

What Employee Ownership Means to Workers

Executive Summary

Millions of US workers, across thousands of businesses, participate in employee ownership. While the forms of employee ownership vary, they hold in common the potential to raise job quality, build workers' wealth, strengthen business resilience, and foster an economy where prosperity is shared. Importantly, employee ownership enjoys bipartisan backing and support from worker and community advocates, policymakers, business leaders, and investors.

The perspectives of workers are vital as attention towards employee ownership increases and the practice evolves and grows. A significant body of research has quantitatively documented the impact of employee ownership on workers. But relatively few studies have sought to unpack workers' subjective experiences. Understanding workers' interpretations of employee ownership, its effects on their personal and professional lives, and the workplace practices that they value can drive innovation in the field to ensure that employee ownership is responsive to workers' needs.

The following findings emerged from focus groups that the Aspen Institute Economic Opportunities Program conducted with 85 workers at 12 companies, including five employee stock ownership plans (ESOPs), three employee ownership trusts (EOTs), two worker-owned cooperatives, and two companies that partner with Ownership Works to implement broad-based equity compensation.

What Employee Ownership Means to Workers

- Employee ownership means, first and foremost, having a financial stake in the business. But shared workplace goals, mutual accountability, and voice and agency in the business operations were also central to workers' conceptions of employee ownership.
- The practice is interpreted as a codification of values at some companies, especially EOTs and cooperatives, that prioritize social responsibility.

How Companies Build Ownership Culture

- The communication of shared values and goals, as well as education on business finances and the employee ownership model, connect workers' performance to their financial stakes and the companies' bottom line.
- Mechanisms that channel workers' ideas and voices, as well as a focus on coaching, mentorship and leadership development, were identified by workers as contributing to the successful implementation of employee ownership. Combined with transparent information sharing, mechanisms for participatory decision making allow workers to more effectively contribute to process improvement and business strategy.

Impacts of Employee Ownership on Workers

- Employee ownership provides additional financial security to workers. Participants in ESOPs described their stake as increasing the likelihood of a comfortable – even an early – retirement, when combined with a diversified retirement plan. Cooperative members in child and home care found that employee ownership translates to improved wages, compared to other companies in the largely low-road care sector. Equity compensation and EOT profit distributions provide additional income that help workers pay for life expenses and boost retirement savings.
- Workers view employee-owned companies as stable employers that offer job security. Several interviewees recounted experiencing downsizing, buyouts, and relocations at previous employers, and in contrast see employee ownership favorably.
- Workers grew in their careers and personal lives thanks to the opportunities that employee-owned companies offered. Workers found that they could learn new skills to move horizontally into new roles, in addition to moving upward. Leadership development and mentorship programs helped workers better exercise their voice at work, navigate interpersonal relationships, and take greater charge in their personal lives.

Takeaways

Employee-owners experience and benefit from ownership in ways that are both shared and distinct. Firms differ in how the ownership stake is allocated, how long the ownership structure is intended to last, and how workers participate in governance and decision making in the workplace. These differences result in varied experiences and outcomes. Across the ownership models, however, workers commonly reported the presence of financial and ownership education, mentorship opportunities, participatory decision making structures, charitable engagement in communities, and a family-like atmosphere.

Employee ownership positively impacts business and worker outcomes. Workers reported higher employee retention, continuous improvement, and business innovation. This was accompanied by higher job quality, including increased financial security, greater career and personal development opportunities, a sense of dignity, and an understanding that workers' voices and contributions matter.

Providing financial stakes requires intentional design and ongoing engagement. The needs of workers vary, affecting perceptions of the meaningfulness of the ownership stake, sometimes leading to uncertainty. While financial and ownership education can help alleviate these challenges, those designing employee ownership should take into account the diversity of workers' experiences, especially their financial needs. The field should remain open to new approaches that meet a range of workers' needs.

Ownership culture matters. A financial stake, alone, doesn't foster a sense of ownership, we heard. Giving workers a say in shaping their work, influencing decision making, and connecting their efforts to the company's bottom line and the future payout they receive through their ownership are important for helping workers see themselves as owners. That sense of ownership drives commitment and continuous improvement.

Our conversations with employee-owners also surfaced several questions for the field. First, different approaches to profit and equity allocation raise questions about how large an ownership stake workers should hold relative to executives and investors, and how well the financial rewards of ownership match workers' needs at different stages of life. Second, companies where workers have a greater voice in governance point to room for additional learning and experimentation on how workers' participation in ownership and governance can work together. Third, employee ownership lasts longer under some models than others, which points to the need for closer study of how each model affects workers, businesses, and communities over the short and long term. Finally, while much conversation in the field today centers on scaling finance to grow employee ownership, we need an equally strong conversation about scaling the infrastructure and resources that help companies build the ownership cultures that are central to their success.