Employee Ownership: What It Is & What It Can Achieve

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Abstract
The idea of employee ownership is not new and has existed since at least the mid-19th century. Yet, it remains a lesser-known business model in the economy at large. There are many myths and misunderstandings around what employee ownership is, and what it can achieve. We address these misconceptions by reviewing a growing body of research that contrary to common assumptions demonstrates that employee ownership garners broad political support, individuals working at employee-owned companies experience a higher level of economic well-being, and firms who adopt its varied models have better performance outcomes. The goal of this chapter is to provide academics, economic development officials, and business owners a solid, evidence-based understanding from which to explore, and put into practice, employee ownership.
***Keywords:** employee ownership, EO in the United States, inequalities, evidences*

Employee ownership—which broadens participation and economic opportunity by providing employees a stake in governance and or financial rights in the firm—is receiving increasing attention from scholars, advocates, and policymakers. Because of this recent interest, it might be tempting to consider it a "new" idea. However, the concept dates as far back as the late 18th century with the emergence of early industrial capitalism (Long & Yates, 1999; Blasi et al., 2013). Across nearly two centuries, interest in and support for employee ownership has ebbed and flowed, with both support and criticism spanning the ideological spectrum.

Though never reaching the density or prominence of other business models, employee ownership has demonstrated conceptual longevity and ideological adaptability over the years. As Blasi et al outline in the next chapter of this book, building a vibrant middle class has always been key to the

development of a well-functioning economy and representative democracy, and requires placing assets in the hands of a large segment of the population. As such, the distributions of resources—and interventions that make that distribution more equitable—have always held prominence. Employee ownership's ability to place productive assets in the hands of workers via the workplace and within market-based economies has made it both an appealing option for those who wish to mitigate capitalism's most negative impacts, or those looking to expand its beneficial features—or both.

These same characteristics have fostered discussions and arguments. What is, or what qualifies as, employee ownership? What is it meant to accomplish? How do we measure its effectiveness, in both business and social terms? Supporters and skeptics alike debate these questions, often reaching opposing answers. Skeptics point to the relative lack of employee ownership density in advanced economies as evidence of its impracticality. It is true that the employee-owned sector is still relatively small when compared to the global economy, but there are many examples of countries where sizable portions of the labor force engaged in some form of employee ownership as Blasi et al. point out in their chapter. In the United States close to 47% of the working population enjoys some form of share ownership—and that number is growing. Interest in the idea is rising as well demonstrating once again employee ownership's attractiveness and time-tested appeal.

Another area of debate centers around employee ownership's capability of achieving the positive impacts often touted by its supporters. Historically, cases for and against employee ownership were made mostly on normative or theoretical grounds with little empirical evidence. Early normative arguments asked whether giving workers rights to the firm was "good" or "bad" for society and tended to be motivated (and framed) by age-old debates between economic and political ideologies. Theoreticians attempted to leave behind ideological debates in their description of what effects employee ownership might have, but they too faced a common problem in social science—lack of data. Left with a handful of case studies to draw on, scholars, advocates, and detractors were left to make assumptions and generalizations of how workers would act if they had rights over the firm, as well as how those theorized actions would affect workers, company performance, and the broader economy. Even by the late 20th century empirical evidence on the effects of employee ownership was sparse.

While early normative and theoretical work helped advance thinking about employee ownership, the lack of empirical evidence left important questions unanswered. Is the scaling up of broad-based employee ownership politically feasible in market-based economies? Do employees truly benefit from working in an employee-owned firm, or are they simply exposing themselves to a risky investment where costs outweigh its benefits? Do companies perform better when they are employee-owned? For some time, answers to these questions were beyond reach, and the topic of employee ownership sat "on the fringe of both social consciousness and academic literature" (Freeman, 2007, p. 1).

Thankfully, in the last few decades popular and scholarly interest in employee ownership has grown and a body of empirical evidence that draws on the experiences of existing employee-owned firms, and employee-owners, has accumulated. As will become clearer in the sections below, research demonstrates that employee ownership does indeed have measurable and significant positive impacts on employees, companies, and society at large. Our contribution here is to provide a review of the evidence on employee ownership that is informed by discussions about what employee ownership is, what it can achieve, and how businesses structured in this way attain the outcomes they do. Our intent is to clear up some of the major misconceptions. We try to answer some of the pressing questions that we think lead academics, business owners, and economic development practitioners to overlook the power of employee ownership as an economic development strategy and a route to enhance employee well-being, increase business performance, and reduce economic inequality.

We open our discussion with an overview of what is meant by employee ownership, highlighting how it is a multi-dimensional concept that can be put into practice using different forms. We review existing literature which is structured to address common questions that arise in discussions regarding employee ownership. First, we highlight the fact that employee ownership is trans partisan—appealing to those on both the right and left of the political spectrum. We then turn to research that explores how employee ownership impacts the lives of employee owners. Next, we cover the evidence on the relationship between company performance and employee ownership and briefly consider how these outcomes are achieved. We conclude with a discussion that underscores the diversity and adaptability of employee ownership models and how they can be successful in varied contexts.

One important note before we proceed. We are US based practitioners/researchers and the examples and knowledge we draw on in this chapter reflects that. At some point, we draw on research from other countries but want to acknowledge this bias at the outset. Despite this, we still feel that the US experience with employee ownership, along with select examples from other contexts, is wide and varied enough that it can provide useful knowledge to audiences interested in the topic no matter their geographic location.

WHAT IS EMPLOYEE OWNERSHIP?

The concept of employee ownership seems straightforward—it is an arrangement where employees own shares in the company in which they work (National Center for Employee Ownership [NCEO], 2021). In reality it is not so simple. Read through the literature and you are bound to find numerous definitions and examples of employee ownership. Examples of the concept put into practice in the United States, such as worker cooperatives, employee stock ownership plans, employee share purchase plans, employee stock option plans, employee-owned trusts, profit sharing, and gainsharing plans, are outlined in the next chapter. Yet each does in different ways. So, the question that lingers is what unites all these business models under the broad umbrella of "employee ownership"?

To answer this question, it is useful to unpack the basic idea of what constitutes ownership. The concept generally confers two dimensions of rights: the right to control use and to control the enjoyment of its returns (Ben-Ner & Jones, 1995). Applying this basic schematic to businesses "control of use" refers to determining the objectives of the business, what positions exist within it, and how they are filled and carried out—or what is termed governance rights. Control over the "enjoyment of its returns" refers to any financial and physical payoffs that are produced by the business—termed as financial rights. Despite their differences, what employee-owned firms of all kinds have in common is that they give employees some level of control rights over either the companies use, its returns, or some combination of both. The kinds of rights employees hold, the extent of those rights, and the mechanisms by which they are exercised is what differentiates the many models of employee ownership.

Using the allocation of financial and governance rights amongst employees as distinguishing features of the different kinds of employee-owned firms one can imagine the vast array of models existing on a continuum with two poles, with economic democracy on one end and shared capitalism on the other. Firms practicing economic democracy provide employees with expansive governance *and* financial rights over the firm (Ellerman, 1990; Bowles & Gintis, 1993). The most ubiquitous model in this category is the worker cooperative. In worker cooperatives individuals become members by purchasing a membership share. Once members, workers have the right to participate in the financial success of the firm through what is termed patronage. Workers receive allocations of a portion of the business's profits at the end of the year based on their labor contribution (typically hours worked). Members of a worker cooperative also have meaningful governance rights. At a minimum this includes voting for, and having representation on, the board of directors (Democracy at Work Institute [DAWI], 2020). Importantly, votes on major corporate decisions adhere to the principle of one worker one vote, rather than the traditional one share one vote, hence the use of the term economic democracy (Dahl, 1985).

Firms practicing models of shared capitalism typically provide less governance rights and adhere to a traditional corporate structure. However, these models differ from conventional businesses in that they offer a range of financial rights to employees which allow them to participate in the financial success of the firm (Kruse et al., 2010). Employees enjoy these rights in different ways, depending on the model in question. For example, in an Employee Stock Ownership Plan (ESOPs), which is a qualified retirement program under the US tax code, employees are granted shares of stock of their company each year which are credited to individual employee accounts. When employees retire, the company is required to repurchase shares back and provide the employee-owner with the monetary value of their acquired shares in cash. Other models provide financial ownership using shares, but unlike ESOPs, shares in the company are usually purchased by employees themselves. Such plans include Employee Share Purchase Plans which allow for the purchase of company stock at a discount or Employee Stock Option Plans which allow employees to purchase stock at a set purchase price for ten years, allowing employees to benefit from the stock's future gains.

The shared capitalism category also includes models that provide financial rights to employees without the use of individual stock ownership. For example, Employee-Owned Trusts (EOTs) hold shares of a company in a single trust on behalf of all employees who then receive portions of the company's profits on a yearly basis (Michael, 2017). Profit sharing and gainsharing programs also provide employees with a portion of the profits generated by the company each year, but do so without the use of a trust. The difference between the two is the former bases the monetary value of these bonuses on overall company profitability while the latter ties bonuses to specified benchmarks or goal such as productivity or waste reduction (Jones et al., 1994).

While the two poles of economic democracy and shared capitalism can help make sense of the diversity of models, it is important to note that there is still a large amount of variation, both within and between models that fall on either pole. For example, in worker cooperatives democratic governance rights at minimum include electing the board of directors, but these rights can extend to the management of day-to-day operations. Likewise, ESOPs and EOTs can own anywhere from 1 to 100% of company stock which obviously can impact the level of financial rights workers are able to enjoy. Though less common, there exists hybrid models that combine features of shared capitalism with governance rights associated with economic democracy. For example, the John Lewis Partnership, one of the largest and oldest EOTs in the world, has a democratically elected council system which provides input on decision making and company management (Cathcart, 2013). Similarly, there are companies with ESOPs who provide expanded governance rights like those found in worker cooperatives, in what is colloquially termed an "ESOP-erative" (Staubus, 2017). Different models of employee ownership can be enacted alongside one another and, as Blasi et al. (2013) show in their chapter, it is quite common for companies to "layer" different forms of employee ownership on top of one another. Finally, all models of employee ownership are complemented by different kinds of human resource and management practices that vary across firms, which may stymie or encourage the development of an "ownership culture."

Our point here is that while all forms of employee ownership seek to broaden ownership of productive assets, they do so in various ways that cannot be captured by a single definition or prototypical example. As one

preeminent scholar of the field puts it, “employee ownership is not a simple, unidimensional concept that permits an easy classification of a firm as ‘employee-owned’ or of an employee as an ‘employee-owner’” (Kruse, 2002, p. 2). Others have made similar comments, pointing out that debates about what constitutes the “pure” form of employee ownership are moot (Russel, 1985, p. 12). This “means that generalizations about employee share ownership have to be made with caution” (Park et al., 2004, p. 3). The continuum we present here is no different. There are certainly differences between the many forms of ownership, but there are no hard lines that exist between the two poles. Instead, features of economic democracy and shared capitalism overlap in the real world and can be adapted to fit the needs and goals of a given business, a broader economic development strategy, or even differing economic and political structures.

This broader conception of what employee ownership is provides for more nuance and helps cut through the common misunderstandings associated with it. One such misunderstanding is that models of employee ownership do away with the control rights of the board of directors and management or are part of a “trojan horse” strategy to abolish private property. In shared capitalism models, one cannot stress enough that such plans “do not [...] fundamentally transform the employment relationship” (Kaarsemaker et al., 2009, p. 26). In fact, by connecting financial rights of employees to company performance, which is then paid to individual workers, they are firmly embedded within the principles of free markets and private property. A similar point applies to economic democracy models. While boards of directors, and in some cases management, are democratically elected by workers, the control rights of the board and management remain in place once those elections are completed. Similarly, patronage and individual member accounts—the mechanisms by which wealth created by the firm is distributed to individual workers—is treated as a form of private property (Ellerman, 1990, 1984). The fact that productive assets and wealth building opportunities are provided to workers in ways that do not violate basic principles of a free enterprise system is what makes employee ownership so dynamic and helps explain its wide appeal across the ideological spectrum, a point we will turn to in our next section.

THE POLITICS OF EMPLOYEE OWNERSHIP

Perhaps the most prevalent misconception of employee ownership is that it is a form of "socialism in disguise" and only appeals to those on the ideological left. Much of this stems from the fact that "worker control" was, and continues to be, a major theme in socialist thought and broader critiques of capitalism (Cole, 2009; Wright, 2010; Wolff, 2012). Employee ownership does appeal to those on the left. Equally true, though less known, is that support from those on the right is equally strong. We will not detail it here, as the next chapter provides sufficient evidence but, in many cases, early adopters of employee ownership models in the United States were themselves dedicated capitalists that ran large corporations.

We have little interest in situating employee ownership within rehashing long-standing political and ideological debates in this chapter. Instead, we think this misconception is best addressed in more practical ways. We first focus on the question of economic inequality and show how employee ownership provides a novel way to reduce it which side steps heated debates about government redistribution. We then draw on new survey research that demonstrates employee ownership enjoys bi-partisan support and highlight a few international examples of this same dynamic. Finally, we recount the history of employee ownership in the United States and demonstrate how its expansion since the mid-20th century was facilitated through changes to US tax policy which incentivized, rather than mandated, the creation of employee-owned firms.

Entering the Inequality Conversation

Economic inequality is on the rise within countries across the globe (International Monetary Fund, 2021), and a large body of literature demonstrates it is associated with negative effects, including eroded social cohesion (Wilkinson & Pickett, 2011), political polarization (Voorheis et al., 2015), and lower economic growth (Cingano, 2014). The question is no longer if inequality is a problem, but what kinds of solutions can be implemented. There is no shortage of public policies that are designed to lessen economic inequality, but many rely on the government to redistribute economic resources via bolstered social programs and progressive taxation, or large amounts

of state intervention in the economy. Such reforms would certainly reduce economic inequality however, in a context of high political polarization such measures do not garner broad support (McCarty et al., 2016). This is mainly because one of the defining schisms between those on the left and right of the ideological spectrum is the role of government in redistributing resources (Carmines & D'Amico, 2015). What is needed is a policy response that can garner support from both conservatives and liberals.

Based on our experience in the United States, employee ownership is an idea that can break through the political impasse that defines debates concerned with lessening economic inequality. As an approach that provides workers with greater levels of economic resources without requiring direct government intervention, it has features that appeal across the political spectrum. Earlier, we briefly outlined how different models put the concept of employee ownership into practice. Relevant to our conversation here is that, across the different models of employee ownership, workers can benefit from higher levels of wealth at its point of creation—within a private enterprise. One way to think about employee ownership is as a form of "pre-distribution," where "wealth is more equitably distributed as it is earned" allowing it to avoid the well-known "divisive, after the fact struggle over redistribution" (Mackin, 2017, pp. 4-5). Employee ownership's entry point into the inequality conversation is mostly through wealth not income. This is important because inequality in wealth is much larger than inequality in income. Over the past 30 years wealth concentration has contributed to a growing share of income inequality (in the form of dividends and capital gains) which disproportionately goes to high-income households (Mishel et al., 2007, 2012). Simply put, the "composition of personal income has shifted away from wage income to capital income" (Blasi et al., 2014, p. 14). Thus, employee ownership, by providing workers capital assets, tackles economic inequality at its root.

Because employee ownership can fulfill the principles held by conservatives and liberals some have described it as "ideologically ambidextrous" (Mackin, 2017, p. 10). Its focus on individual wealth generation via the workplace appeals to conservatives who extol the virtues of a property-owning working class. Its capability of providing working people with wealth building opportunities otherwise not available to them appeals to liberals concerned with questions of equality. In practice, employee ownership allows

for the goals of both conservatives and liberals to be met simultaneously. To take example, recent research shows that the material benefits that employee-owned companies provide workers—in particular longer tenure and heightened levels of wealth—can reduce the strain placed on government social programs, including unemployment insurance and social security (Rosen, 2013). Here again, employee ownership can appeal to supporters of smaller government as well as those concerned with improving the lives of working families (Blasi et al., 2014).

Support Beyond Abstract Principles

Those who remain skeptical of employee ownership's political appeal may be encouraged by the latest survey data coming out of the United States—one of the more highly polarized societies today (Boxell et al., 2020). The 2018 General Social Survey, one of the most robust surveys of social attitudes and behaviors in the United States, finds that three quarters of Americans including Republicans, Democrats, or Independents express support for employee-owned companies compared to ones owned by the government or investors (Kahn, 2019). Another 2019 survey finds that, nearly 70%, individuals across all political affiliations, support the concept of business owners allowing employees the chance to buy the company to make it employee-owned (Gowan, 2019). This is not a recent phenomenon. From Ronald Reagan, who characterized it as a "logical next step [to a] path that benefits free people" (Reagan, 1987, p. 1), to Bernie Sanders, who understands it as a way to "create a democratic society in which working people have more control over their lives" (Weissert, 2019, p. 1), employee ownership has gained support from conservative and progressive icons alike. For these reasons, scholars of employee ownership can safely characterize it as a "nonpartisan proposal to reduce economic inequality" that has "wide appeal across the political spectrum" (Blasi et al., 2014, p. 7).

This nonpartisan dynamic is not confined to the United States alone. In Britain the Conservative, Liberal and Labour parties have all voiced support for employee ownership (Pendleton & Robinson, 2015) as have other UK governments (Employee Ownership Association, 2018). In Italy, where one of the largest concentrations of worker cooperatives in the world exists, the three major cooperative federations are linked to parties who represent the

left, right, and center (Ammirato, 1996). In Spain and France, also home to large worker cooperative sectors, support has come from successive governments (left, right, and center) since the mid-20th century (Corcoran & Wilson, 2010, p. 10). The idea has attracted support from Latin American governments as well, either to introduce private enterprises into a socialist economy (Ritter, 2017; Harnecker, 2012) or as a strategy for workers to escape the negative impacts of deindustrialization (Ruggeri & Vieta, 2015).

THE EXPANSION OF EMPLOYEE OWNERSHIP IN THE UNITED STATES

While each country's experience with employee ownership is different, one of the main lessons that can be drawn from US's history is that government policies aimed at expanding it gain the most support when they take the form of incentives, rather than coercive measures like fines or mandates. We will not provide a history of all models of employee ownership through the 19th and 20th century in the United States—this task is carried out in the next chapter. Instead, we will begin in the seventies, and use the development and growth of ESOPs as an example of how government support can be used to expand employee ownership.

The idea of employee ownership in the US dates to the 18th century when political leaders saw it as a way to "stimulate and uphold new enterprise, increasing the chances of profit, and diminishing the risks" (Blasi, 2013, p. 6). In the late 19th century the idea was retaken by the labor movement who saw the establishment of worker cooperatives to create workplaces that provided workers with decent pay and living conditions (Leikin, 2005). Interest in worker cooperatives and other forms of employee ownership increased during times of economic crises throughout the 20th century, but they remained rare (Jackall & Levin, 1984; Curl, 2012). By the "1950s, the concept had virtually disappeared as a subject of union interest" (Logue & Yates, 1999, p. 230).

Ironically, it was not labor nor the left in the United States that put employee ownership on the American political agenda. Instead, support for its expansion was the result of an unusual relationship between a populist Democrat from Louisiana and an investment banker from San Francisco. On the legislative side was Louisiana Senator Russell Long and on the theoretical

Louis Kelso (Stumpff, 2008). Both saw rising inequality and the concentration of wealth as a threat to the capitalist system and understood employee ownership as a stabilizing force. Books published by Kelso, *The capitalist manifesto* (Kelso & Adler, 1958) and *How to turn eighty million workers into capitalists on borrowed money* (Kelso & Better, 1967) make this last point clear. With the problem and solutions sketched out, all that was needed was a path forward.

That initial path came through an amendment made to the Employment Retirement Income Security (ERISA) Act of 1974 which allowed for the creation of a new form of retirement plan, an ESOP, which is a trust that is separate from the company, is made up of a suspense account that holds unallocated stock and individual accounts which hold the stock for each participant. Unlike other pension plans, ESOPs can borrow money to purchase a company or some portion of it. This ability is extremely important as it meant the extent of employee ownership was no longer constrained by the amount of wealth workers had on hand. With the changes made to ERISA in 1974 employees could gain ownership in a company without using their own personal assets.

There are important tax benefits associated with ESOPS as well that were put into place at the outset as well as over the ensuing decades (Blasi et al., 2018). For companies, the contributions to the trust are made with pretax dollars and are tax deductible. For selling owners when 30% or more of the company is sold to employees, capital gains tax can be avoided. For employees, company contributions to the ESOP are tax-sheltered and employees do not pay taxes on the stock in their accounts until they cash out at retirement or after leaving the company. Each one of these tax incentives helped to contribute to the expansion of ESOPs in the United States.

As a model of employee ownership, ESOPs have their detractors, and there are some compelling reasons for this. As a retirement plan, ESOPs limit the ability of participants (with some exceptions) to access their wealth until they reach a legally defined "Normal Retirement Age." Secondly, while more generous and equal allocation methods are possible, ESOP contributions are often made to participants based on their annual compensation, so benefits can sometimes accrue towards the top (though limits to this do exist in law). Finally, ERISA does not require (though it does allow) meaningful, and deep, governance rights. Despite this, in recent years many ESOPS have succeeded in creating significant wealth for employees, at all levels of the firm.

We focus on ESOPs in detail here because they exemplify three important lessons, which can be applied to all forms of employee ownership generally. First, models of employee ownership can become widespread when coupled with supportive government policies. Almost unknown in 1974, there are now an estimated 6,500 ESOPs, covering over 14 million people, making them the most common form of employee ownership in the United States (NCEO, 2021). Second, the ways in which the government supports the expansion of employee ownership matters. Important to the widespread political support that employee ownership receives is that the policies aimed at expanding it take the form of incentives rather than coercion. As soon as there is talk about the government intervening in the affairs of company ownership it is guaranteed that ideological arguments will arise (Nwanevu, 2019). Relatedly, what models of employee ownership those incentives are directed towards matters. The fact that the tax benefits of ESOPs are greater than those given to worker cooperatives in the United States is a key reason why there are thousands of ESOPs and, according to recent estimates, 465 worker cooperatives (Palmer, 2020). It is no coincidence that the largest concentrations of worker cooperatives in the United States exist in cities or states that have supportive policies. The same pattern in produced at the international level, worker cooperatives are concentrated in countries where generous tax and other incentives, policies, and supports are in place such as Spain, France, and Italy (Abell, 2014; Adeler, 2009; Ammirato, 1996; Corcoran & Wilson, 2010; Logue, 2006).

Finally, the experience of ESOPs demonstrates that the political appeal of employee ownership is largest when framed as what it is: a business model that can compete in a market economy, provide decent jobs, and give workers opportunities to build wealth. This is how bi-partisan support for and passage of the 2018 Main Street Employee Ownership Act, one of the biggest legislative victories for employee ownership in two decades, was made possible (Lechleitner, 2019). It is also how state and local governments in the United States have come to support and implement policies aimed at expanding the number employee-owned firms, including worker cooperatives (Sutton, 2019; Camou, 2016). One can certainly engage in arguments of whether employee ownership is "socialist" or "capitalist," but we feel that such debates are moot, ensure division, and miss the point. A more useful approach is to judge

employee ownership by the outcomes it can achieve, for the companies who adopt any of the varied models, and the individuals who work within them.

WORKERS IN AN EMPLOYEE-OWNED COMPANY

Until here, we alluded the benefits of employee ownership for workers. In this section, we will provide an overview of the evidence. Before doing so, we will address a common objection against employee ownership: These models expose workers to levels of risk that outweigh any associated benefits. Our response to this common objection is yes, models of employee ownership do involve risk. Ownership of any private business does. However, it is also true that risk-based arguments make assumptions about employee ownership models that empirical evidence contradicts. In doing so, they overlook how the risk associated with forms of employee ownership can be greatly minimized and that the level of risk can vary depending on how employee ownership is put into practice. When these factors are considered the opportunities for wealth building and other benefits these models provide, outweigh the remaining risks. We first lay out risk-based arguments against employee ownership and identify the ways that risk can be minimized. We then present research that shows some of the benefits those working at employee-owned companies experience.

IS EMPLOYEE OWNERSHIP A RISKIER PROPOSITION FOR EMPLOYEES?

A common concern raised by those first introduced to the idea of employee ownership is that these models tie the financial fortunes of workers directly to that of a single company and in doing so expose them to too much risk. These types of arguments focus on two distinct types of risk that employee-owners face. First, employees who come to own stock in the company through wage and benefit concessions, or by using their own funds have "skin in the game" and thus bear the risk of potential investment loss. Second, employees whose assets are concentrated in a single company bear the risk of inadequate diversification. If the company fails, then workers' financial well-being can be completely wiped out.

Both concerns are legitimate. Employee-owners do take on risk when they own shares in the company or share in its profits. However, there are various factors that mitigate the extent of the risk that risk-based arguments against employee ownership often overlook.

Using Concessions or Wages

The following chapter will cover in greater detail the perception that employees exchange an ownership stake in their company by making wage or benefit concessions has some basis in truth and history. There are high profile cases of this occurring with tragic consequences for workers (Walter & Corley, 2015). However, the existing evidence strongly suggests that such cases are the exceptions. Blasi and Kruse (1991) find that among the 1,000 public firms that adopted models of employee ownership there were only 40 reports of wage and benefit concessions. Further, a comprehensive study of all ESOP adoptions in public companies between 1980-2001 finds that employee wages increased or stayed constant after adoption (Kim & Ouimet, 2014).

Other studies, which compare pay and benefits of ESOP and non-ESOP firms in Massachusetts (Scharf & Mackin, 2000) and Washington state (Kardas et al., 1998), arrive at similar conclusions. Using a National Bureau of Economic Research dataset of 40,000 employees, Buchele et al. (2010) find "no evidence that employees' ownership gains are offset by lower wages or benefits" (p. 374). Long and Fang (2012), who compare firms with and without profit sharing, report that, on average, employee earnings were "significantly higher" in establishments that adopted profit sharing. While less numerous, studies of worker cooperatives also conclude that wages for employees are comparable to conventional counterparts (Burdin & Dean, 2009; Palmer, 2020). Overall, the evidence suggests that models of employee ownership "come on top of standard pay and benefits" (Blasi et al., 2018, p. 48) and, thus, can be thought of as 'gravy'on top of other pay and wealth" rather than a substitution for it (Kruse et al., 2019, p. 23).

Similarly, many assume that employees have purchased their ownership share using their wages. In the case of ESOPs, the stock held in individual accounts is granted to employees through company contributions, meaning that unlike 401(k)'s they do not purchase these shares with their own income. In EOTs, profits sharing plans, and gain sharing plans employees

do not use their wages to gain these benefits either. They are an additional source of wealth whose expense is covered by the company, not the employees. Therefore, a decrease in the value of these assets, though a real loss, is not directly comparable to losing assets which are purchased with worker's income that would otherwise be taken as wages or turned into savings. This is because "the financial risk associated with investment in a single asset is much lower if the asset comes on top of other wealth, since a collapse in the asset's value would not change the value, the portfolio would otherwise have had" (Kruse et al., 2019, p. 18). Put simply, what is at risk in these examples is not the individual employees' own income.

As for models where employees do use their own wages to purchase company stock, such as Employee Share Purchase Plans (ESPPs), risk is greater. However, according to Nobel Prize winner Harry Markowitz, a pioneer in modern portfolio theory, so long as company stock does not make up more than 15% of the workers entire wealth portfolio the risk is prudent (Markowitz et al., 2010). And in the United States, less than 3% of workers fall into the higher risk category (Kruse et al., 2019). The risk of ESPPs can be mitigated further by discounting the purchase. In worker cooperatives, where employees purchase a member share directly to become members, risk might be higher as well, but once this share is purchased the annual distribution of company profits to members is provided as a membership right with no additional cost.

To fully understand the amount of risk being borne by employees it is important to first ask what form of employee ownership we are talking about—remember there are various models with different risk profiles. We must ask, what is at risk contributions the company made, or the contributions employees made? When contributions made by the company are what make up the employee's asset portfolios their individual risk is greatly reduced. As the evidence above suggests there are ways to minimize and maximize the risk that models of employee ownership have and many companies, learning from past mistakes, have structured their models to minimize it.

Diversification

The second type of risk is concerned with diversification and assumes that employee ownership models concentrate workers' investments in a single

asset because they either replace other defined benefit plans or are the only benefit plans offered. In the United States, studies of whether this occurs have focused mostly on ESOP companies. Contrary to the diversification argument, studies have found that companies with ESOPs are more likely to provide 401(k) plans compared to other conventional counterparts (Kruse, 2002; Rodgers, 2018, 2010a). Blasi et al. (2013), who match ESOP firms to non-ESOP firms, find that those with ESOPs are four times more likely to provide defined contribution pension plans such as 401(k) plans and five times more likely to have other types of pension plans. Rodgers (2010b), using data collected by the US Department of Labor for over 3,000 ESOP companies, exposes that ESOP companies are more likely to offer two defined contribution plans than the average company is to have any.

Carrol (2015) finds that ESOPs are more likely to offer an additional defined benefit plan alongside the ESOP and that distributions from individual ESOP accounts were greater than those from 401(k) plans. Further, Rodgers (2018) concludes that ESOP account values tend to be less volatile than 401(k) plans and, between 2001-2010, provided a higher mean rate of return. In a first of its kind project, researchers at the National Center for Employee Ownership analyze 300,000 plan filings which included companies with ESOP plans, and companies with non-ESOP retirement plans between 2019 and 2020 (NCEO, 2022a). After matching companies of similar size, industry, and region they found that the ESOP account balances are more than double ($132,000 vs. $64,000) compared to conventional, ESOP. The evidence suggests that while employee ownership can indeed increase risk it is not of the extreme nature that diversification arguments sometimes assume, and the boost in wealth can be quite meaningful. Finally, when making judgments about risk one must keep in mind the context of retirement savings in the United States. As of 2021 just over 50% of American families have a retirement account at all.

Employment Stability

Finally, one must not leave out an area where risk is lower for workers in employed-owned firms, job loss. Unemployment presents obvious risks to individual financial well-being and employment precarity is a growing feature of market economies today that obviates any form of wealth creation. Further,

the effects of unemployment extend beyond finances to include psychological well-being, family stability, and other community effects (Belle & Bullock, 2009). One study investigating the relationship between employment at an ESOP company and the US prison system finds that working at ESOP company is associated with decreases in the likelihood of arrest, being convicted of a crime, and being incarcerated (Cox, 2020). There is broad consensus that employee-owned companies provide employment stability that mitigates this important risk factor. A large body of evidence has accumulated that shows employee-owned firms have higher survival rates than their conventional counterparts and are less likely to lay workers off in general and particularly in times of crises (Brill, 2012; Blasi et al., 2013, 2000; Burdin, 2014; Kurtulus & Kruse, 2017; Park et al., 2004; Perotin, 1987; Rosen & Rodgers, 2014).

Existing evidence suggests that risk-based objections to employee ownership, though legitimate, are not nearly as applicable as one may assume. Workers indeed take on more risk when they receive their ownership stake, but the level of risk varies across models and can be mitigated in numerous ways. First, risk is minimized when models of employee ownership do not require concessions of wages or other benefits but are instead treated as an additional, rather than substitutional, benefit. Second, providing a financial stake in the company to workers that does not require them to use their income or savings lessens potential hazards. Third, diversification issues can be dealt with by making sure that models of employee ownership are offered in combination with other diversified benefit plans. Finally, discussions of risk cannot leave out the fact that unemployment, arguably the largest risk workers face, is reduced when working at an employee-owned firm. What is clear from existing evidence is that on average employee-owned companies are following these best practices and thereby reducing potential harms.

THE INDIVIDUAL BENEFITS OF EMPLOYEE OWNERSHIP

In discussing risk, we have already commented on some of the benefits employee ownership provides workers, but it is worth expanding our focus further. The benefits are numerous but we will limit our discussion to three areas of focus—income and wealth, employment stability, and other benefits beyond an ownership stake.

Income and Wealth

We begin first with income and wealth. Key to the support for employee ownership is the idea that it serves as an organizational alternative to allow workers to earn increased wealth. A survey of ESOP companies in the United States finds that ESOP participants had benefit and retirement balances that were more than twice as large as US residents with similar characteristics nationally, this pattern holds even for those making less than $26,000 per year (Wiefek & Nicholson, 2018). An earlier study by Rodgers (2010b) finds that ESOP participants had 2.2 times more in retirement savings and 20% more in financial assets overall. Moreover, an analysis by Joseph Blasi and Douglas Kruse identifies that employees working at ESOP companies have, on average, $134,000 in wealth from company stock (Rutgers School of Management and Labor Relations, 2018). Research also shows that pay and wealth have been much more equally distributed in employee-owned companies compared to conventional firms (Bernstein, 2016; Buchele et al., 2010).

There is also evidence that employee ownership can help build the wealth of those with low to moderate income—suggesting it can indeed reduce economic inequality. In one of the largest qualitative studies of ESOPs, Boguslaw and Shcur (2019) collect data from 141 moderate to low-income individuals working at 21 different companies spread across 16 different states and industries. Comparing the total wealth of these individuals to national averages they found enormous differences. For example, Black women in the study sample working at ESOPs held $55,000 in total wealth compared to the national average of $200, with similar patterns emerging across other racial and gender groups (p. 24). Existing US evidence also finds that employee-owned companies provide higher wages. Matching 102 ESOPs to 499 comparison companies, Kardas et al. (1998) point out that the median wage in ESOPs was 8% higher, replicating the earlier findings of Blasi et al. (1996) who carry out a similar comparison of public companies with and without employee ownership. Analyses using some of the largest datasets on employee-owned companies available arrive at similar conclusions (Kruse et al., 2010).

Turning to worker cooperatives in the United States, a survey of the sector finds that they provide an average wage of $19.67 per hour and provide an average annual patronage (profit distribution) of $8,241 in 2019 (Palmer, 2020). Both findings are significant considering that many worker cooperatives in

the United States operate in low wage service sectors and most members are women or people of color.

Many of these studies are cross-sectional in nature and are not able to compare differences in income and wealth over time. There are two notable panel studies that do look at this relationship. The first, conducted by Kim and Ouimet (2014), investigates ESOP adoptions in 400 public companies over a 30-year period. They find that company level wages increased, on average, by 20% after adoption (p. 1293). Another study by Wiefek (2017) focuses on individuals ages 28-34 years of age who were either employed by a company with an ESOP or not. She finds that those working at ESOP companies had 33% higher incomes and 92% higher household wealth.

Employment Stability

As mentioned earlier, employee-owned companies are less likely to lay off workers both in general and during economic downturns. According to Brill (2012), ESOP companies between 2001-2011 had higher employment growth both pre- and post-recession compared to the economy as a whole. Blair et al. (2000) investigate all publicly traded firms in 1983 and had 20% or more of their company stock in some form of employee ownership benefit plan and compared their survival rate to a controlled sample of conventional companies through 1991. They find that employed owned firms have higher survival rates and conclude that the employee ownership arrangement helps stabilize a firm by “making it more resistant to bankruptcy and unwanted takeovers and somewhat less prone to labor strife and wrenching downsizing” (p. 288). Park et al. (2004) tracked all public companies from 1988 to 2001 and compared their survival rate with public companies with employee ownership stakes of 5% or more. They found that those with employee ownership were 76% as likely to disappear than conventional companies, and that this higher survival rate was linked to “greater employment stability” suggesting that employed owned companies, “provide greater employment security as part of an effort to build a more cooperative culture, which can increase employee commitment, training, and willingness to make adjustments when economic difficulties occur” (p. 3).

Wiefek (2017) finds a similar pattern, with individuals in ESOP companies reporting 53% longer tenure. Further, analyses of the General Social Survey

indicate that employee-owners have greater job security and are less likely to be laid off compared to workers with similar characteristics (Kurtulus & Kruse, 2017). New evidence in the context of covid-19 also shows that majority employee-owned companies in the United States retain jobs at a 4 to 1 rate when and were more likely to maintain standard hours and salaries overall when compared to conventional firms (Employee Ownership Foundation, 2020). A study comparing at employee-owned companies to conventional companies in the United States food sector in during COVID-19 found that involuntary separation (firing), and quit rates are substantially lower in employee-owned companies (NCEO, 2022b).

There is also evidence that worker cooperatives provide similar employment stability (Birchall & Ketilson, 2009). Comparing worker cooperatives to conventional companies of similar size and industry, Craig and Pencavel (1992, 1993, 1995) found that US plywood cooperatives are more likely to adjust pay rather than employment to deal with economic shocks, which in turn increase job security. Studies of worker cooperatives in Uruguay (Burdin & Dean, 2009; Burdin, 2014) and Italy (Pencavel et al., 2006) arrive at similar conclusions. Like ESOPs, recent survey data on worker cooperatives in the United States suggests that they are more likely to retain jobs rather than lay off workers in response to the economic downturn caused by the COVID-19 pandemic (Mankling et al., 2020).

Other Benefits

Beyond providing an ownership stake and employment stability employee-owned companies are also more likely to provide other benefits compared to conventional ones. For example, Weifek (2017) underline that individuals, ages 28-34, working at ESOP companies are more likely to have access to flexible work schedules (52% vs. 34%), paid maternity or parental leave (65% vs. 31%), tuition reimbursement (62% vs. 24%), and childcare benefits (23% vs. 5%). Workers at employee-owned companies are more likely to receive on the job training (Kurtulus & Kruse, 2017) including basic financial education (Boguslaw & Schur, 2019).

Employee-owned firms are also more likely to provide employees with meaningful ways to participate in workplace decision making. In the case of worker cooperatives this participation is explicitly baked into the struc-

ture of the firm. Even in companies that use shared capitalism models it is not uncommon for forms of worker participation in decision making to be institutionalized (Blasi et al., 2016; Freeman et al., 2010; Frohlich et al., 1998; Logue & Yates, 2001).

Taken together with the financial opportunities and employment stability that employee-owned companies provide these other benefits enable employee-owners to build assets that impact not only their retirement savings and income but "enable individuals and families to move from just making ends meet, to managing life's challenges and still [be] able to plan and invest in the future" (Boguslaw & Schur, 2019, p. 2). Knowing that employee-owned firms to provide stable, well-paying jobs, a financial stake in the business that helps build wealth, and other benefits that make workers livelihoods more secure, it should come as no surprise that companies practicing broad-based employee ownership account for half or more of *Fortune* magazine's 100 Best Companies list year after year (Josephs, 2020).

COMPANY PERFORMANCE

The largest questions for employee ownership, and the biggest hope for its proponents, is whether employee ownership creates companies that perform better, or as well as, conventionally owned businesses. For years, practitioners in the field hypothesized that there would be an improvement in company performance because individuals who have a financial stake in the business act like owners, and therefore are more committed to its success. Outside a small number of case studies (Whyte & Whyte, 1988; Rothschild-Whitt, 1986) it was far from certain whether more generalized data would support this claim. Additionally, these inclinations cut against existing deep seated theoretical arguments that assumed that models of employee ownership created perverse incentives that would lead to lower productivity and possibly firm failure.

One of the biggest developments in the field is the accumulation of studies that put these theoretical expectations to the test using data on existing firms. What they find is that, on average, employee ownership does in fact have a positive impact on company performance, in good economic climates and bad. In this section we first outline the theoretical arguments that undergird the expectation that employee-owned firms should underperform and

discuss their applicability to different models of employee ownership. We then turn to the growing body of empirical evidence that suggests employee ownership positively affects firm performance.

THEORETICAL CASES AGAINST EMPLOYEE OWNERSHIP

The earliest, and most well-known, theoretical cases against employee ownership tended to focus on worker cooperatives, as these firms provide both financial and governance to workers.

The first we will address are two arguments that are based on the assumption that members of worker cooperatives tend to prioritize worker-member pay over company profit. Working off the assumption that worker cooperatives would tend to maximize revenues per worker rather than profits, academics argued that they would respond to changes in economic conditions in ways that would result in inefficiencies or firm failure (Ward, 1958; Meade, 1972; Domar, 1966). For example, to keep their individual membership shares high when times were good, worker cooperatives would perversely respond by firing members which would negatively affect business profits and employment levels. Alternatively, cooperatives would be incentivized to hire workers but not allow them to become members who share in company profits, decreasing the ratio of members to non-members—a process that if continued over time would lead the worker cooperative to "degenerate" into a conventionally structured business (Ben-Ner, 1984, 1988).

Another theorized issue stemming from worker cooperative members maximizing revenue per member is that it would result in underinvestment in the firm itself (Furubotn & Penjovich, 1970; Jensen & Meckling, 1979; Vanek, 1977). What is sometimes referred to as the "horizon problem" assumed that members, especially those nearing retirement, would rather take a portion of the company profits for themselves rather than invest them in something that would provide a return later, which they would not benefit from directly. Overtime, this would result in underinvestment and thus lower productivity and profits or even failure of the firm.

A second argument focuses on how employee ownership models would negatively affect work incentives of employees. Alchian and Demsetz (1972) argue that sharing returns of the company under a fixed sharing rule creates the classic "free rider problem" where workers would be incentivized

to shirk, as they would still benefit from their ownership share regardless of their level of effort. They point out that if all workers made this same "rational" decision, it would lead to decreases in productivity, and increase the likelihood of firm failure.

Finally, turning to the decision-making process, Hansmann (1996) points out that companies owned by multiple individuals face a collective action problem where the preferences of all individuals may be diverse and thus agreement on firm policies very difficult to attain in an efficient manner. Longer decision-making processes may result in the business not making important decisions as quick as it should which incurs costs and affects its viability. Thus, companies with democratic governance will face limits in how far and fast they can scale employment and respond to changing market dynamics.

Taken together, these theories make reasonable cases for why employee-owned companies are expected to underperform relative to their conventional counterparts. It's important to point out that the strong assumptions they make do not apply to all forms of employee ownership. For example, in shared capitalism models of employee ownership employees generally do not have expansive governance rights, so the theories concerned with hiring, underinvestment, and decision making are less applicable (Blair et al., 2000). All forms of employee ownership are, in theory, subject to the "free-rider" problem and this can only be overcome when other incentives to work hard are developed in addition to the financial incentives of company ownership (Kruse, 2016).

In worker cooperatives, where all the above theories are more applicable, evidence suggests that the problems can be overcome. In the case of perverse responses to positive economic conditions, theories overlook the fact that such decisions are made collectively, and they overestimate the likelihood that such decisions would be agreed upon in a firm where employment is the main goal. Empirical studies from the United States, Italy, and France all demonstrate that the adjustment that worker cooperatives make to external economic conditions are through adjusting pay, not employment (Perotin, 2013). Turning to the underinvestment problem worker cooperatives have individual accounts that allow worker-members to receive the value of their shares when they retire (Ellerman, 1986). Another way is to institute a profit plough-back rule so that a company can automatically accumulate capital (Alzola et al., 2010). Regarding the relationship between democratic governance

and size, it is indeed true that very large worker cooperatives are rare. However, examples like Mondragon in Spain (Whyte & Whyte, 1988), which has tens of thousands of members, do exist, and offer important lessons of how costs associated with decision making processes can be overcome—mainly in instituting a representative rather than direct model of governance. On the point of size, we should keep in mind that very large businesses are rare in general, in the United States 90% of businesses have under 20 employees and only 0.03% have 5,000 employees or more (Perotin, 2013).

EMPIRICAL EVIDENCE: A BRIEF REVIEW

With these key caveats laid out we can turn to what the empirical evidence tells us about the overall performance of employee-owned companies. The literature is extensive and due to space constraints, we cannot give it full justice here. Instead, we will highlight key studies that, because of their design, strongly suggest a positive relationship between employee ownership and company performance. In organizing this section we anticipate two of the most common issues encountered with studying the causal relationship between employee ownership and company performance: small sample sizes, and identifying causation vs. correlation. To address the former, we highlight meta-analyses. To address the latter. We highlight studies that have strong research methodologies.

Addressing the Small Sample Size Argument

Meta-analysis is a technique used to combine results across studies with the goal of reaching a conclusion about the overall association between variables of interest. Such studies enable to quantify and identify general trends that occur across geography and time, have much larger sample sizes, and provide an understanding of the knowledge that has accumulated over decades (Card, 2012).

In the studies we review here, the explanatory variables are forms of employee ownership and participation and the outcome variable is measures of company performance. One of the earliest meta-analyses to investigate the productivity effects of different forms of employee ownership was completed by Doucouliagos (1995), who synthesizes the results of 43 published studies.

He finds that profit sharing, employee ownership, and worker participation in decision making are all positively associated with productivity and that the correlations are stronger in firms practicing models of economic democracy compared to those using models of shared capitalism.

In another meta-analysis, Kruse and Blasi (1997) survey 27 studies that look at productivity and profitability, and conclude that "while several studies indicate better or unchanged performance under employee ownership, almost no studies find worse performance" (p. 26). In addition, they estimate that, when taken together, 1980 and 1990s studies found that productivity increased 4-5%, on average, in the year a company adopted an ESOP.

Finally, O'Boyle et al. (2016) conduct a meta-analysis of English language studies of employee ownership published as of 2013. It includes 102 studies that represent over 56,984 different firms and measure either efficiency related outcomes (e.g. productivity, value added, return on assets) or growth-related outcomes (e.g. sales, assets, profitability). They describe that "employee ownership has a small, but positive and statistically significant relation to firm performance" (p. 452) and that this relationship holds across a variety of contexts including geographic location of the firms, their size, type of ownership model, and whether the company was public or private. These findings align with those of prior reviews of the literature (Freeman 2007; Kaarsemaker, 2006; Kaarsemaker et al., 2009; Kruse, 2002, 1993, 2016).

Addressing the Causation is not Correlation Argument

To address the questions about causation, we will only highlight studies that compare conventionally owned companies to employee-owned companies with similar characteristics, and or compare pre-adoption performance to post-adoption performance of the same set of companies. The reason for doing so is because studies that match companies on various characteristics help control for other factors that can also be related to firm performance. Studies that look at pre- and post-adoption help control for the very likely dynamic where well performing companies "self-select" into employee ownership.

In the late eighties, the US General Accounting Office (1987) conducted a study that compares firms who established ESOPS to similar conventionally

owned firms. It finds that the companies with ESOPs experienced no negative effects on worker productivity and firm profitability, and positive effects when the plan was coupled with worker participation. A study that tracks private ESOP companies between the years of 1988-1999 describes that they were only half as likely to go bankrupt, and three fifths as likely to disappear for any reason (Blasi, et al. 2013) compared to non-ESOP companies. In the same study, which was able to identify 343 companies that adopted an ESOP in the time period, the authors compare per and post sales growth, employment growth, and productivity growth and found that they increased 2.4%, 2.3%, and 2.3%, respectively.

Stretcher et al. (2006) compared public companies with and without ESOP between the years of 1998-2004, and inferred that companies with ESOPS experienced higher return on assets (5.5%), net profit margin (10.3%), and return on equity (5.6%). Kurtulus and Kruse (2017) tracked the full population of publicly traded companies in the United States with and without ESOPS, profit sharing, or any other kind of broad-based stock ownership plan. The study covers from 1991 to 2011, which includes two major recessions in the United States. They explain that companies with broad-based employee ownership shed jobs at half the rate over this period and were 75% as likely to go out of business compared to conventionally owned counterparts. This corresponds with other studies reviewed in the last section that companies with employee ownership are less likely to fail (Blair et al., 2000; Park et al., 2004).

Another large study sponsored by the UK's Treasury analyzes 16,000 firms over time and identifies that employee ownership is linked to improved turnover and value added (Oxera, 2007a, 2007b). Finally, in an interesting experimental study, Peterson and Luthans (2006) track 21 fast food franchises owned by one firm which randomly introduced profit sharing in some stores and not others. Over the six-month study period, stores where profit sharing was introduced experienced a 30% increase in profits, 19% reduction in drive through times, and 13% decrease in turnover.

Research on the relationship between employee ownership and company performance is extensive and we encourage readers to explore the noted meta-analyses, literature reviews, and selected studies. What is clear is that the evidence demonstrates quite strongly that company performance is not negatively impacted by employee ownership as early theories would sug-

gest. If any relationship does exist, it appears to be positive. Certainly, there is still much to be learned and causation is always difficult to establish, but when taken together the existing evidence shows that the perverse incentives that concern theoreticians are "overcome more often than not under employee ownership" (Blasi, et al., 2017, p. 18). The question we turn to next is how this is achieved.

HOW ARE OUTCOMES ACHIEVED?

One of the most useful models for thinking about how employee ownership is linked to better company performance is through what Akerlof (1982) calls a "gift exchange." Applying it to models of employee ownership, workers who are given the "gift" of employee ownership, along with competitive wages and benefits, respond with a reciprocal "gift" of high effort, lower absenteeism, and more company pride and loyalty. The exact way in which this process occurs is still being studied but organizational scholars find that identity is key to motivate employees and increasing their commitment and feelings of responsibility to a firm (Akerlof & Kranton, 2005). Thus, cultivating an ownership identity for workers where an employee's sense of self is linked to the organization can help them develop feelings of responsibility which include "a responsibility to invest time and energy to advance the cause of the organization" (Pierce et al., 2001, p. 303). Put another way, "formal employee ownership encourages employees to believe that they share financial interests with the organization and act in a manner that promotes these shared financial interests" (Wagner et al., 2003, p. 865).

While employee ownership creates the motivation for employees to act in ways that would benefit the organization, it is not guaranteed. As Kruse and Blasi (1995) note, "employee ownership does not magically and automatically improve employee attitudes and behavior whenever it is implemented" (p. 24). To achieve these outcomes something more is needed, "something akin to developing a corporate culture that emphasizes company spirit, promotes group cooperation, [and] encourages social enforcement mechanisms" (Weitzman & Kruse, 1990, p. 100). An ownership share may provide the motivation for employees to help improve the firm, but this means very little if it is not coupled with opportunities to participate and provide input in decision-making, or specific managerial and human resource practices which entice rather

than diminish such actions (Kruse et al., 2004; Logue & Yates, 2001). This three-pronged model of motivations, opportunities, and company context or "culture" is brought to life when employee-owners are given training and education that further develops their ability to contribute to the organization's performance in more meaningful ways (Summers & Chillas, 2019).

What does the "ownership magic" look like in practice? A study that draws on survey data from 40,000 US workers across 14 firms sheds some insight. It shows that workers with company stock and other financial incentives were significantly more likely to intervene when they saw a co-worker not working well by speaking with the co-worker directly, with a supervisor, or with a member of their work team. When asked why they would take this action many workers reported that "poor performance will cost me and other employees in bonus or stock value" (Freeman et al., 2010, p. 98). The same study also finds that employee-owners had lower turnover and absenteeism and were more likely to make suggestions about how to improve company performance.

Not all companies follow the best practices of coupling employee ownership with education, training, and opportunities to participate, but many do. An analysis of over 700 companies that applied to *Fortune* magazine's 100 Best Companies to Work For between 2005 and 2007 found that employees working in companies with higher levels of broad-based employee ownership were more likely to "extensively participate in more decisions, have greater information sharing, trust in supervisors, and report a more positive workplace culture than in other companies" (Blasi et al., 2016, p. 55). Clearly, combining the financial benefit of broad-based employee ownership with meaningful and significant participation, and even governance rights provides real and measurable returns—for the company and employees.

CONCLUSION

Supporters and detractors alike have tended to define employee ownership according to their own set of a priori assumptions of what it is, what it is not, and what it should be. Often, these assumptions are not based on the real-world experience of what happens in employee-owned firms and often, such assertions overlook the diversity of employee ownership models and how they work in practice. Thankfully, there now exists a wellspring of hard

data that can help us understand not just what employee ownership is, but capture its impact on the economy, individual businesses, and the employee-owners that work within them.

As mature and developing economies alike look to find ways of addressing widening wealth and income disparities, the data regarding employee ownership makes it clear that it can be a powerful, and politically feasible strategy for doing so. What is required is an "eyes wide open" look at what it really is, and how it works.

For many and maybe most workers around the world, economic stability, especially over the long-term, is increasingly a thing of the past. The expectation of working for a single company for the bulk of ones' working life and receiving gradually increasing wages and benefits during that time, is rare. Rising inequality and systemic poverty, along with the economic immobility for large portions of the world's population makes sustained and equitable economic growth difficult. Many find themselves on the razor's edge of the middle class and poverty or poverty and destitution. In this context, those with misconceptions about employee ownership may argue that asking workers to invest their meager resources, or exchange wages and benefits, for an ownership stake in a private business does not make sense. But does this reflect the reality of employee ownership?

In our view, misconceptions about employee ownership are just that, misconceptions. A mounting body of evidence shows that it receives broad political support, provides workers with stable family-sustaining jobs, and improves company performance. Wealth inequality is one of the most pressing issues of our time and employee ownership—by broadening access to and ownership of productive assets—can address it at a fundamental level.

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