

ESOPs in Rural Areas

Douglas Kruse, Joseph Blasi, and Jack Moriarty, April 2024

Introduction

In this fact sheet, we provide some updated statistics regarding ESOPs in rural counties with a focus on closely-held corporations where rural ESOPs are most prevalent. These estimates are based on the U.S. Department of Agriculture's rural areas that are eligible for rural business services from the Department of Agriculture.

The Bottom Line

ESOPs in rural areas eligible for U.S. Department of Agriculture Business Services¹ represent 28% of all ESOPs nationally, 12% of all active ESOP employees, 12% of all retired ESOP employees, and 10% of all ESOP assets.

- Total number of rural area ESOPs: 1,622 ESOP corporations.
- Total active ESOP employees: 289,319 employees.
- Total retired employees still receiving ESOP benefits: 122,409 employees.
- Total value of rural county ESOP assets: \$54 billion.

Wealth Accumulation in Rural Area ESOPs

- Average wealth accumulation per employee in all industries: \$155,329 per employee.
- Industries where these rural ESOPs are most common: manufacturing, finance/insurance/real estate, construction, professional/scientific/technical services, other services, and wholesale trade.
- Average wealth accumulation per employee in manufacturing firms: \$275,250 per employee.
- Average wealth accumulation per employee in finance/insurance/real estate: \$107,249 per employee.
- Average wealth accumulation per employee in construction firms: \$122,300 per employee.
- Average wealth accumulation per employee in professional/scientific/technical service firms: \$111,334 per employee.
- Average wealth accumulation per employee in other services: \$65,414 per employee.
- Average wealth accumulation per employee in agricultural firms: \$198,316 per employee.

Size of the Companies

- Less than 50 employee participants: 701 corporations.
- 50-99 employee participants: 379 corporations.
- 100-999 employee participants: 504 corporations.
- More than 1000 employee participants: 38 corporations.

Different Measurements of Rural Areas

ESOPs in rural areas represent 16% of all ESOPs nationally, 6% of all active ESOP employees, 6% of all retired ESOP employees, and 4% of all ESOP assets in rural areas measured in Rural-Urban Commuting Areas (RUCA) used by the Economic Research Service of the U.S. Department of Agriculture. The average active ESOP employee has \$126,657 in wealth accumulation.²

ESOPs in rural counties with more than 50% of the population in rural areas as measured by the Census Bureau represent 12% of all ESOPs nationally, 5% of all active ESOP employees, 5% of all retired ESOP employees, and 3% of all ESOP assets. The average active ESOP employee has \$102,142 in wealth accumulation.³

Sources

The number of ESOPs is based on the Research File of the 2021 retirement plan filings of the US Department of Labor (Form 5500), with analysis by Douglas Kruse of the Institute for the Study of Employee Ownership and Profit Sharing of Rutgers University in March of 2024. U.S. Census and USDA data were used to match all ESOPs to different definitions of rural areas. Average assets are per active participant and are based on the assumption that average assets are twice as high among active participants as among retired participants, based on prior findings from individual-level ESOP participant data.

The definitions of rural areas are based on the methodology employed by U.S. government agencies and shared with the research team and the team's use of Census data.

¹ This is based on the U.S. Department of Agriculture (USDA) Rural Development group's eligibility for rural business services:

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=RBSmenu>

² This is based on the U.S. Department of Agriculture (USDA) Economic Research Service's rural-urban commuting area (RUCA) codes that classify U.S. census tracts using measures of population density, urbanization, and daily commuting with a second dataset applying 2010 RUCA classifications to ZIP code areas by transferring RUCA values from the census tracts that comprise them. The most recent RUCA codes are based on data from the 2010 decennial census and the 2006-10 American Community Survey. These are about to be updated from the 2020 Census.

³ This definition is based on rural counties with more than 50% of their population reported as rural by the U.S. Census Bureau and computed by the research team. We were unable to find any Federal agency that used this most restrictive definition.

The Small Business Administration did not make available any definition of rural areas.

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For more on the Rutgers Institute, see: <https://smlr.rutgers.edu/EmployeeOwnershipInstitute>

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We are pleased to present this brief as part of the Employee Ownership Ideas Forum, a two-day convening bringing together leading policymakers, practitioners, experts, and the media for a robust discussion on how we can grow employee ownership for the shared benefit of American workers and businesses. The Forum is co-hosted by the Aspen Institute Economic Opportunities Program and the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University. Learn more at as.pn/eoforum.

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