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ESOP UPDATE

Information about your Employee Stock Ownership Plan (ESOP)

ESOPs are just . . . better

Your employer is part of a unique group of companies in the U.S. that share ownership with employees through an Employee Stock Ownership Plan (ESOP). About 7,000 companies have ESOPs. They are a diverse group serving nearly all sectors of the economy — from professional services, distribution, and manufacturing to retail and construction. ESOPs come in all sizes: from very large publicly traded companies (8% of all ESOPs) to smaller private companies with less than 100 employees (56% of all ESOPs.) ESOP-owned firms represent a wide variety of companies and as a group they also include some of the best companies in America.

The facts below illustrate how ESOP companies tend to be better in terms of both performance and outcomes for employees.

Faster growth. Businesses that have an ESOP tend to grow faster in sales and employment than others in the same industry.

More retirement. Participants in companies with an ESOP are likely to have 2.2 times as much in company-paid retirement as employees in non-ESOP firms.

Slower to lay off. Employees in an ESOP are 1/3 to 1/4 less likely to be laid off during an economic downturn. This is good for employees and good for local economies in which these companies operate.

Advantages well before retirement. Even for employees who are decades away from retirement, working for a company with an ESOP seems to have advantages. A recent study found that workers between the ages of 28-34 years old tended to enjoy higher income levels, better benefits, and more job stability when they worked at a company with an ESOP compared to working for a conventionally owned business.

Data compiled by the National Center for Employee Ownership (NCEO), Department of Labor plan filings; PlanSponsor magazine employer survey; Employee Benefit Research Institute, and the General Social Survey.