

# 2019 ESOP Economic Performance Report

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The Economic Performance Survey has been the yardstick for measuring the success of The ESOP Association's member companies since the survey's initial fielding in 2000.



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# Foreword

The results of this year’s Economic Performance Survey (EPS) show that, once again, companies belonging to The ESOP Association have experienced positive corporate performance. And, once again, they are sharing those gains with their employee owners.

## ESOPs and Wealth Inequality

This year’s results reveal a shift in how those gains are being shared: Funds appear to have been shifted, in some measure, away from ESOP contributions and toward employee owners’ salaries. Wage increases among respondents are higher than last year and higher than the national average, suggesting that ESOP companies are doing more than conventionally-owned businesses to combat wealth inequality. Since this is only the second year we have asked for data on wages, these findings—while encouraging—are preliminary. (See page 4.)

## Employee Owners as Expense Managers

Last year we reported an interesting trend: For three years, responding ESOP companies reported that profits rose at rates greater than revenue. That trend continued this year as well.

We speculated that these companies were excelling at paring costs, and that employee owners—who tend to be highly engaged in the business—might have a hand in these efforts. To delve more deeply into this issue, this year we asked respondents how involved employee owners are in managing costs. The results, shown on page 3, reveal that three out of every four employee owners are involved to a significant degree in keeping costs down.

## A History of Strong Performance

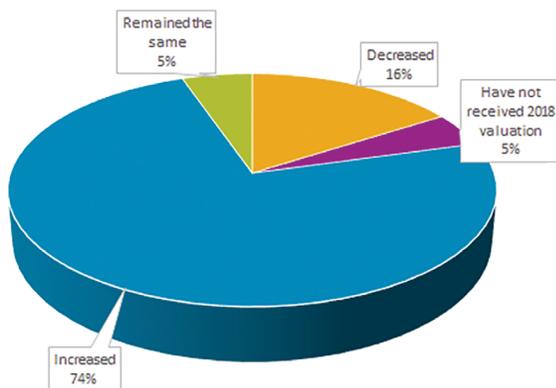
ESOPs are able to share the wealth with employee owners only if there is wealth to be shared. This year’s results show that responding ESOP companies continue to perform well (see the graph below.), generating wealth that keeps companies financially strong and that is, in turn, distributed to employees.

Of particular note: The percentage of companies reporting that profits rose 50% or more leaped this year from 10.6% to 18.9%—a jump of nearly 80%. This is the largest year-over-year increase we have seen since we started asking this question in 2016. Moreover, 18.9% is the highest percentage of companies reporting this level of profitability in our history of asking this question. (See page 2.)

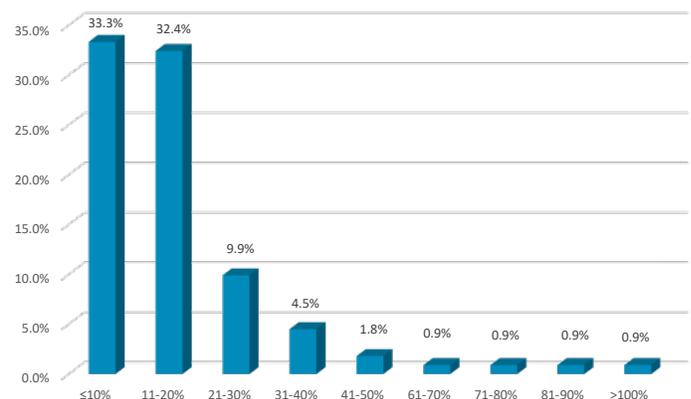
Since the EPS was launched in 2000, the majority of respondents have reported increases in profits for every year but two (2002 and 2010) and increases in revenue for every year but one (2010). The exceptions noted above reflect the nationwide economic downturns of the prior years (2001 and 2009). Even in those challenging times, 29 percent or more of responding ESOP companies reported that profits and/or revenue increased.

## Stock Valuation

If you’ve received your independent valuation for the year 2018, has your company’s stock:



If your company stock experienced an increase, please indicate the percentage change:

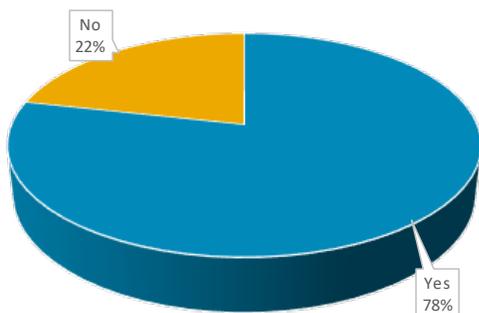


## ESOPs Continue to Perform Well

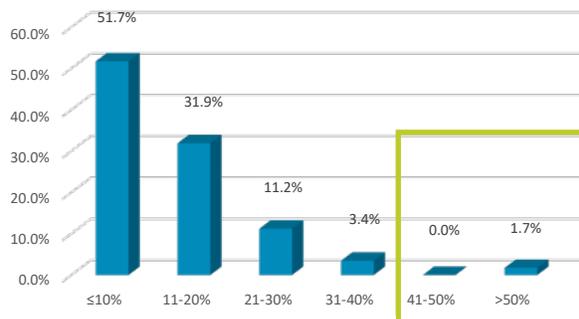
For the fourth year in a row, ESOP companies saw profits rise more than revenue. Among respondents, 20.8% saw profits rise 40 percent or more, even though only 1.8 percent reported a comparable increase in revenue. This gap widened compared to last year, when the respective numbers were 19% and 2%. In short, responding companies were even better at wringing out profits this year than last.

### Revenue

Did revenue increase in 2018 from 2017?

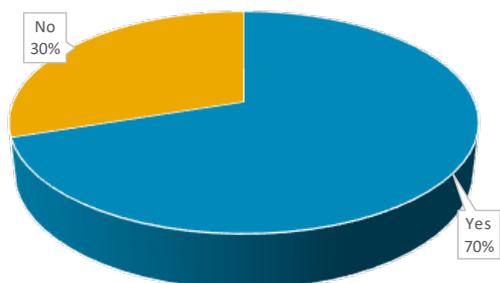


By what percentage did 2018 revenue increase over 2017 revenue?

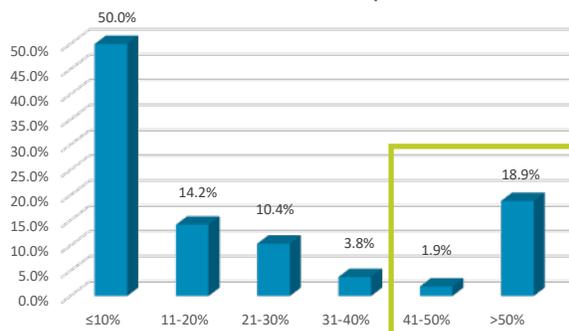


### Profits

Did profitability increase in 2018 from 2017?



By what percentage did 2018 profits increase over 2017 profits?

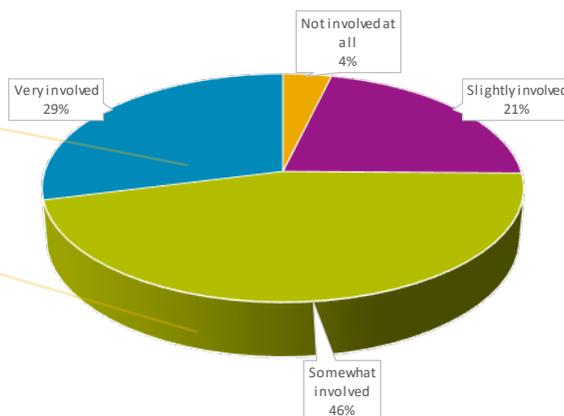


### Managing Expenses

This year, for the first time, we asked respondents how involved employee owners are in managing expenses.

The results show that 75% of respondents report that employee owners are Somewhat or Very Involved in managing company expenses. Employee owners appear to be helping companies wring out greater profits—and, in return, are sharing in the rewards. (See page 4.)

To what degree are your employee owners involved in managing company costs?

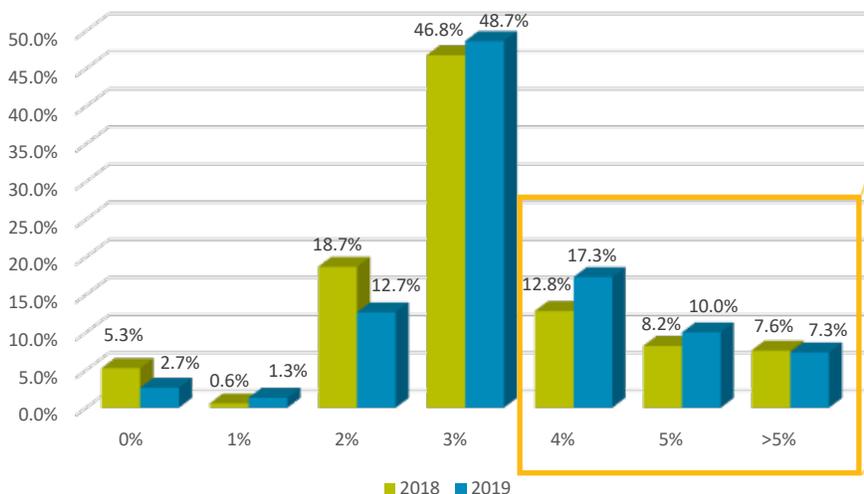


## ESOPs Share the Wealth

This year's results once again show that when ESOP companies perform well, employee owners share in the rewards. Compared to last year's survey, companies seem to have shifted their rewards more towards higher salaries for employee owners.

### Wages

Please estimate the average percent wage increase for your production and non-supervisory workers in the company's last fiscal year.

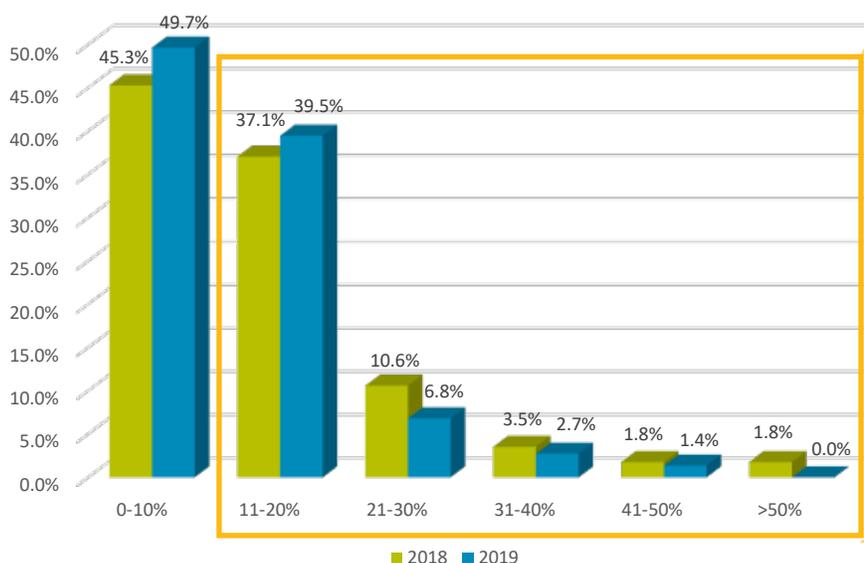


Companies responding to this survey offered their employee owners wage increases higher than last year's respondents, and higher than the national average of 3.1% (as reported by [World at Work](#)).

Nearly half (48.3%) of the ESOP companies responding to our survey offered salaries of 3%. More than a third (34.6%) offered pay increases of 4% or more—substantially higher than the national average.

### ESOP Contributions

Please estimate the average ESOP contribution as a percent of pay in the company's last fiscal year.



ESOP contributions generally shifted lower this year, compared to last year, but not dramatically so. The largest drop was in the 21-30% category, which fell 3.8 percentage points. Also of note, this year no respondents offered ESOP contributions greater than 50%, down from 1.8% last year.

Despite these drops, the majority of respondents still offered ESOP contributions of 11% or more—more than double the average 401(k) match of 4.7%, as reported by [Fidelity](#).

Just as noteworthy, these ESOP contributions required no out of pocket investment from employee owners, unlike 401(k) matches. ESOP contributions remain essentially free to employees.

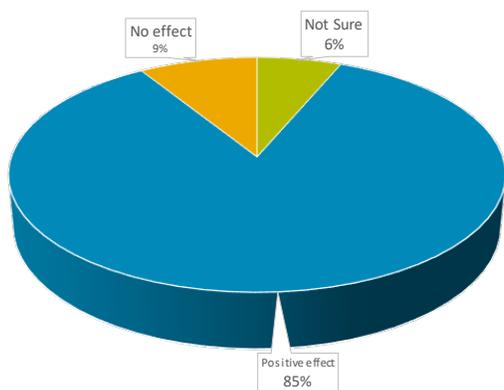
# Non-Financial Benefits to ESOP Companies

In 2019, the second highest level of respondents ever (94%) reported that implementing an ESOP was a good decision. This was outdone only slightly by last year's result of 94.9%. Positive responses to this question have trended upward since the survey was launched.

Surprisingly, the percentage of companies that have implemented an employee communications program dropped 12 percentage points this year, from 70% to 58%. Members tell us these groups—which provide education and information to employee owners—help maximize the benefits of their ESOPs.

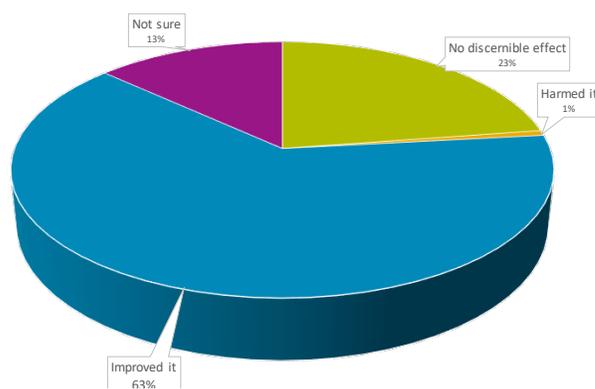
## Culture

Has having an ESOP affected your company culture in any way?



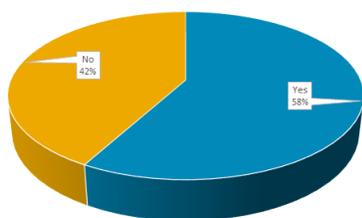
## Productivity

How has the ESOP affected the overall productivity of your company's employees?

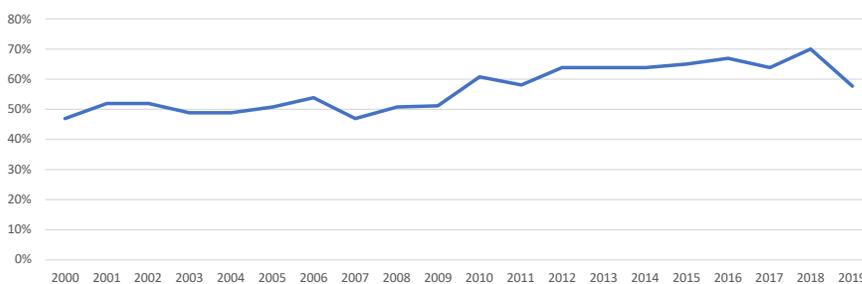


## ESOP Committee

Has your company created an ESOP education program or ESOP advisory committee since establishing the ESOP?

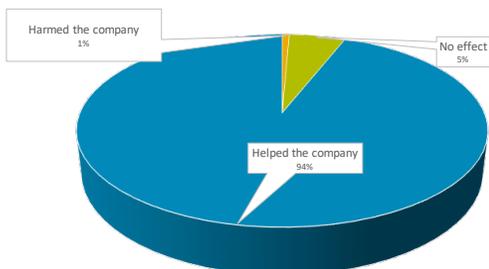


Yes Responses Since 2000

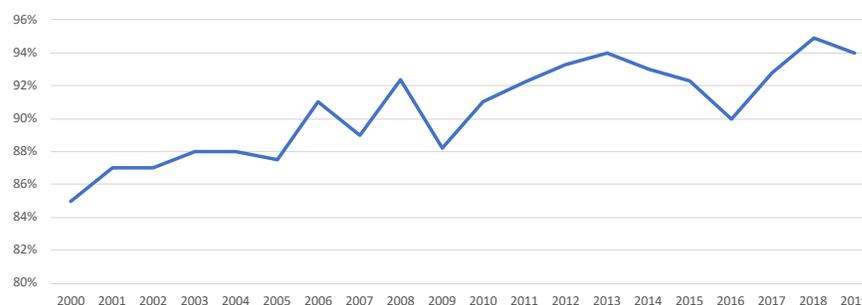


## ESOP Decision

Overall, how do you now evaluate your company's decision to implement an ESOP?



Positive Responses Since 2000





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The 2019 Economic Performance Survey was sent to all corporate members of The ESOP Association in September, 2019. A total of 162 companies responded.