Majority ESOP-Owned Companies Have 8.8% Productivity Edge

A new study of 328 majority ESOP-owned members of the ESOP Association by Brent Kramer has found that these companies have sales per employee that are 8.8% greater than comparable non-ESOP companies. 100% ESOP-owned companies did better than those that were over 50% but not 100%. Smaller companies and companies with greater ESOP account value per employee also did better. Employee influence on new products, work design, and marketing all were also strongly related to performance outcomes.

The study does not demonstrate that having an ESOP per se causes these performance benefits: its design cannot preclude the possibility that better-performing companies are more likely to have ESOPs in the first place (although prior research using before-and-after data, indexed for competition, does indicate a casual effect). The correlates of performance, however, are less subject to this chicken-and-egg problem and provide useful insight into what makes an ESOP work.

Kramer's study, "Employee Ownership and Participation Effects on Firm Outcomes," was his doctoral thesis for the City University of New York.