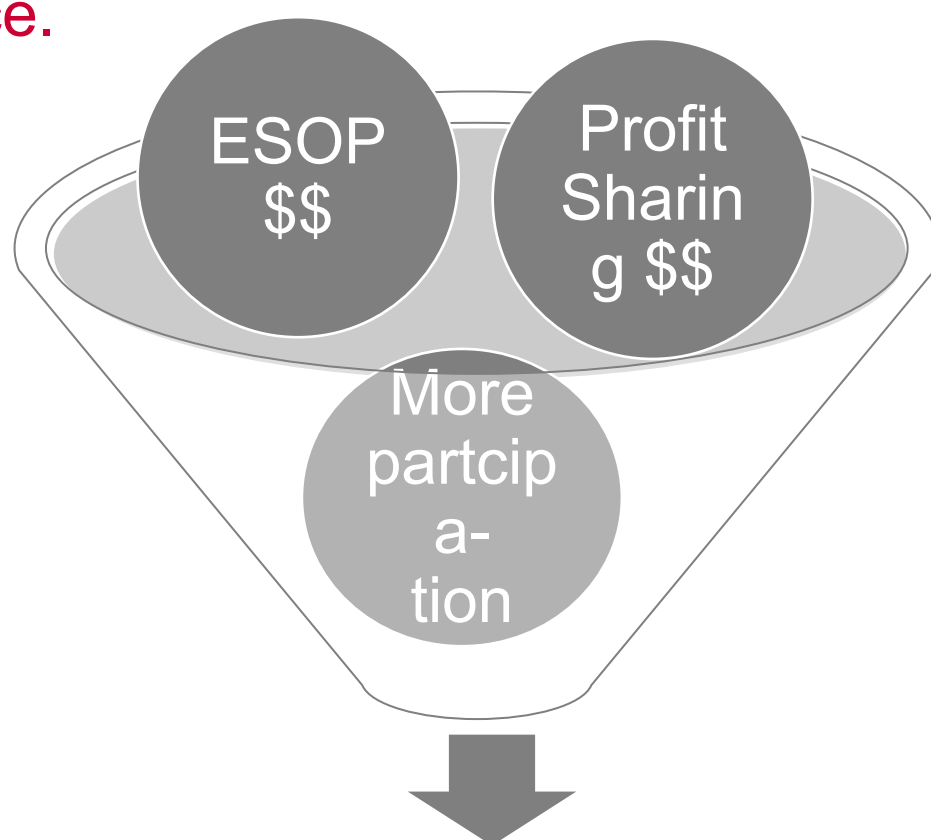
RESEARCH BRIEF

Institute for the Study of
Employee Ownership and Profit
Sharing

Younger Workers in ESOPs: What To Do?

Question: What leads younger workers to be more satisfied with their ESOP and have positive attitudes in the workplace?

Summary: We looked at younger workers who are in ESOPs and not in ESOPs. Greater profit sharing and ESOP values definitely matter for young ESOP workers. On top of this, more participation in decision making makes a difference.



Jungook Kim

Ph.D. Candidate, Rutgers
University School of Management
and Labor Relations, Louis O.
Kelso Fellow

Institute for the Study of Employee
Ownership and Profit Sharing

This report is based on the
National ESOP Survey
administered in 2019-2021 for
ESOP workers, and Amazon
Mechanical Turk Survey for
non-ESOP workers, supported by
the Employee Ownership
Foundation.



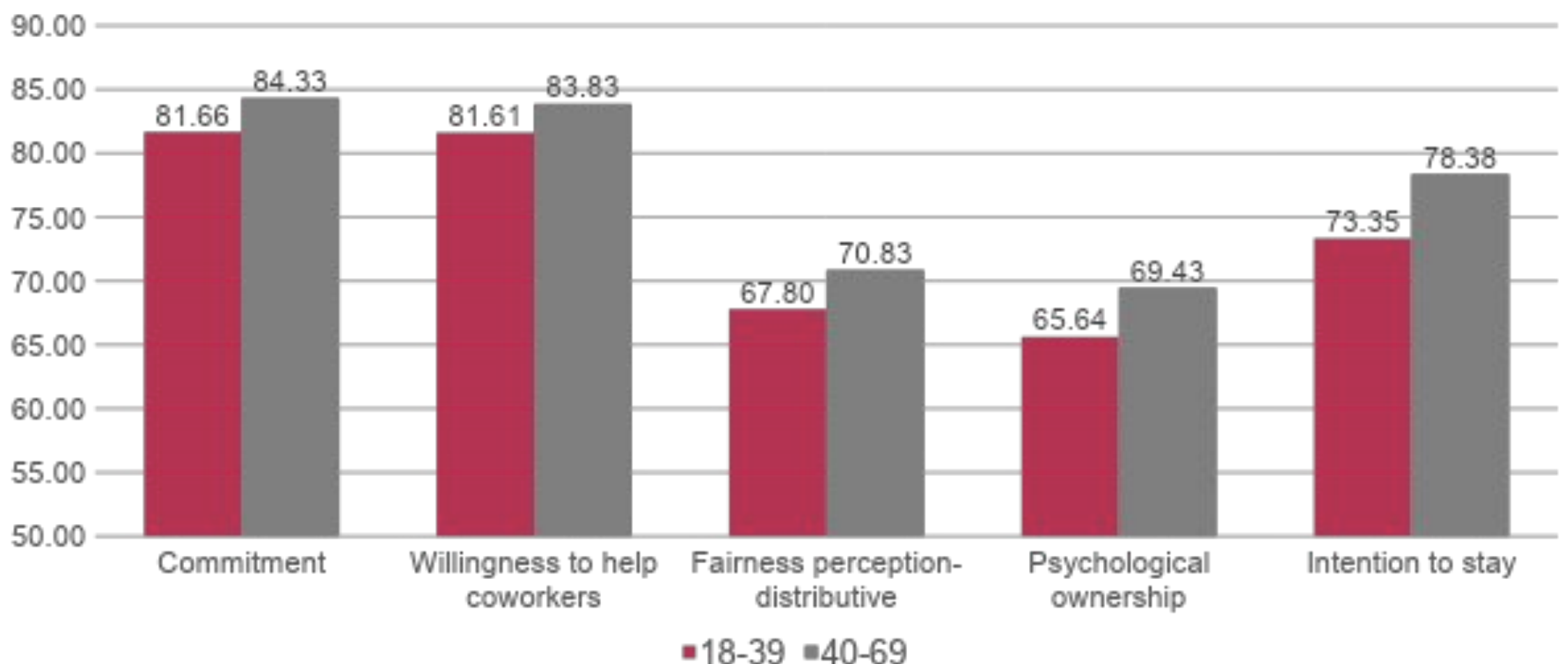
RUTGERS

School of Management
and Labor Relations



A key problem is that younger workers in general show relatively lower scores on a few selected attitudes. How does this play out in ESOPs?

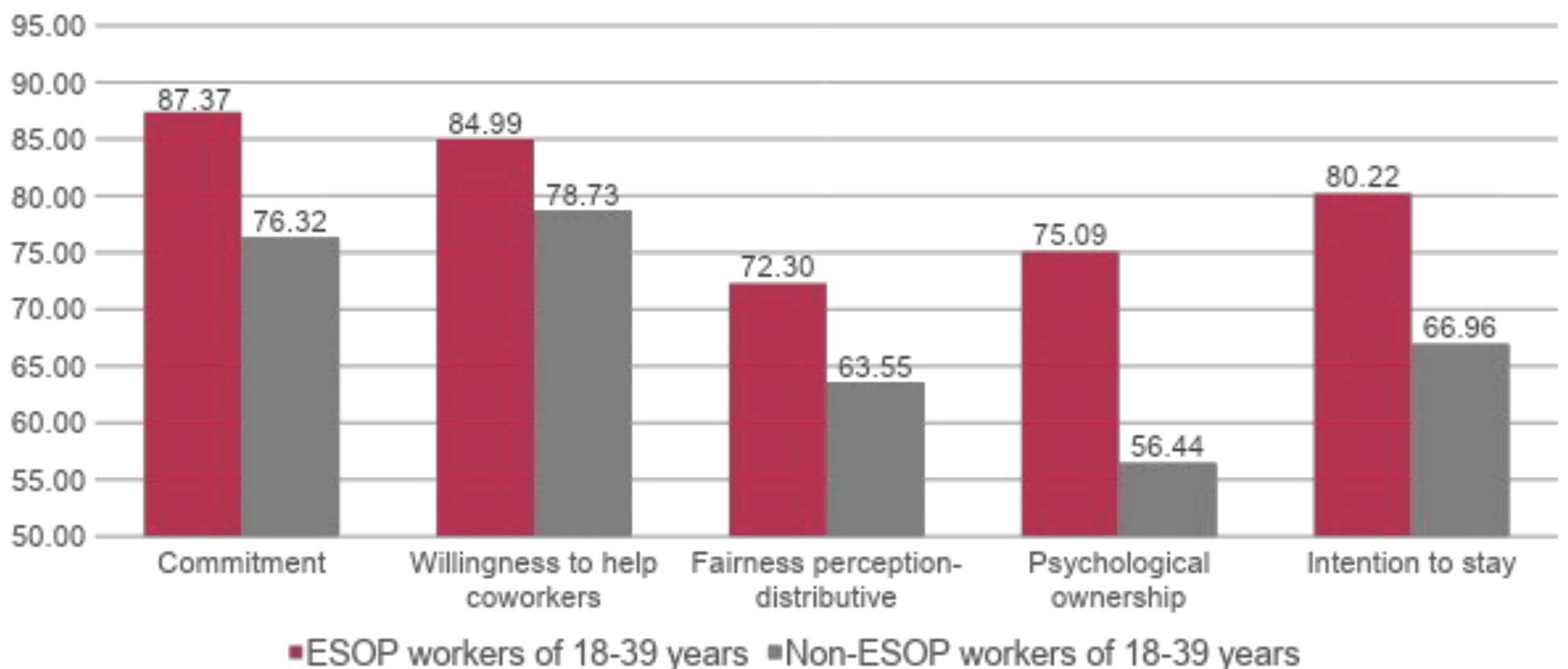
- We surveyed both ESOP and non-ESOP workers. The 18-39 age group shows lower scores on commitment, willingness to help, distributive justice perception, sense of ownership, and intention to stay, compared to the 40-69 age group for **both** ESOP and non-ESOP workers.
- The 18-39 age group also has lower levels of participation in decision making for **both** ESOP and non-ESOP workers.
- But in fact, this result was mostly driven by younger workers' relatively lower base pay, smaller profit sharing bonuses, and whether they were part of an ESOP or not.
- This research shows that there are clear steps that can be taken to improve the attitudes of younger workers in ESOPs. Let's examine these steps next.



The maximum score is 100.

For young workers, ESOP participation matters—young ESOP workers show significantly better attitude scores than young non-ESOP workers.

- ❑ In the 18-39 age group, ESOP workers showed significantly better scores on all attitudes surveyed than non-ESOP workers..
- ❑ Young ESOP workers showed significantly higher scores on commitment, willingness to help, distributive and procedural justice perceptions, sense of ownership, and intention to stay, compared to young non-ESOP workers.
- ❑ When adjusted for gender, race, education, managerial status, base pay, profit and gain-sharing, and individual bonuses, young workers with greater profit sharing value and ESOP participation showed significantly better attitudes.
- ❑ In short, being in an ESOP helps improve the attitudes of younger workers.



The maximum score is 100 .

Key Lesson

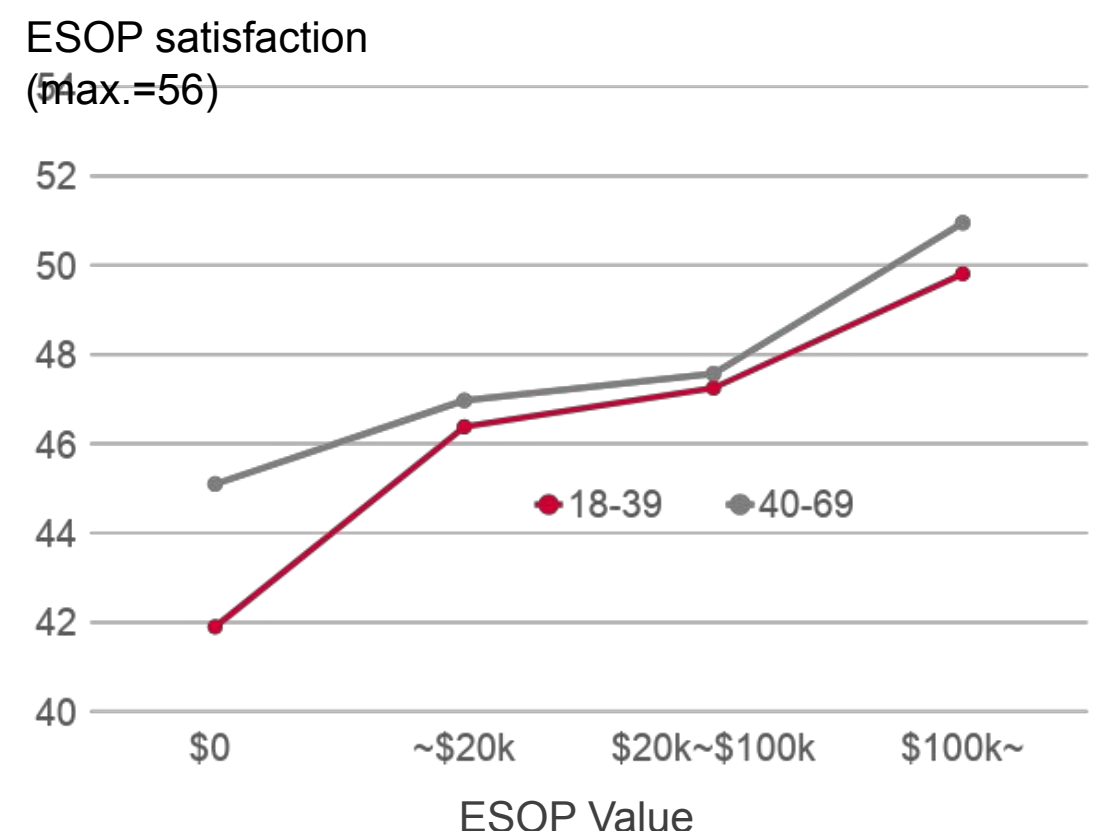
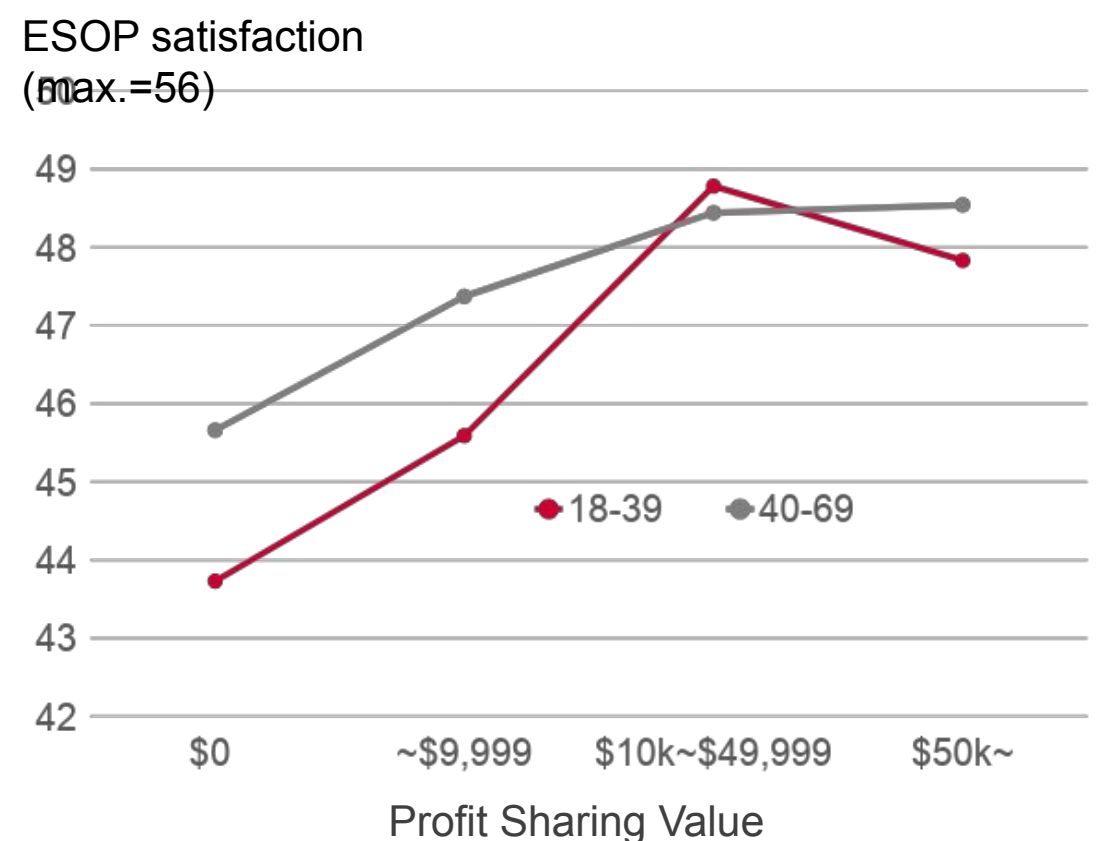
Young ESOP workers with larger financial stakes off all kinds show higher ESOP satisfaction.

- ❑ ESOP satisfaction is one of the strongest predictors of desirable attitudes in the ESOP workplace.
- ❑ When employees are satisfied with their ESOP, they show higher commitment, willingness to help others, sense of ownership, and intention to stay with their company.
- ❑ Employees also perceive their company is fair when they are satisfied with their ESOP.

Young ESOP workers with larger financial stakes simply have higher ESOP satisfaction.

With the greater value of stock they own, and a more generous profit sharing bonus, younger workers' satisfaction with their ESOP goes up.

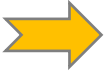
ESOP satisfaction is largely driven by the value of the stock owned through the ESOP and the profit sharing bonus in all age groups. Younger workers with greater ESOP and profit sharing values showed higher ESOP satisfaction than older workers with smaller values.



The data for this analysis include young ESOP workers between 18-39 years of age only.

Conclusions

- Younger workers, whether in an ESOP or not in an ESOP, in general, showed lower scores on several important workplace attitudes, including satisfaction with their ESOP.
- For ESOPs, this is in part because younger workers naturally tend to have smaller \$\$ amounts in their ESOP accounts. ESOP satisfaction is higher among young ESOP workers with greater profit sharing and greater ESOP dollar values.
- When younger workers can participate more in decision making in the workplace and when they have higher ESOP satisfaction, they showed better scores on other workplace attitudes.



Therefore, generous short-term profit sharing bonuses can help reverse the negative effect that small ESOP \$\$ amounts have on young ESOP employees' satisfaction with their ESOPs. This, in turn, in combination with more opportunities to participate in decision making, can help enhance their attitudes in the workplace.



RUTGERS

School of Management
and Labor Relations



**EMPLOYEE
OWNERSHIP
FOUNDATION**