

INTRODUCTION TO Employee Owned Companies

WHAT

What does it mean to be employee-owned?

It means employees have an ownership stake in their company. This ownership ensures that everyone who contributes to the success of the company shares in the reward if the company does well.

An employee-owned company has **significant** and **broad-based** employee ownership.

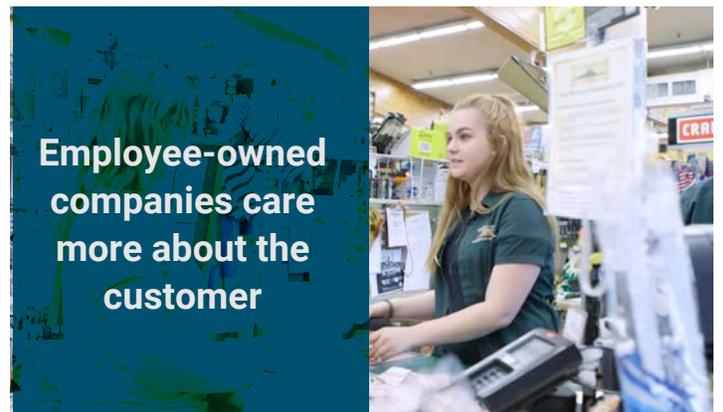
Broad-based means access to ownership is open to everyone and concentration of ownership is limited.

Significant means a sizable portion of the business – typically at least 30%.

Did you know?

A National Center for Employee Ownership study found that the median tenure for employee-owners was almost two years longer than that of non employee-owners.

WHY



WHO



...and more.

WHERE

Employee-owned companies operate in every state in America and every industry in the economy. They range in size from just a few to more than 180,000 employees and in revenue from less than \$1 million to more than \$20 billion.



5000+
Companies



1.5M+
Employee
Owners



\$200B+
Combined
Revenue

HOW

Common types of employee owned companies:

Employee Stock Ownership Plan

Employee stock ownership plan (ESOP) companies are the most common type of employee-owned company in America. Legally the ESOP is a retirement trust that guarantees broad-based ownership through controls set out in the Employment Retirement Income Security Act (ERISA).

Worker Cooperatives

Worker cooperatives combine employee ownership with worker control on a one-worker, one-vote basis. Typically all workers, including management, are eligible to become owners after meeting certain criteria. Worker cooperatives tend to distribute benefits in a manner similar to profit sharing.

Perpetual Trusts

Perpetual trusts are a new form of employee ownership in the US based on the UK's John Lewis Partnership. Perpetual trusts aim to ensure long-term, even indefinite, employee ownership through a legal structure that prevents the sale of the business. Many operate on a one-worker, one-vote basis.

Direct Share Ownership

Direct share ownership (DSO) is the most flexible format for EO. DSO could include anything from a C corporation to a publicly-traded company. While nearly every US business has some direct share ownership, it is far less common to have significant and broad-based employee-ownership through DSO.

Additional Resources



esopassociation.org



nceo.org



certifiedeo.com



institute.coop



usworker.coop

