

HOW EMPLOYEE OWNERSHIP PROVIDES A COMPETITIVE EDGE IN RECRUITMENT AND RETENTION

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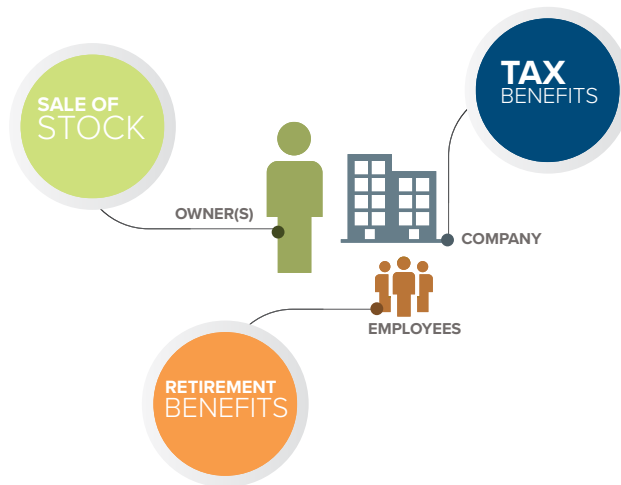
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INTRODUCTION

The U.S. labor market is experiencing one of its most significant periods of adjustment in a generation. According to the Bureau of Labor Statistics (BLS), 4.5 million Americans quit their jobs in November 2021 alone with 10.6 million positions still open as of November 30. At the same time there is growing consensus that broad based employee ownership can be a highly effective tool for addressing inequality and promoting engagement. Companies need every competitive edge available to attract and retain high-quality talent today.

Employee stock ownership plans (ESOPs) offer several advantages to employers attempting to respond to the growing demand for employee ownership while building the engagement and retention needed in a highly competitive labor market. ESOPs provide a compelling, innate competitive advantage—they allow employees to build potentially substantial retirement wealth over time. This benefit can be critical as jobseekers as well as major investors such as California Public Employees’ Retirement System and Washington State Investment Board are expressing a preference for companies that provide ownership opportunities for employees. ESOPs can improve the alignment between employees’ economic interests and a company’s growth objectives while helping address environmental, social, and governance (ESG) concerns in a direct and tangible way.

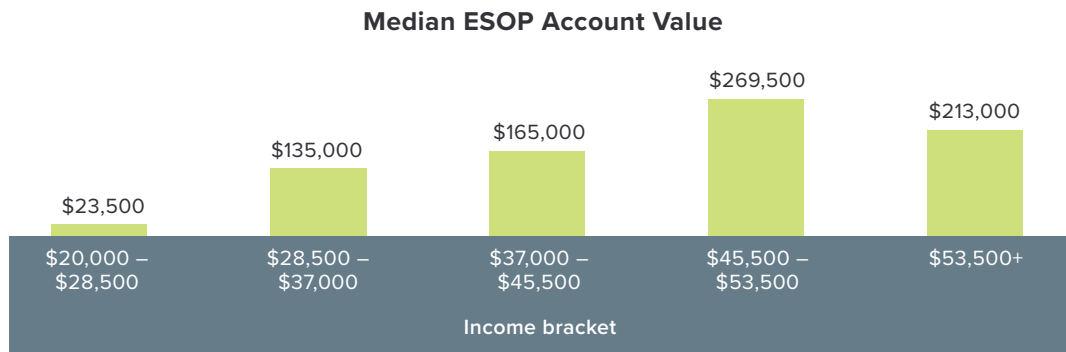


OPPORTUNITY TO BUILD A SIGNIFICANT RETIREMENT BENEFIT

In a tight labor market, ESOPs may provide companies with a significant advantage in recruitment and retention by offering employees the opportunity to potentially build meaningful retirement wealth. Historically, the United States has struggled to deliver access to retirement savings vehicles. As discussed in a [previous article](#), the Aspen Institute recently reported that 40 million Americans lack a workplace retirement savings plan. This lack of access is particularly acute for low-wage workers and small-business employees. Still more troubling, according to the Certified Financial Planner Board of Standards approximately half of Americans aren't saving for retirement at all.

ESOPs can play an important role in helping companies and workers address these issues. In 2019, the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University published a research paper that examined how ESOPs can help low- and moderate-income employees build assets for retirement. The study, which interviewed long-tenured employees with low to moderate incomes at ESOP-owned companies, highlighted the dramatic financial impact that ESOPs can have for these types of employees.

RUTGERS STUDY HIGHLIGHTS THE IMPACT OF ESOPS ACROSS INCOME LEVELS

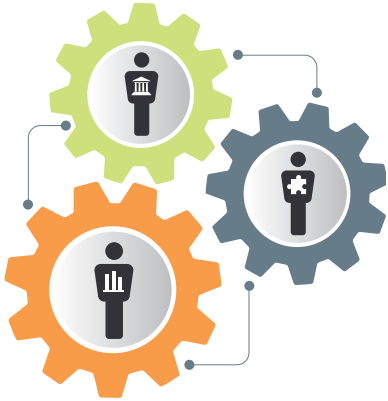


Source: Rutgers Institute for the Study of Employee Ownership and Profit Sharing

For many workers, building significant retirement assets can be life-altering—not only for themselves, but for dependents who may eventually inherit or rely upon that wealth. ESOPs offer companies a critical competitive advantage when recruiting employees as candidates are drawn to the unique value proposition unavailable at competing employers.

IMPROVE COMPANY- AND-EMPLOYEE ALIGNMENT

ESOPs can improve retention by creating alignment between employee and company interests. As a business becomes more profitable, the value of the ESOP plan and the portion of it allocated to each active participant rises as well. The structure thereby incentivizes workers to help their employer build value over the long term. This alignment of incentives is a key competitive advantage relative to other ownership structures.



ESOP participation can help workers build a more meaningful connection to the work they do and the value it creates, boosting productivity and improving company morale. The 2019 Rutgers study found that the ESOP model can help foster self-advocacy and advancement in the workplace, provide opportunities for leadership development and communication skills training, and lead to better internal mentorship and career coaching, among other benefits.

ADDRESS ESG CONCERNS IN A TANGIBLE WAY

Many companies have made ESG initiatives a core part of their mission statements. As part of this trend, [evidenced in this article by *The Wall Street Journal*](#), organizations like Ownership Works, comprised of banks, pension funds, and private equity firms are promoting broad based employee ownership as critical to addressing underlying ESG related concerns such as inequality. ESOPs provide companies with a direct, tangible way to demonstrate real commitment to achieving these objectives. Because of their demonstrated ability to make a more direct impact on the lives of their employees and the local community, ESOPs may also appeal to workers who believe that companies have a social obligation to promote the welfare of their employees.

This advantage can help companies attract and retain talent—particularly younger employees who may value a connection between work and social advocacy—by articulating a mission that resonates throughout the workforce. Ultimately, ESOP-owned companies can build reputations for being responsive to social concerns while incentivizing hard work and commitment.





LOOKING FOR A MULTIFACETED EDGE? CONSIDER AN ESOP

ESOPs can provide companies with a multifaceted competitive advantage for recruiting and retaining talented employees. This combination of advantages may be particularly valuable in today's labor market in which building and sustaining an effective, fully staffed workforce has become increasingly challenging.

For companies seeking to leverage this unique edge in recruitment and retention, ButcherJoseph can be a valuable resource in developing and implementing an ESOP. One of the services we offer companies in advance of a paid engagement is our [feasibility study](#) analysis, which helps business owners learn more about the economics of a sale to an ESOP and how employee ownership can make a positive impact on morale, productivity, and a company's ability to promote the economic wellbeing of its employees.

About ButcherJoseph & Co.

ButcherJoseph is an M&A firm specializing in the middle market. Our team of professionals has executed more than 200 transactions exceeding \$15 billion in total deal value. To learn more about how we can help you with your succession planning goals, fill out our [contact us form](#) or call us directly at **314-558-5116**.