Employee Ownership Plans According to Earnings, Gender, and Race in the United States

By the Research Team of the Institute for the Study of Employee Ownership and Profit Sharing
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Overview

This report presents six easy-to-read charts about differences in the **average** dollar value of employee ownership by the annual earnings, gender, and race of employees. As averages, this gives a snapshot from random samples from employee surveys from the US General Social Survey across the entire US population. It answers the question: How broadly has employee share ownership's financial benefits spread among working people?

The focus is on employee equity ownership plans and Employee Stock Ownership Plans (ESOPs), separately. Employee equity ownership plans involve grants of restricted stock, performance shares, Employee Stock Purchase Plans, and company stock ownership in 401(k) plans, etc. and do not include ESOPs. The results specifically on ESOPs are broken out and presented separately. Data are from the 2022 General Social Survey using previous surveys from 2018 and 2014 for a larger national sample.

Differences In Employee Share Ownership by Earnings Groups

Equity Plans

As Figure 1 shows, there are wide differences in the average dollar value of employee equity plans by employee earnings. The lowest third earnings group has 91% less total equity plan dollar value on average than the upper third earnings group. The middle third earnings group has 17% less equity plan dollar value than the highest earning group. The lowest third earnings group has 89% less total equity plan dollar value than the middle third earnings group. These are non-ESOP equity plan employees only. It is important to note that only 8% of the employees at equity plan companies are in the low earnings group making less than $25,000 per year which means that equity plan firms are better paying firms. However, equity plan firms are allowed by federal law to exclude employees in the low earnings group from their plans.

ESOPs

As Figure 2 shows, there are wide differences in the average dollar value of ESOPs by employee earnings. The lowest third earnings group has 86% less total equity plan dollar value on average than the upper third earnings group. The middle third earnings group has 83% less equity plan dollar value than the highest-earning group. The lowest third earnings group has a comparable total equity plan dollar value to the middle third earnings group. These are ESOP employees only. It is important to note that only 5% of the employees at ESOP companies are in the low-earning group making less than $25,000 per year, which means that ESOPs are better paying firms. ESOPs must include virtually all employees by law and do not exclude low earners.

Based on recent data with averages from the 2014, 2018, and 2022 General Social Survey, adjusted to 2022 dollars.

Figure 1. Equity Plans: Dollar Value in Income Groups

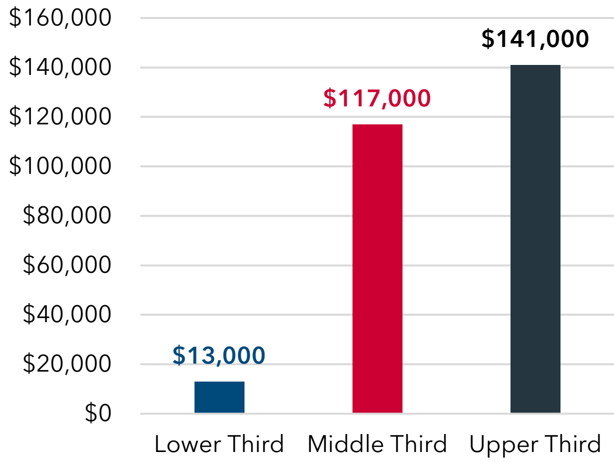
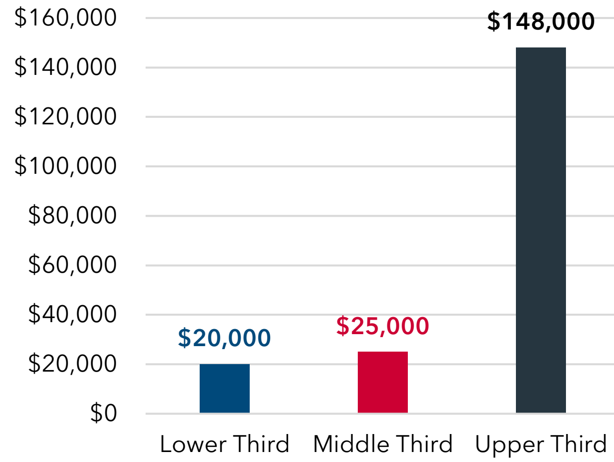


Figure 2. ESOPs: Dollar Value in Income Groups



Note: All workers in the economy are divided into thirds based on their annual earnings. The higher earnings group is above $53,000 in annual earnings, the middle earnings group from $25,000 to $53,000, the low earnings group is below $25,000 in annual earnings.

Conclusion

There are wide differences in the average dollar value of employee equity ownership by employees in both equity plans and ESOPs by annual earnings. Employees in the upper earnings group have significantly higher dollar values of employee ownership than employees in the lowest earnings group. Employees in the lowest earnings group have very low average dollar values of employee equity ownership.

However, it is important to note that only 8% of the employees of equity plan companies and only 5% of the employees of ESOP companies are in the low earnings group making less than $25,000 per year.

Employees earning less than $25,000 per year face different prospects in equity plan firms in comparison to ESOPs. Equity plan firms are allowed by federal law to exclude employees in the low earnings group from their plans. But ESOPs must include virtually all employees by law and do not exclude low earners.

Note that these are averages at one point in time and do not reflect the total dollar value of employee equity ownership at retirement after an entire working career. It has been demonstrated, for example, that average ESOP dollar values after 10 years and an entire career at an ESOP company can be considerable.

Earnings are wages from labor which may be hourly wages or salaries plus commissions, bonuses, and profit-sharing or gain-sharing.

The Differences in Employee Ownership in Equity Plans by Gender

Equity Plans

As Figure 3 shows, there are wide differences in the average dollar value of employee ownership in equity plans by gender. Women equity plan employees have 54% less in total employee ownership dollar value, on average. This means that women have 46 cents of employee ownership for every $1 that men own on average. These are non-ESOP equity plan employees only.

ESOPs

As Figure 4 shows, there are wide differences in the average dollar value of employee ownership in ESOPs by gender. Women ESOP employees have 56% less in total employee ownership dollar value, on average. This means that women have 44 cents of employee ownership for every $1 that men own. These are ESOP employees only, not employees of other equity plans.

Based on recent data with averages from the 2014, 2018, and 2022 General Social Survey, adjusted to 2022 dollars.

Figure 3. Equity Plans: Dollar Value by Gender

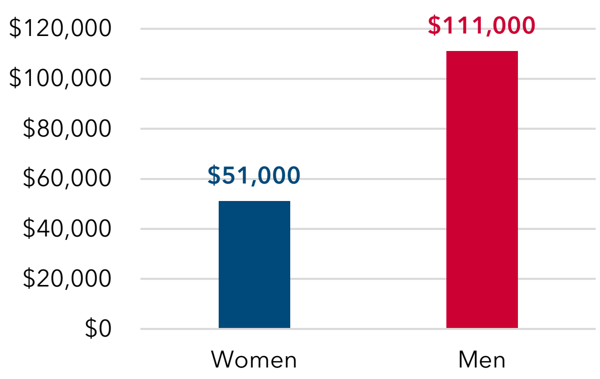
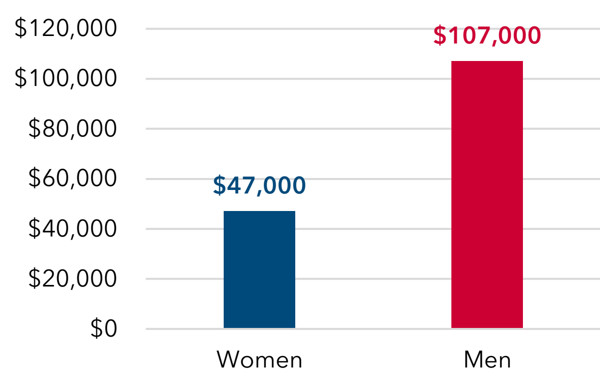


Figure 4. ESOPs: Dollar Value by Gender



Conclusion

There are wide gaps in the average dollar value of employee ownership by employees in both equity plans and ESOPs by gender. Women equity plan employees have 54% less in total employee ownership dollar value, on average, than men in non-ESOP equity plans. This means that women in equity plans have 46 cents of employee ownership for every $1 that men own. Women ESOP employees have 56% less in total employee ownership dollar value, on average, than men in ESOPs. This means that women in ESOPS have 44 cents of employee ownership for every $1 that men own.

Differences In Employee Ownership in Equity Plans by Racial Groups

Equity Plans

As Figure 5 shows, there are wide differences in the average dollar value of employee ownership in equity plans by racial groups. Black equity plan employees have 82% less in total employee ownership dollar value, on average, than White employees. This means that Black equity plan workers have 18 cents of employee ownership for every $1 that White equity plan workers own. Hispanic equity plan employees have 55% less in total employee ownership dollar value, on average, than White equity plan employees. This means that Hispanic equity plan workers have 45 cents of employee ownership for every $1 that White workers own. "Other workers" have more average equity plan ownership than White equity plan workers. These are non-ESOP equity plan employees only.

ESOPs

As Figure 6 shows, there are wide differences in the average dollar value in ESOPs by racial groups. Black ESOP employees have 73% less in total ESOP dollar value, on average, than White ESOP employees. This means that Black ESOP workers have 27 cents of employee ownership for every $1 that White ESOP workers own. Hispanic ESOP employees have 56% less in total ESOP dollar value, on average, than White ESOP employees. This means that Hispanic ESOP workers have 44 cents of employee ownership for every $1 that White ESOP workers own. "Other workers" have more average ESOP ownership than White ESOP workers. These are ESOP employees only, not employees of other equity plans.

Based on recent data with averages from the 2014, 2018, and 2022 General Social Survey, adjusted to 2022 dollars.

Figure 5. Equity Plans: Dollar Value in Racial Groups

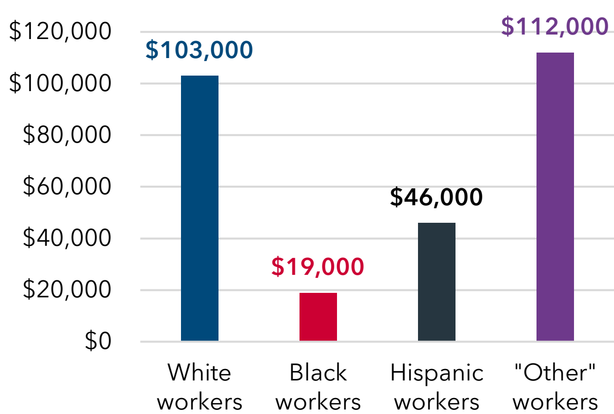
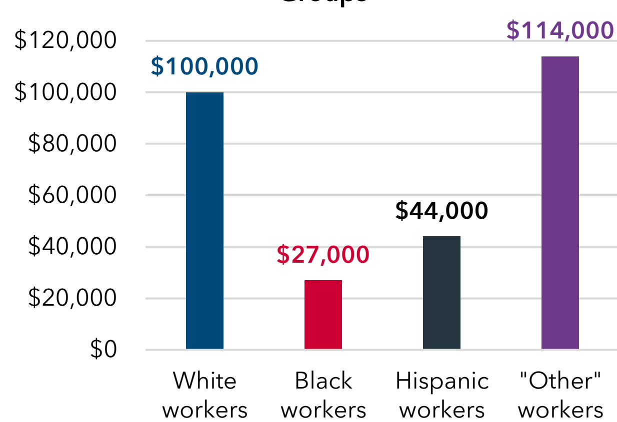


Figure 6. ESOPs: Dollar Value in Racial Groups



Note: The national sample size is too small to report results for Asian workers alone with high confidence. The "Other workers" category includes American Indian, Alaska Native, Native Hawaiian or Pacific Islander, Middle Eastern or North African or other workers of mixed races, although this category is principally made up of Asian workers.

Conclusion

There are wide differences in the average dollar value of employee equity ownership by employees in both equity plans and ESOPs by racial groups. Black employees have 82% less dollar value in employee ownership equity plans and 73% less dollar value of employee ownership in ESOPs than White employees. Hispanic employees have 55% less dollar value in employee ownership in equity plans and 56% less dollar value of employee ownership in ESOPs than White employees.

Final Analysis and Policy Choices

The average dollar value of employee ownership between the lowest third and upper third of employees by earnings shows wide differences in both equity plans and ESOPs.

Employees earning less than $25,000 per year face different prospects in equity plan firms in comparison to ESOPs. Equity plan firms are allowed by federal law to exclude employees in the low earnings group from their plans. ESOPs must include virtually all employees by law and do not exclude low earners.

However, it is important to note that only 8% of the employees of equity plan companies and 5% of the employees of ESOP companies are in the low earnings group making less than $25,000 per year.

The average dollar value of employee ownership in both equity plans and ESOPS shows wide gaps by both gender and race.

Note that these are averages at one point in time and do not reflect the total dollar value of employee equity ownership available at retirement after an entire working career. It has been demonstrated, for example, that average ESOP dollar values after 10 years and an entire career working at a company can be considerable.

It is likely that when companies decide on the allocation of employee ownership according to salary and tenure that such formulas play a major role in creating these differences.

Some firms have taken note of these differences and are considering formulas that allocate employee ownership differently. One possible formula is according to hours worked. Another possible formula is according to the dollar value of existing accounts so that those with less wealth accumulation receive more stock in their allocations. Another possible formula is a points system that uses characteristics other than demographic characteristics that has the effect of increasing the wealth accumulation of groups that currently have low wealth accumulation.

These conclusions are based on the best available data. The Institute is working with the General Social Survey on a new 2026 survey next year to update these findings.

Other Considerations

ESOPs are more egalitarian than non-ESOP equity plans because they require companies to include nearly all employees based on the Employee Retirement Income Security Act of 1974. ESOPs are also more egalitarian than non-ESOP equity plans because they put an upper limit cap on the amount of income that can be used as a basis for stock allocations and because they have rules against excess benefit to Highly Compensated Employees. However, it is the allocation formulas according to salary and tenure that appear to limit the ability of ESOPs to have a larger impact on wealth accumulation by income group, gender, and racial group.

Equity plans that are not ESOPs are largely completely unregulated and generally do not require that all employees be included, they do not put an upper limit cap on the amount of income that can be used as a basis for stock allocations, and they do not limit excess benefits to highly compensated employees.

Background On the General Social Survey

This report is based on new data from the 2022 General Social Survey (GSS) conducted by the National Opinion Research Center at the University of Chicago. This report supplements the 2022 data with data from additional national representative samples of all adult US employees from 2014 and 2018 in order to create the most extensive scientific sample available. The General Social Survey is supported mainly by the US National Science Foundation (NSF). The NSF allows supplementary questions supported by outside funding. The questions on employee share ownership in the GSS were designed by the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University which organized the outside funding and internal Institute development costs in 2002, 2006, 2010, 2014, 2018, and 2022, in order to include these questions. The employee share ownership questions on the General Social Survey for 2022 were supported entirely by Google.org. Support for funding for the other years came from the Employee Ownership Foundation, the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University, the Rockefeller Foundation, and the Russell Sage Foundation. Other groups who at times contributed funds from 2002-2018 were the Beyster Institute at the University of California-San Diego, the Foundation for Enterprise Development, the National Center for Employee Ownership, and the Profit Sharing Research Foundation.

Learn More

We are pleased to present this brief as part of the Employee Ownership Ideas Forum, a two-day convening bringing together leading policymakers, practitioners, experts, and the media for a robust discussion on how we can grow employee ownership for the shared benefit of American workers and businesses. The Forum is co-hosted by the Aspen Institute Economic Opportunities Program and the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University. Learn more at as.pn/eoforum25.

The Institute for the Study of Employee Ownership and Profit Sharing is at: https://smlr.rutgers.edu/EmployeeOwnershipInstitute

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