

ESOPs Strengthen Workers, Businesses, and the State Economy



OVERVIEW

Employee Stock Ownership Plans (ESOPs) are a proven business model that aligns worker success with company performance. ESOPs give employees a direct ownership stake in the firms they work for without requiring personal investment. California is a national leader in employee ownership, with more ESOP companies than any other state. Research shows that ESOPs build wealth for workers, improve job stability, and strengthen business resilience – benefits that public policy can help expand throughout California’s economy.

THE FACTS

How an ESOP Works

- A company establishes an ESOP trust, a legal entity that holds company stock on behalf of employees and is funded entirely by the company, not individual workers.
- The company contributes cash to the ESOP trust or the trust borrows funds, which are then used to purchase shares from the existing owner at fair market value, as determined by an independent appraiser.
- Shares held by the trust are allocated over time to employee retirement accounts based on compensation or tenure, as the company repays any ESOP-related debt.
- When employees retire or leave the company, they cash out their vested shares, providing a retirement benefit.

California Is a National Leader in ESOPs

- California is home to over 780 ESOPs, more than any other state.
- ESOPs in California distributed an estimated \$11.2 billion in value to employee-owners.
- ESOPs build wealth and economic security for workers.
- ESOPs are one of the most effective mechanisms for expanding financial opportunity and stability for working families.
- National research shows employee-owners have 92% higher median household wealth than non-employee-owners.
- Employee-owners have 2.2 times as much in retirement plans and 20% more financial assets overall than employees of the comparison group of non-ESOP companies.
- Employee-owners earn 33% higher median wages than comparable non-employee-owners and have 53% longer median job tenures.

ESOPs in California’s Construction Industry

California is home to **70 ESOP-owned** construction companies, representing approximately **12,378 employee-owners**.

ESOP construction companies expand ownership opportunities for California’s predominantly Hispanic and Latino construction workforce by distributing equity broadly across employees.

California invests nearly \$5 billion annually in transportation construction, and an additional \$41.9 billion in federal infrastructure funding is coming over the next five years, creating an opportunity for ESOPs to ensure these public dollars directly benefit the workers building these projects.

