

The Evolution and Impact of Democratic Practice in Ohio Employee-Owned Companies over 20 Years

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In the last 30 years, employee ownership, which was virtually unknown in the United States prior to legal changes recognizing Employee Stock Ownership Plans (ESOPs) as qualified pension plans in 1974, has become a significant factor in the American economy. According to the National Center for Employee Ownership's statistics, which are generally the most reliable national statistics available, there are today about 9,774 partially or wholly employee owned companies through ESOPs, stock bonus, and profit sharing plans, investing primarily in employer securities with 11.2 million employee owners who hold about \$928 billion in equity in the companies they work for as of February 2008 (National Center for Employee Ownership 2008).

The intent of Congress in establishing ESOPs was to create financial assets for company employees, not to promote employee involvement or participation in corporate governance. Senator Russell Long, the author of every major piece of ESOP legislation from 1973 until he retired from the senate in 1987, put it succinctly, "Our capitalistic system should have a great many more capitalists. From where are they to come? Logically, from the ranks of employees" (Long 1989: vii). ESOPs were designed to achieve this end.

Despite the legislative intent of asset creation, initial studies of the performance of employee-owned companies vis-a-vis their conventionally owned competitors suggested that ESOPs also seemed to enhance corporate performance in terms of productivity, sales, and profitability. The causal relationship was initially held in the 1970s and early 1980s to be between employee ownership per se and company performance.

We know in retrospect that these studies were flawed in that the respondents to them were those companies that were most enthusiastic about their ESOPs, and those appear to have had the greatest employee participation in decision-making. The 1986 General Accounting Office study, which remains the most comprehensive national study of ESOP companies ever done, found no impact of ownership on performance except in companies that combined employee involvement with employee ownership (General Accounting Office 1987). That finding has since been replicated in several dozen studies that compare participatory employee-owned firms to non-participatory or less participatory employee-owned companies (for summaries of this literature, see Freeman 2007; Kruse and Blasi 1997: 134-36; Logue and Yates 2005: 7-34).[1]

While the evidence from the academic studies is now compelling that it is the combination of

¹ The evidence that employee participation enhances company performance is, in fact, so strong that one could make an argument that ESOP fiduciaries who do not encourage employee participation in the company are failing their fiduciary obligation to plan participants because they are failing to enhance stock value in obvious and known ways to do so.

employee ownership and employee participation that enhances ESOP company performance, to the extent Congress has legislated on this issue at all, it has, in fact, legislated in the opposite direction. Congress specially provided that closely-held ESOP companies -- which comprise approximately 95% of ESOP firms (NCEO 2008) -- need not pass through to plan participants the voting rights on the employee shares in the ESOP, thus reducing the rights of ESOP participants relative to regular shareholders in corporate governance. This, of course, runs directly counter to employee involvement and participation in corporate decision making. The NCEO estimates that only about 20% of closely-held ESOP companies pass through full voting rights to their employees (NCEO 2008), and the ESOP Association, the national trade association of ESOP companies, opposes any requirement for full voting rights pass. That number has been significantly higher in Ohio studies, including our 1992-93 study which found that 42% of closely held Ohio ESOP firms passed through voting rights in full (Logue and Yates 2001: 211) and the 2004-6 study, which found that 33% of closely held Ohio firms passed through full voting rights. But note that even in Ohio, where the state-supported Ohio Employee Ownership Center advocates pass-through of voting rights, the majority -- 60 percent -- of closely-held ESOP companies do not pass through voting rights.[2]

Obviously, governance rights -- full pass through of voting rights and non-managerial employees on boards of directors -- are logically separate from rights of participation in decisions on the job. An employee-owned company can lack the former but provide the latter, and many of them do. Or they can provide neither. In the discussion that follows, we will differentiate between employee participation in governance and employee participation in decisions on the job.

The U.S. has moved in the opposite direction from the countries we usually compare ourselves to in Europe where employee participation in the boardroom and on the shop floor is now legally mandated in most countries. While the United States had a general system of employee involvement through labor-management cooperation committees in the defense industry during World War II, practically the entire American system of collaborative relationships was dismantled by 1947. While there have been sporadic attempts to create more participatory systems in individual companies and industries, most notably in the automotive and steel industries, those efforts frequently were based on management and union leaders' commitment and, unless anchored in the collective bargaining agreement, few had a long life expectancy. The same holds true for corporate governance. Aside from an occasional union director on the board of one of the automotive companies or steel companies practically all non-managerial employee directors on the boards of American corporations were in the employee-owned sector. By contrast, essentially all large companies in Austria, Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, and Sweden have non-managerial employee directors who are usually drawn from labor unions. This striking divergence has increased over time and the European Union's corporate statute will encourage increased employee participation in decision

2 Curiously 13 percent of closely held firms which do not pass through full voting rights have non-managerial employees on their boards of director as compared to 38 percent of those with full pass through of voting rights. Granting full voting rights obviously isn't a requirement for having workers in the boardroom.

making in the shop and the boardroom.

In the absence of an ideology of worker participation or worker control in American employee-owned companies or of legislation promoting both simultaneously, the reasons for employee participation have been largely empirical and instrumental. The relationship between employee ownership and participation on the one hand and corporate performance on the other appears to have been resolved in the American experience: The combination of employee ownership and participation yields a systematic improvement in corporate performance in terms of productivity, sales, and profitability.

Employee participation in decision making in the shop and in corporate governance purely as an instrumental value is, however, troublesome. (1) Is it purely beneficial for employee-owned companies and for employees as long term owners of capital? Or does it have positive benefits for employee owners as employees and for their communities? (2) If it does, do democratic employee-owned firms yield greater benefits for employees and their communities than less democratic ones? And (3) is there a propensity for employee-owned firms to become more democratic over time?

In a 2004-06 Ohio study we looked beyond corporate performance impacts of employee ownership to how employee-owned companies impact employment security and employee living standards, specifically in terms of employment, capital investment, outsourcing, wages, benefits, and profitability relative to their industries. These same factors positively impact community economics as well. The results, presented in Section 1 in Tables 1-6, are clearly positive for employee owners and, in the longer run, for the communities in which they live.

But do democratic, participatory employee-owned companies produce greater benefits for employees and local economies than less participatory firms? Are the most democratic firms more likely to retain jobs in the face of economic adversity? Pay higher wages and benefits? Or are they indistinguishable from less participatory firms: That is, is employee participation necessary to achieve these positive ends or do managers act as agents for the employees without direct employee oversight and involvement? That is the subject of Section 2.

The 2004-06 Ohio study was the third such Ohio study; the previous ones were done in 1985-86 and 1992-93. These three surveys provide unique longitudinal data to trace whether employee-owned companies follow a natural developmental pattern that leads them to become more participatory in decision making and more democratic in governance over the years. We turn to that issue in Section 3.

The appendix describes the methodology of the study.

1. Do participatory democratic employee-owned companies yield greater benefits for employees and local economies in Ohio?

In general, Ohio employee-owned companies report that they outperform their industries in terms of maintaining higher employment over the previous three years (which were years of downturn), doing more reinvestment, less outsourcing, better non-managerial wages and benefits, and, despite these practices, improving profitability relative to their industries in the 2004-06 study. These overall results are reported in Tables 1 to 6. All these contribute to greater direct economic benefits for their employee owners and the communities in which they are located.

Job retention and creation has been a key issue in Ohio for many years and, especially, since the downturn of 2000. Between January 2000 and January 2006, Ohio lost 25 percent of its manufacturing jobs, and total employment contracted by 3 percent.

During this period, Ohio employee-owned companies outperformed their industries in terms of job retention and creation (Table 1). Nine percent did worse than their industries over the previous three years while 35 percent did better. From an employee perspective, jobs, wages, and benefits are the bottom line, and employee-owned companies clearly outperformed their industries on all these indicators.

Table 1. Employment in company vs. industry

| | Frequency | Percent | Cumulative percent |
|--|-----------|-------------|--------------------|
| Company doing somewhat worse than industry | 1 | 1.1 | 1.1 |
| Company doing a little worse than industry | 7 | 7.7 | 8.8 |
| Company and industry doing the same | 51 | 56.0 | 64.8 |
| Company doing a little better than industry | 26 | 26.4 | 91.2 |
| Company doing somewhat better than industry | 9 | 8.8 | 100.0 |
| Total | 91 | 100% | |

Question 43: How has employment in your firm developed relative to employment in your industry during the last three years? Firm's employment decreased/stable/increased. Industry's employment decreased/stable/increased.

Part of the reason for the better employment results relative to industry is that employee owned companies are less likely to outsource and to off-shore jobs. Not one employee-owned firm in the Ohio study reported outsourcing more than their industries; almost half reported outsourcing less (Table 2). It's not surprising that employee-owned companies are less likely to contract out

their owners' jobs than conventionally owned companies are.

Table 2. Outsourcing: ESOP company vs. industry

| | | Frequency | Valid Percent | Cumulative Percent |
|-------|-----------------------------|-----------|---------------|--------------------|
| Valid | Much less than industry | 5 | 4.8 | 4.8 |
| | Somewhat less than industry | 17 | 16.2 | 21.0 |
| | A little less than industry | 27 | 25.7 | 46.7 |
| | Same as industry | 56 | 53.3 | 100.0 |
| | Total | 105 | 100.0 | |

Question 47. There's a lot of talk about globalization and outsourcing jobs these days. Please compare the patterns in your industry and in your company. Industry outsources a great deal/some/a little/ none. My company outsources a great deal/some/a little/none.

A second reason is that Ohio ESOP companies reinvest more than their conventionally owned competitors. Roughly twice as many ESOP companies report reinvesting more than their industries (31 percent) as compared to those reporting reinvesting less than their industries (17 percent) (Table 3).

Table 3. Capital investment in your company compared to industry

| | | Frequency | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------------|--------------------|
| Valid | Lower | 17 | 16.8 | 16.8 |
| | about the same | 53 | 52.5 | 69.3 |
| | Higher | 31 | 30.7 | 100.0 |
| Total | | 101 | 100.0 | |

Question 44: How does your company's capital investment rate over the last five years compare to your industry? My company is higher/about the same/lower.

Despite the reinvestment rate, about three times as many Ohio ESOP companies also reported paying higher wages than the industry as reported paying lower wages (Table 4).

Table 4. Non-managerial wages: company compared to industry

| | | Frequency | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------------|--------------------|
| Valid | Lower | 9 | 8.4 | 8.4 |
| | about the same | 68 | 63.6 | 72.0 |
| | Higher | 30 | 28.0 | 100.0 |
| Total | | 107 | 100.0 | |

Question 45: How do nonmanagerial wages at your company compare to nonmanagerial wages in your industry?

Almost half reported better benefit packages than their industries (Table 5). Part of this is a simple ESOP effect: Since only 8 percent of firms used an ESOP to replace another benefit plan, ESOPs were generally added to other existing benefit plans, thereby increasing benefits. Fully 89% of Ohio ESOP companies responding to the survey maintained another retirement plan in addition to the ESOP. Part of it isn't so simple as adding another plan: We know, for example, that ESOP companies are more likely to provide medical coverage than their conventionally owned competitors.

Table 5. Benefit package in company compared to industry

| | | Frequency | Valid Percent | Cumulative Percent |
|-------|----------------|-----------|---------------|--------------------|
| Valid | Lower | 2 | 2.2 | 2.2 |
| | About the same | 47 | 50.5 | 52.7 |
| | Higher | 44 | 47.3 | 100.0 |
| Total | | 93 | 100.0 | |

Question 46: How does the benefit package for nonmanagerial employees at your firm compare to benefits for nonmanagerial employees in your industry?

Despite their propensity to provide greater job security, to outsource less, and to pay better wages and considerably better benefits, employee-owned firms still edged their conventionally owned competitors in terms of profitability (Table 6). Twenty-seven percent improved their profits relative to their industry since establishing their ESOPs (or in the last 10 years for older ESOPs); 14 percent saw their profits decline relative to their industries.

Table 6. Change in profit position relative to industry since ESOP or last 10 years

| | | Frequency | Valid Percent | Cumulative Percent |
|-------|------------------------|-----------|---------------|--------------------|
| Valid | Much worse | 2 | 2.1 | 2.1 |
| | Somewhat worse | 1 | 1.0 | 3.1 |
| | A little worse | 11 | 11.3 | 14.4 |
| | No change | 57 | 58.8 | 73.2 |
| | A little better | 9 | 9.3 | 82.5 |
| | Somewhat better | 13 | 13.4 | 95.9 |
| | Much improved | 3 | 3.1 | 99.0 |
| | Exceptionally improved | 1 | 1.0 | 100.0 |
| Total | | 97 | 100.0 | |

Question 41: How has your firm's rate of profit compared to that of your industry?

All of these impacts of employee ownership are desirable from the point of view of both employee owners and of community economies: higher employment today and in the future, more job and economic security, and higher local multiplier effects.

But how do these impacts relate to employee participation in decision making at work and in

governance?

2. Are the positive findings correlated with employee participation in the shop and in corporate governance?

Two competing hypotheses present themselves.

The first is that employee owners have a relatively short time perspective with a direct interest in more employment security, less outsourcing, and higher wages and benefits right now. These factors will undermine the efficiency of the firm, and decrease its competitiveness (e.g., for example, Jensen and Meckling 1979; Simon 1983). In short, employee owners will sacrifice long-term benefits of employment security through reinvestment and of appreciation in the value of their ownership for short term gains. Consequently, the more democratic the firm, especially in terms of non-managerial employee-owner participation in governance, the more likely the firms are to pursue the employees' short-term benefits at the expense of reinvestment and profitability. So we would expect a positive correlation between employee participation in governance and employment security, minimizing outsourcing, and higher wages and benefits. Conversely, we would also expect lower reinvestment and lower profits relative to industry.

The alternative hypothesis is that employee ownership changes employees' time perspective, because it gives employees control of the enterprise's decisions and its assets (e.g., Logue et al. 1998: 109-111). Consequently employees can affect their long-term employment security through wage and benefit restraint and reinvestment. Hence the more democratic the governance of the firm, the greater the emphasis on longer term interests with a concomitant sacrifice of short-term benefits.

As can be seen from the Table 7 below, employee and local economic effects and participation just don't seem to be connected, as least not simply and directly.

As far as we can tell, governance participation [3] is essentially unrelated to benefits to the employees and the community. Non-managerial board participation is essentially unrelated to all of these factors except for providing employee benefits, where there is a strong (.68) and significant relationship between participation in governance and higher benefits relative to industry. We expect that that is largely the result of the effort to preserve medical benefits in a time of rapid medical price inflation. There is no relationship whatsoever with higher wages; rather, the more participatory firms are mostly in the middle of the wage spectrum. Pass-through voting is uncorrelated or negatively correlated with what we assume to be employee interests, and significantly so on the issue of employee wages versus industry. This again runs counter to the theory that economic democracy will lead firms to suicide by paying excessive wages and benefits, by retaining employee owners on payroll despite economic circumstances. On the other hand, there is a negative but not statistically significant relationship between profitability relative

3 Participation in governance is indicated by two variables: board of directors membership for nonmanagement employees and passing through more than the legally required minimum of voting rights to employees shareholders.

to industry and our two governance variables.

Shop floor participation [4] is positively (but not significantly) correlated change in employment relative to industry. It is positively and significantly correlated with less outsourcing and more reinvestment relative to industry. In the first and third cases, it may be that robust shopfloor participation programs create the margin for job retention and growth and for reinvestment in times of economic pressure. In the case of outsourcing, robust shopfloor participation programs tend to keep costs lower, while nothing sours employees quicker on shopfloor participation than outsourcing work.

On the other hand, shop floor participation should also provide a margin for higher wages and higher benefits in ESOP companies relative to their industries, and there is no correlation here at all. It similarly ought to offer the possibility of higher profitability and, again, there is no correlation here.

Why are the results so spotty, uneven, and inconclusive?

The answer may simply be that economics is simply a stronger factor than the impact of employee participation in governance or in the shop, especially in the world of Ohio manufacturing companies with unions.

High rates of shopfloor participation seem to be concentrated in manufacturing and construction. These are among the most “old industrialized economy” parts of the Ohio business world. This economic sector in Ohio has been ravaged over the past two decades. It appears that the employee-owners are fighting for survival like good business owners, restraining wages and investing in new products or processes that will enable their own firm to survive and, they hope, to prosper while they, at the same time, maintain benefits and avoid the outsourcing and off-shoring that have closed so many establishments like their own.

Part of this reflects the impact of unionization. Sixty percent of the majority employee-owned unionized firms that included union members in the ESOP had non-managerial employees on the board of directors and 80 percent provided full voting rights pass through. By contrast none of the minority employee-owned unionized firms that included union members in the ESOP had non-managerial employees on the board of directors and only 20 percent provided full voting rights pass through.

4 Shopfloor participation is a summary 8-variable indicator that simply counts how many techniques a company uses. The techniques are suggestion system, quality circles, quality of worklife program, problem-solving groups, labor management participation team, self-managing work groups, total quality management, and the employee attitude survey. All eight variables load positively on the first principal factor in factor analysis; with seven of the eight loading higher than 0.6. The loading of total quality management was .3, but as it was a good practical and theoretical fit with the other variables, it was kept in the indicator. Keeping it in also facilitated comparison with earlier surveys.

Table 7. Participation in shopfloor decision making and in corporate governance. Gamma correlations . Correlations in **bold** if significance $p < .10$. (Significance in parentheses)

| | Shopfloor participation 10 variables | Shopfloor Collapsed to 5 values | NM Board membership | NM board members selected by employees n= 22 | Pass thru voting in closely held companies |
|---------------------------------|--------------------------------------|---------------------------------|-----------------------------------|--|--|
| Change in employment v industry | .106 | .114 | .093 | .59 | -.258 |
| Outsourcing in our company | .23 (.054) | .221 (.07) | .29 | .543 (.089) | .06/.08 collapsed and clarified |
| Outsourcing v industry* | .211 | .227 (.034) | .29 | .20 | .080 |
| Investment v industry | .237 (.043) | .247 (.037) | -.13 | -.21 | -.20 |
| NM wages v industry | -.093 | | -.013 | .3 | -.431 (.028) n=85 collapsed, simplified indicator: -.464 (.026) |
| Benefits v. industry | -.167 | -.198 | .686 (.002) n=91 | -.143 | .047 collapsed and clarified |
| Profitability v industry** | .022 | | -.150 | | -.176 |

NM = non-managerial

3. Do ESOP companies become more democratic over time?

With the data from the 2004-06 study, longitudinal data for almost 20 years became available for 36 Ohio ESOP companies (Table 8). Only 8 companies had data for the endpoints, 1986 and 2004, and just six of those had data for 1993. These we refer to in what follows as “longest lived ESOP companies.” Twenty-eight companies (not including the previous eight) had data for 1993 and 2004. These we refer to as “longer lived ESOP companies.” The number is regrettably small, reflecting both the decline in response rate in the 2004 survey and the high rate of ESOP terminations relative to other pension plans (cf. General Accounting Office 1991) as well as the large amount of turnover and flux in the business world. Companies that have data just for one

year or that did not report in 2004 we refer to as “other ESOP companies,” and these provide a comparison group for the long-term and medium-term survivors. The comparison groups as a whole are younger than the longest-lived ESOPs, but a few of the “other” respondents date back to the earliest ESOP year of 1974.

Table 8. Age of ESOPs in comparison groups

| | Longest-lived ESOP companies (n=8) | Longer Lived ESOP companies (n=28) | Number of other companies in the three surveys varies from n = 55 to n =114 |
|---|------------------------------------|------------------------------------|---|
| 1986 median year established (range of dates) | 1979.5 (1974-1981) | | 1978.0 |
| 1993 median year established | | 1986 (1975-1990) | 1986 |
| 2004 median year established | | | 1994 (1974-2003) |

The lack of a substantial group of companies continuing from 1986 until the present is not too surprising. An earlier paper drawing on Form 5500 reports to the Internal Revenue Service of the U.S. government (Yates 2004) revealed a large amount of turnover in ESOP companies and in ESOP pension plans. Over eight years of reporting to the IRS, 747 individual ESOP plans were listed for Ohio. The number of companies listed ranged from 297 to 406 on four annual editions of the data. Just 205 companies appeared in all four CDs. 173 companies appeared just once. The data are known to include errors and to omit data, but even allowing for that, they reveal a good deal of churning among companies with ESOP plans.

Despite the modest numbers of long-lived companies, data from these two small groups offer an insider’s look at the development of long-lived ESOP companies.

In many ways the eight longest lived companies for which data are available look like other ESOP companies. They are not especially distinguishable by their size: the median number of employees in all three groups is between 100 and 200. None of them is large. Altogether, they have just under 2500 employees. Average sales for the eight long-lived companies are not particularly high. Their average sales of \$93 million are better than the \$48 million average of the 28 less long-lived companies, but considerably less than the \$299 million average annual sales of all other ESOP companies surveyed in 2004. All of the longest lived companies are closely held, as are most of the companies in all three waves of the study. In the last 1970s and early 1980s when their ESOPs were formed, there were more publicly traded ESOP companies among the survey respondents (about one third), primarily because of the various tax credit plans which then existed. In the 2004 study, 88% of the respondent firms are closely held.

But in some ways the long-lived survivors are different. They are more likely (75%) to be in construction or manufacturing. They are also more likely to pay well. Half of them report paying higher wages than their industry, and they are somewhat more likely than other companies to

have profit-sharing or gainsharing. In 1986, the longest lived companies were not more unionized than other companies in the survey, but over the years, other ESOP companies have become less union-organized. The longest-lived companies with unions have kept their unions and their ESOPs and stayed in business. Unionization has not increased among any of the three groups.

What the longest-lived companies appear to have done is this: stay in business through good years and bad. And the result of staying in business has been an increase in the wealth of these employee-owner-capitalists (Table 9). The median value per participant of their ESOPs has grown to \$100,000 compared to a little more than \$40,000 per participant for the longer-lived ESOP companies reporting in 1993 and 2004, and, just \$26,316 for other companies surveyed. [5] For the eight longest-lived, the inflation-adjusted growth rate of the median value per participant was 375% over 18 years. For the twenty-eight longer-lived companies, the inflation-adjusted growth rate of the median account was 69% over 11 years. The surveys do not record how much cash was distributed to participants in between the surveys, but that number would be higher in older ESOP companies simply because they have more retirees.

Table 9. Change in Median Value per Participant, by Longevity Groups

| | 8 longest- lived 1986-2004 | 28 longer-lived 1993-2004 | Others in the survey year |
|-----------------------------------|-------------------------------|------------------------------|------------------------------|
| 1986 MEDIAN VALUE PER PARTICIPANT | \$12,174 | | \$6,000 |
| 1993 MEDIAN VALUE PER PARTICIPANT | \$32,328 | \$18,842 | \$17,274 |
| 2004 MEDIAN VALUE PER PARTICIPANT | 100,000 | 41,538 | 26,316 |

Perhaps the most distinguishing characteristic of the long-lived companies is that they are far more likely to have become 100% employee-owned over time (Table 10). In 1986, two of long-lived companies were already at 100% ownership, and another was at 40%. By 1993, there were still just two at 100%, but two more had become majority owned. The remaining two reporting in that year were at 23% and 41%. By 2004-06, four were 100% employee-owned, two were at 88%, one was at 82%, and just one was minority-owned at 22%. The longer surviving companies from 1993 and 2004 seem to be moving along the same path as the oldest ones. Median percentage of ownership in this group increased from 52% in 1993 to 82% in 2004. By contrast, others surveyed reported median ownership of 35%.

Table 10. Percent Majority Owned, by Longevity Groups

| | 8 longest- lived 1986-2004 | 28 longer- lived 1993-2004 | Others in the survey year |
|-----------------------------|-------------------------------|----------------------------------|------------------------------|
| 1986 Percent majority owned | 25.0 | | 14.0 |
| 1993 Percent majority owned | 66.7 | 51.9 | 24.0 |
| 2004 Percent majority owned | 87.5 | 64.3 | 36.7 |

5 According to U.S. government's Bureau of Labor Statistics' inflation calculator at <http://data.bls.gov/cgi-bin/cpicalc.pl>

| | | | |
|-------------------------------|------|------|------|
| | | | |
| Median percent ownership 1986 | 35.0 | | 37.9 |
| Median percent ownership 1993 | 55.5 | 52.0 | 28.0 |
| Median percent ownership 2004 | 94.0 | 82.0 | 35.0 |

Part of this accomplishment lies in considerable early contributions made to the ESOP. In 1986, the longest-lived companies reported contributing a median of 15% of employees' pay to the ESOP, and in 1993, a median of 9.5%. This compares to the other companies' 1.2% median contribution in 1986 and 6% in 1993. In 2004, the pattern continued, with the longest-lived ESOPs contributing a median of 12.25% of pay to the ESOP in 2003, compared to a median of 5% for the longer-lived group of 28, and 4% for the new ESOPs surveyed. The employee-owners made other sacrifices, too. The percentage of companies reporting that employees had made wage or benefit concessions increased for each of the three groups of companies between 1993 and 2004. For the first time, one company among the eight longest-lived firms reported in the 2004-06 survey that employees had made wage or benefit concessions for the ESOP. Both the longer-lived group and all other companies had modestly higher incidence of concessions as well.

No doubt the attraction of S-Corp status, which rewards 100% employee ownership with very substantial tax benefits, has been a factor in the trend.

Over the years, these longest-lived ESOPs became somewhat more philosophically committed to employee ownership (Table 11). In 1986, just one company reported that employees deserve to be owners, in the context of a question that asked, "What is your best reason for setting up the ESOP?" Five more reports from the longest-lived group in 1986 expressed attraction to the concept, but stated that tax incentives were the decisive factor. One company reported that tax incentives were the main motivation for setting up the ESOP, and that they would exclude the employees if they could. By 1993, in a question that asked about the company's philosophy on ESOPs, attitudes had changed for the worse. One of the six reporting companies offered that employees should own, two stated that while they liked the concept, tax incentives were the determining factor, and three reported that they liked the tax benefits, and would not have an ESOP if they could get the benefits some other way. By 2004, however, opinion had taken a somewhat different turn on an identical question. Three companies agreed that employees should be owners, one stated that they liked the concept, but wouldn't have employee ownership without the benefits, two stated that they liked the tax benefits rather than employee ownership, and one volunteered that the company's philosophy on the ESOP was "none." Interestingly, these longest-lived companies experienced dramatic change in their outlook on the ESOP, but in the end, they did not look very different from the longer-lived companies reporting in 1993 and 2004. About a third (37%) of these reported that employees should be owners in 1993, and 36% agreed in 2004.

Table 11. Philosophy on ESOP, by Longevity Groups

| | 8 longest-lived 1986-2004 | 28 longer-lived 1993-2004 | Others in the survey year |
|--|------------------------------|------------------------------|------------------------------|
| 1986 Philosophy: percent saying employees deserve to be owners was a reason for ESOP | 12.5% | | 20.3 |
| 1993 Philosophy: percent saying employees deserve to be owners | 16.7 | 37.0 | 25.4 |
| 2004 Philosophy: percent saying employees deserve to be owners | 42.9 | 36.0 | 25.8 |

Between surveys, employment grew in all the firms for which there were multiyear data. In the longest-lived firms, employment was relatively stable, with a median of 344 employees in 1986, surging a bit in 1993, but sagged back to a median of 346 by 2004. For the twenty-eight longer-lived firms reporting between 1993 and 2004, employment grew from a median of 373 to a median of 427.

If employment change among the firms was not marked, what was more notable was growth in the number of participants in the ESOP. Participants grew from a median of 108 in 1986 to 162 for the companies with data for all three years. While employment was not growing for this group, they expanded the number of participants by half. Participants also grew from median 113 to 129 for firms with 1993 and 2004 data, The record of growth in the number of participants in all categories puts a new light on the growth of wealth through employee ownership in ESOPs. While employee-owners were growing their own wealth through their companies, they were sharing the wealth and its growth with more people. No doubt some of the growth in number of participants resulted from retirees who continued to hold stock and receive benefits, but the vast majority of ESOP companies reported that they pay off their retirees in full at the time they leave, so that almost all the participants reported are active workers. Seventy-five percent of the longest lived companies require their retirees to take cash, as do 54% of the longer-lived and 59% of all others surveyed.

A factor that seems likely to have contributed to the longest-lived firms' survival can be seen in the reported impact of the ESOP on attitudes and behavior that affect the workplace. Of 23 variables measuring the impact of the ESOP, the eight longest lived companies reported the highest percentage of positive impact 16 times, and they were twice second highest and within 5% of the category with the highest incidence of positive impact. The variables measuring impact included productivity, motivation, absenteeism, turnover, manager-worker communication, product quality, and job performance. They are summarized in Table 12.

Table 12. Impact of the ESOP on Operations

| | 8 longest- lived 1986-2004 | 28 longer- lived 1993-2004 | Others in the survey year |
|--|-------------------------------|----------------------------------|------------------------------|
| 1986% reporting positive impact on MOTIVATION & PRODUCTIVITY | 87.5 | | 50 |
| 1993 % reporting positive impact on motivation | 66.7 | 96.3 | 61.7 |
| 1993 % reporting positive impact on productivity | 66.7 | 67.9 | 53.9 |
| 2004 % reporting positive impact on motivation | 85.5 | 76.0 | 53.8 |
| 2004 % reporting positive impact on productivity | 85.5 | 64.0 | 40.3 |
| 1986 % reporting positive impact on ABSENTEEISM | 28.6 | | 13.2 |
| 1993 % reporting positive impact on absenteeism | 33.3 | 39.3 | 22.6 |
| 2004 % reporting positive impact on absenteeism | 71.5 | 32.0 | 22.4 |
| 1986 % reporting positive impact on MANAGER-WORKER COMMUNICATION | 71.4 | | 47.2 |
| 1993 % reporting positive impact on manager- worker communication | 100.0 | 75.0 | 56.7 |
| 2004 % reporting positive impact on manager- worker communication | 85.7 | 68.0 | 46.2 |
| 1986 % reporting positive impact on JOB PERFORMANCE | 71.4 | | 34.0 |
| 1993 % reporting positive impact on job performance | 66.7 | 75.0 | 62.2 |
| 2004 % reporting positive impact on job performance | 71.5 | 72.0 | 51.5 |
| 1986 % reporting positive impact on PRODUCT QUALITY | 57.1 | | 30 |
| 1993 % reporting positive impact on product quality | 33.3 | 67.9 | 48.4 |
| 2004 % reporting positive impact on product quality | 71.5 | 52.0 | 37.3 |
| 1986 % reporting positive impact on TURNOVER | 42.9 | | 34.0 |
| 1993 % reporting positive impact on turnover | 66.7 | 57.1 | 48.4 |
| 2004 % reporting positive impact on turnover | 71.4 | 38.0 | 53.7 |
| 1986 % reporting positive impact on WORKER JOB SATISFACTION | 71.4 | | 39.6 |
| 1993 % reporting positive impact on worker job satisfaction | 83.4 | 59.2 | 56.7 |

| | | | |
|---|------|------|------|
| 2004 % reporting positive impact on worker job satisfaction | 71.5 | 80.0 | 64.1 |
|---|------|------|------|

The real question is, why do the respondents at these companies judge the impact of the ESOP so favorably? Part of the answer may be their compensation (Table 13). In 2004, half report that their wages are better than their industry, compared to about a quarter of the longer-lived and the others surveyed in 2004. Overall, their compensation is somewhat better than their industry. Their frequency of profit-sharing and gain-sharing are usually comparable to or just a little better than the longer-lived and the other groups.

Table 13. Wages, Profit-Sharing, Gainsharing, Dividends

| | 8 longest-lived 1986-2004 | 28 longer-lived 1993-2004 | Others in the survey year |
|--|------------------------------|------------------------------|------------------------------|
| 2004 wages better than industry | 50.0 | 28.6 | 26.4 |
| 1986 % with profit sharing | 37.5 | | 27.6 |
| 1993 % with profit sharing before ESOP | 80 | 61.5 | 51.4 |
| 1993 % with profit sharing after ESOP | 60.0 | 50.0 | 53.2 |
| 1993 gainsharing before ESOP | 0.0 | 7.1 | 2.7 |
| 1993 gainsharing after ESOP | 0.0 | 10.7 | 4.6 |
| 2004 gainsharing or profit sharing | 25.0 | 20.0 | 6.7 |
| 1993 paid dividends in last 3 years | 33.3 | 25.0 | 24.8 |
| 2004 paid dividends in last 3 years | 25.0 | 39.3 | 27.4 |

Part of the positive climate at the longest-surviving companies may also arise from employee involvement efforts on the shop floor (Table 14). In 1993, reporting on conditions that existed before their ESOP was established, about two thirds of the longest-lived eight stated that they used no shopfloor participation techniques like suggestion systems, quality of worklife programs, quality circles, problem solving groups, labor management participation, self-managing groups or total quality management. Support for the employees to understand the business and manage it effectively through shopfloor participation techniques was almost nonexistent. The mean shopfloor participation score for the longest-lived group was one method (of six possible). In 1993, two thirds of the companies did nothing at all before the ESOP. This compares to 37% of the twenty-eight longer-lived companies in both the 1993 and 2004 surveys (mean score was 2) and 25% of all other companies surveyed that were also doing nothing, whose mean score was 1.7. After the ESOP was established, employees at the longest-lived eight must have experienced a dramatic change, as there was a dramatic drop in the percentage doing nothing – from 67% to 17%. The mean shopfloor participation score nearly tripled – to 2.7. Both the longer-lived and the group of other firms dropped to about 10% doing nothing at all, with mean scores of 2.7 for the longer-lived group of 28 and 2.4 for the others in 1993. What is more, for the longest-lived eight, there was no return to the old days. The companies remained engaged in shopfloor participation, and their mean training score in 2004 was 7 of 11 possible methods listed in the survey. For the longer-lived group, the situation did not return to pre-

ESOP conditions, and their mean shopfloor participation score was 6.4 methods. For the other groups, the shift to participation was temporary. By 2004, the “other” group’s “do nothing” rate was 26%. But some of the companies must have been actively using shopfloor participation, as the median for the group was 5.0 methods.

Table 14. Shopfloor Participation, by Longevity Groups

| | 8 longest-lived 1986-2004 | 28 longer-lived 1993-2004 | Others in the survey year |
|---|------------------------------|------------------------------|------------------------------|
| 1993 participation before ESOP, shopfloor 8 variables percent doing nothing | 66.7 | 37.0 | 25.2 |
| 1993 participation since ESOP, shopfloor 8 variables percent doing nothing | 16.7 | 10.7 | 10.5 |
| 2004 participation before ESOP, shopfloor 8 variables percent doing nothing | 12.5 | 33.3 | 42.9 |
| 2004 participation since ESOP, shopfloor 8 variables, percent doing nothing | 0.0 | 3.7 | 26.0 |

Financial training is a particularly important aspect of the successful management of an ESOP. If employees cannot understand financial information about their company and their job, they cannot understand how to make their firm successful. In 1993, before the ESOP, the longest lived companies reported that they had no financial training at all. By 2004, after the ESOP, more than three-fifths (62.5%) were offering employees financial training. Interestingly, in view of the longest lived companies’ rather dismal record of communication before they established their ESOPs (their communication score before the ESOP was a median 1.2, out of a possible five), they have led the pack in financial communication from the start, with 5 of 6 reporting that they provided financial information to the employees in 1986. They continued to be a leader in this regard through the 1993 and 2004 surveys as well. The choice to proactively keep employees informed may be a contributing factor for the companies’ enduring survival. The longer-lived companies tended to resemble the pack in 1993, when 40% said that they provided employees with financial information, but by 2004, they looked more like the longest lived companies, with 60% reporting that they provided financial information. In other forms of communication, all the companies made at least a little progress. After the ESOP was installed, all three groups reported communication scores between 2.1 (the “other” group) and 2.5 (the longest-lived group) in the 1993 survey. With a new and more extensive list of eleven communication methods to choose from in 2004-6, the range of methods reported was between 4.4 (the “other” group) and 5.6 (the longer-lived).

In our reports on the 1993 research, the increased interest of employees in taking a role in decision-making appeared to be a key intervening variable between practice and economic performance. Where companies generally used employee involvement and participatory management, if it was accompanied by increased interest in decision-making, the practices were associated with stronger economic performance. Where interest did not increase, something

which could occur for many reasons, including ineffective or insincere implementation of an employee involvement program, an impoverished or demoralized workplace culture, or poor economic performance of the company, performance was improved little or not at all.

In 1986, employees at the longest lived companies were already expressing a greater interest in decision-making. Three-eighths (37.5%) of the companies reported that employees were more interested. This compares to about a quarter (26.8%) of the other companies in the 1986 survey. By 1993, two thirds (66.7%) of the longest lived companies were reporting that employees were expressing greater interest in decision-making, compared to 82.2% of the employees of the longer-lived companies (whose ESOPs were newer, in general), and just 54.2% of the employees of “other” companies in the survey. In 2004, the longest lived companies reported that 71.4% of employees were taking a greater interest in participating in decision making, compared to 64.3% of the longer lived, and 53.2% of the other companies in the survey. The long record of interest in participating in the company’s decision-making is quite remarkable.

In spite of their efforts at effective management, the longest-lived companies reported somewhat lower performance levels than younger ESOPs. While they are quite likely to believe that the ESOP has had a positive impact on profitability (66.7% in 1993 and 57.2% in 2004, comparable to the longer-lived group’s 66.7% in 1993 and 72.0% in 2004), only a third report that their profits are better than their industry’s and none report that they have become more profitable compared to their industry since 1993 (Table 15). Since they are more likely to be in the highly affected construction and manufacturing sector, which has seen many enterprises move their manufacturing overseas, weaker profitability vis-à-vis the industry is understandable. Many executives in this Ohio sector have faced the painful choice of outsource or lose the company through merger or bankruptcy. For employee-owners, all three options must seem very much alike and, perhaps, no choice at all. In all three cases, they lose their jobs and their wages, which are the main source of their wealth. Among the longest lived companies; longevity does not seem to arise from high economic performance.

Table 15. Profitability compared to industry, by longevity groups

| | 8 longest-lived 1986-2004 | 28 longer-lived 1993-2004 | Others in the survey year |
|---|------------------------------|------------------------------|------------------------------|
| 1986 % profit better than industry | 50.0 | | 36.4 |
| 1993 change in profit relative to industry: percent better than industry | 33.3 | 40.7 | 19.6 |
| 2004 change in profit relative to industry percent better than industry | 0.0 | 33.3 | 27.0 |

Coupling the reports on profits relative to industry with knowledge of the loss of Ohio’s industry, the observer is compelled to wonder if these long-lived companies will survive for another decade. If the chief factor in the trends shown above is economics, one must wonder if these well-managed companies are doomed to be sold or closed because of market forces beyond their control. Will they weather the economic storm resulting from the creation of a global

marketplace and public policies? Will they draw on the human resources within their organization and reinvent themselves, as did the EBO Group? EBO, which began as a manufacturer of power transmission products for continuous mining machines and tunnel borers, is now producing the most popular chair-to-stretcher device in the market for medical devices, and they are developing several applications for energy efficiency (Heidenreich 2008).

Finally, we come to the question: Is there a natural development in employee-owned companies toward employee participation and democratic governance?

One of the major questions that the literature on employee ownership hasn't answered is the developmental pattern in companies once they are employee-owned. The fundamental reason for this absence of literature is that there have not been longitudinal studies of the development of any significant number of employee-owned firms. Do they become more democratic or less democratic? More participatory or less participatory? Communicate more or communicate less? And are such trends secular or cyclical?

The longest-lived companies were more likely to have employee-owner voting beyond the legally required minimum. Over time, in the longest-lived companies, the pass-through of voting rights has essentially remained stable after an early extension of rights in some companies. In 1986, none of the longest-lived eight granted employees voting rights beyond the legally required minimum. By 1993, the record had improved to 50% (3 companies). These same three retained pass-through voting rights into 2004. As well, about half of the twenty-eight longer-lived survivors had pass-through voting rights beyond the legal minimum in 1993 and 2004. For the "other" companies, 15.4% reported that they had pass-through voting in 1986. This rose to 40.4% in 1993, but dropped back to 21.8% by 2004.

Higher levels of governance participation among the longest-lived companies extended to having nonmanagerial employees on the board as well. In 1986 and 1993 half of the longest-lived companies stated that they had nonmanagerial employees as board members. Three of the four retained their nonmanagerial board members in 2004. For the longer-lived 28, about one quarter of the respondents reported having nonmanagerial board members in 1993 and one third in 2004. For the other companies, the presence of nonmanagerial board members dropped sharply from 1986, when a little more than a third said nonmanagerial employees were on the board. By 1993, fourteen percent had nonmanagerial board members in 1993, and this declined to 10.5% in 2004.

In sum, the same longest lived companies have maintained nonmanagerial employees on the board since 1986. For the longer-lived companies there was some movement to greater participation in governance. Among the "others," reported nonmanagerial board participation has declined from 36% in 1986 to 10.5% in 2004.

In terms of shopfloor participation, which allows employees to participate in the daily management of their work, a fairly recent general decline in the use of shopfloor involvement techniques was reported among all three categories of longevity. The longest-lived greatly increased their shopfloor practices from a median of 0 before the ESOP (1993 survey) to a

median of 2.5 after the ESOP. In 2004, however, they reported using a median of just one shopfloor involvement technique. The longer lived followed a similar pattern, reporting an increase in the 1993 survey from a median of one before the ESOP to 3 after the ESOP. By 2004 they, too, reported a median of just one type of shopfloor involvement. The means reflect the patterns of the median. There has been a surprising general decline in the use of these involvement techniques. For the companies where ESOPs have been in existence for a while, it might be understandable that they tried various employee involvement practices, incorporated what was useful from them into their own organizational routines, and no longer feel the need to formally and officially promote the approach.

Whatever our further investigations, what we can say now is that employee involvement in governance is something that seems to self-perpetuate once it is established. But it has not been established in more than half of the longest lived companies. The most propitious moment may come early in the life of the ESOP. If participation in governance and management doesn't occur at that time, it appears unlikely to occur later. A systematic pattern of growth of employee involvement in management over time just hasn't happened. If there is a natural movement toward greater employee involvement in the management and governance of the firm, the three Ohio surveys don't show it. There is every reason to think that the companies responding to the survey are more participatory than most, since the response rate to the survey was lower than in 1993, and it is clear that the earliest responders are the most satisfied with their ESOP and the most participatory. If shopfloor participation is declining among the survey respondents, then it is likely to be even lower among the nonrespondents.

There is considerable evidence cited in the introduction above that participatory management and involvement in governance does enhance the performance of ESOP companies. The best-performing companies are generally the ones that have institutionalized broad participation. However, it appears that the less-well-performing companies don't "get it" even over long time spans.

It often appears difficult to change a company's culture and workplace attitudes, but there is at least one approach to increasing participation and interest that does work. That is membership in Ohio's Employee-Owned Network, which "sells" participatory approaches through peer-to-peer contact (Yates, "Network," 2004). Of course, it's voluntary, meaning that the members want to change. Companies don't join the Network unless their leadership is already interested in becoming more participatory and in engaging employees' interest in the ESOP. Once they are Network members and send their employees to various kinds of training, where they can interact with employees from other companies, they usually become more participatory.

Appendix: Methodology of the Study and Profile of Respondents

Since the origins of the Ohio Employee Ownership Center as the Employee Ownership Project in the early 1980s, we have conducted three total population surveys of Ohio ESOP companies. These were conducted in 1985-86, 1992-93, and 2004-06.

All were total population, mail surveys. First, we sought to create a list of all ESOP companies. In the first two surveys, it was often difficult to determine which companies in fact had ESOPs because of the issues with the Internal Revenue Service Form 5500 filings, so we spent substantial time refining the list. We then surveyed the companies by mail with an extensive survey instrument. Those who did not respond received a second survey by mail; that second mail round was followed up with one or several rounds of telephone calls. The methodology of our 1992-93 survey is discussed at some length in Appendix 1 of the *Real World of Employee Ownership* (Logue and Yates 2001: 181-89).

For the 2004-06 study, surveys were sent to a single individual in 403 companies in late July, 2004, including all those with ESOPs, leveraged ESOPs and stock bonus plans identified in IRS Form 5500 reports. Companies with only initial plan filings were eliminated, but those with recently terminated plans were included, in the hope that they would reflect on the recent experience of their ESOP. Non-responders were resurveyed, with follow-up telephone calls and email. Usable replies were received from 115 companies, a response rate of 29%.

Over time, the effectiveness of telephone follow-up has declined as a result of the spread of voice mail systems. Voice mail has become the new way not to communicate, the 21st Century equivalent of the dead letter office.

As in 1992-93, respondents were more likely to be member companies in Ohio's Employee-Owned Network and companies that were more satisfied with their ESOP. Of the respondents, 37% were in the Network, compared to total Network membership of 20% of all ESOPs in the survey. Firms responding later in the survey period were slightly less favorable on the total impact of the ESOP.

Ten percent of the companies were publicly traded, and 90% were closely held, reflecting the fact that most ESOPs are created in small firms to facilitate ownership succession. Annual sales ranged from \$1 million to \$8 billion. The median number of participants in the ESOP was about 100. The median value per participant (which could be calculated for 93 firms) was about \$33,500, but the values ranged widely – from \$1300 to \$600,000.

The median date of plan establishment was 1989. One plan reported that it was established in 1926, and the most recent, in 2000. But in fact, ESOPs did not legally exist before 1974, so the four providing earlier establishment dates were probably referring to other, differently structured, stock ownership or profit sharing plans that might have held employer stock. For this study, the earlier plans were assumed to have been converted to ESOPs in 1974.

The 2004-06 data describe an ESOP sector which continues to be heavily concentrated in manufacturing, much like Ohio as a whole, with the other companies scattered over the business spectrum. Forty percent of the respondents were in manufacturing, followed by banking (12%) and construction (9%).

Forty-six percent of the firms were S-corporations. Forty-one percent reported that they were leveraged. In 2003, the year for which the most data exists (n=91), the median growth in stock value was 5%. This is lower than in the 1992-93 study, but it was in a context of generally slow economic growth, where stock markets had lost a third to two-thirds of value and manufacturing jobs were declining rapidly in the state. It appears that Ohio’s employee owners didn’t enjoy the same kind of growth as in the 1990s, but the typical participant’s account did not lose money, and continued to grow.

As in the 1992-93 survey, threat of closure (6%), averting a takeover (7%), and corporate divestiture (5%) were rare reasons for establishing ESOPs, and most plans did not require employees to make sacrifices in order to become owners. Eighty-two percent said that the ESOP had not involved conversion of another retirement plan or other give-backs. For almost three quarters (68%) of the plans, sale of stock by a retiring owner was a major or minor reason for establishing the ESOP. The second most popular reason for establishing the ESOP was a philosophical commitment to employee ownership.

There appears to be a gradual tendency for ESOPs to increase their percentage of ownership over time, with percent majority owned increasing from 15% in the 1986 survey to 30% in the 1993-4 survey to 47% in the latest study. One hundred percent ownership has increased through the same three studies from 5% to 7% to 25%, and the median percent of ownership of the company increased from 20% to 32% to 47%.

The new survey also hints that there may be a stronger commitment to employee ownership as a philosophy, but tax incentives remain the primary driver for creating ESOPs, with 70% of respondents stating that the company would not have an ESOP without the tax incentives.

The percentage of respondent companies that were unionized declined from about 25% in 1993, to 18% in 2004-6. And just 10% of companies included union members in the ESOP.

Overall, the impact of the ESOP is judged favorably, and not much differently from the preceding study, as shown in the table below.

Appendix Table 1: Impact of the ESOP, 1986-2004

| | 1985-86 | 1992-93 | 2004 |
|--|------------|-----------------|-----------------|
| | “positive” | combined “weak” | combined “weak” |

| | | and “strong” positive | and “strong” positive |
|---------------------------------|--|--------------------------|--------------------------|
| Absenteeism | 15% | 27% | 29% |
| Manager-worker communication | 54% | 62% | 55% |
| On-the job performance | 39% | 65% | 59% |
| Product Quality | 37% | 50% | 44% |
| Turnover | 38% | 51% | 60% |
| Worker Job Satisfaction | 46% | 59% | 69% |
| Productivity | 55% (Motivation and Productivity combined) | 58% | 51% |
| Motivation | | 69% | 63% |
| Working Conditions | | 36% | 40% |
| Customer Service | | 50% | 47% |
| Employee Participation | | 74% | 66% |
| Profitability | | 53% | 54% |
| Labor-management Relations | | 48% | 47% |
| Production Costs | | 36% | 37% |
| Employee Attitudes Generally | | 75% | 70% |

The results reported in this paper are self reported by company executives who have some role in ESOP administration. The disadvantages of such self reporting are well known, but there is no other way to get at the internal organizational structure of employee-owned companies. Comparisons between self reporting on our survey and supposedly objective public record information in the Form 5500 filings suggests that the survey reporting is accurate. (Of course, Form 5500s also reflect self reporting. Presumably the self-reporting to the IRS, however, is more reliable than reporting on a survey.)

A number of questions on the survey ask for comparison between the employee-owned company and the industry more generally. We do not have data that enables us to check reliability of those responses but we have no reason to believe that the reporting is not reasonably accurate. We do, however, have a significant issue with the rate of return. There is clear evidence that surveys of ESOP companies with low rates of return dramatically over sample companies that are enthusiastic about their ESOP. Those tend to be companies with relatively high levels of employee participation in decision making and governance as well as relatively high levels of employee ownership. Those companies are typical only of one portion of the employee-owned sector. If we compare the companies responding to the 2004-06 Ohio survey with what we know about the universe of Ohio ESOP companies through the 5500 filings, we are led to conclude

that we have over sampled closely-held companies relative to publicly traded companies and small companies relative to large companies. Our experience from the 1992-93 survey in tracking enthusiasm for the ESOP against the propensity to return the survey quickly suggests a clear but not overwhelming tendency among companies that are pleased with their ESOP to report sooner (Logue and Yates 2001: 232, n.4). There is a statistically significant negative correlation of $-.333$ between the survey ID number that was entered when the survey was returned and a summary index of the impact of the ESOP (combined responses to question 42) in the 2004-06 survey. Other things being equal, these tend to be companies that have more employee participation.

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Summary of investigations with crosstabulation

Crosstab Gamma = -.066 (.684)

| | | | | Governance2: Board+Passthru 2004 | | | Total |
|-----------------------------------|------------------|---|--------|----------------------------------|---------------------------------------|--------|-------|
| | | | | Neither | NM on board/pass through MT legal min | Both | |
| Employment firm vs. industry 2004 | Somewhat worse | Count | 0 | 1 | 0 | 1 | |
| | | % within Governance2: Board+Passthru 2004 | .0% | 4.2% | .0% | 1.2% | |
| | A little worse | Count | 3 | 1 | 2 | 6 | |
| | | % within Governance2: Board+Passthru 2004 | 6.4% | 4.2% | 18.2% | 7.3% | |
| | Same as industry | Count | 27 | 10 | 6 | 43 | |
| | | % within Governance2: Board+Passthru 2004 | 57.4% | 41.7% | 54.5% | 52.4% | |
| | A little better | Count | 11 | 10 | 3 | 24 | |
| | | % within Governance2: Board+Passthru 2004 | 23.4% | 41.7% | 27.3% | 29.3% | |
| | Somewhat better | Count | 6 | 2 | 0 | 8 | |
| | | % within Governance2: Board+Passthru 2004 | 12.8% | 8.3% | .0% | 9.8% | |
| Total | | Count | 47 | 24 | 11 | 82 | |
| | | % within Governance2: Board+Passthru 2004 | 100.0% | 100.0% | 100.0% | 100.0% | |

Crosstab Gamma = .114 (.386)

| | | | | Collapsed Shopfloor Participation since ESOP/last 10 y | | | | |
|-----------------------------------|----------------|---|-----|--|-----|----------------|--------------|---|
| | | | | None | 1 | Median/Typical | Above Median | T |
| Employment firm vs. industry 2004 | Somewhat worse | Count | 0 | 1 | 0 | 0 | 0 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | .0% | 4.5% | .0% | .0% | .0% | |

| | | | | | | |
|-------|------------------|---|--------|--------|--------|--------|
| Total | A little worse | Count | 2 | 2 | 1 | 0 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 16.7% | 9.1% | 4.8% | .0% |
| | Same as industry | Count | 7 | 13 | 12 | 7 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 58.3% | 59.1% | 57.1% | 43.8% |
| | A little better | Count | 2 | 3 | 6 | 8 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 16.7% | 13.6% | 28.6% | 50.0% |
| | Somewhat better | Count | 1 | 3 | 2 | 1 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 8.3% | 13.6% | 9.5% | 6.3% |
| | Total | Count | 12 | 22 | 21 | 16 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 100.0% | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.150 (399)

| | | Governance2: Board+Passthru 2004 | | | | |
|--|---|---|---------------------------------------|--------|--------|-------|
| | | Neither | NM on board/pass through MT legal min | Both | Total | |
| 44. capital investment in your company compared to industry 2004 | lower | Count | 6 | 5 | 4 | 15 |
| | | % within Governance2: Board+Passthru 2004 | 13.0% | 20.8% | 36.4% | 18.5% |
| | about the same | Count | 27 | 12 | 4 | 43 |
| | | % within Governance2: Board+Passthru 2004 | 58.7% | 50.0% | 36.4% | 53.1% |
| | higher | Count | 13 | 7 | 3 | 23 |
| | | % within Governance2: Board+Passthru 2004 | 28.3% | 29.2% | 27.3% | 28.4% |
| Total | Count | 46 | 24 | 11 | 81 | |
| | % within Governance2: Board+Passthru 2004 | 100.0% | 100.0% | 100.0% | 100.0% | |

Crosstab Gamma = .247 (.037)

| | | Collapsed Shopfloor Participation since ESOP | | | |
|--|----------------|---|--------|----------------|---------|
| | | None | 1 | Median/Typical | Above M |
| 44. capital investment in your company compared to industry 2004 | lower | Count | 5 | 4 | 4 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 35.7% | 16.7% | 17.4% |
| | | Count | 8 | 14 | 10 |
| | about the same | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 57.1% | 58.3% | 43.5% |
| | | Count | 1 | 6 | 9 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 7.1% | 25.0% | 39.1% |
| | higher | Count | 14 | 24 | 23 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 100.0% | 100.0% | 100.0% |
| | | Total | | | |

Crosstab Gamma = -.266 (.143)

| | | Governance2: Board+Passthru 2004 | | | | |
|---|----------------|---|---------------------------------------|--------|--------|--------|
| | | Neither | NM on board/pass through MT legal min | Both | Total | |
| 45. Nonmanagerial wages company compared to industry 2004 | lower | Count | 1 | 3 | 2 | 6 |
| | | % within Governance2: Board+Passthru 2004 | 2.1% | 11.5% | 20.0% | 7.2% |
| | | Count | 31 | 14 | 7 | 52 |
| | about the same | % within Governance2: Board+Passthru 2004 | 66.0% | 53.8% | 70.0% | 62.7% |
| | | Count | 15 | 9 | 1 | 25 |
| | | % within Governance2: Board+Passthru 2004 | 31.9% | 34.6% | 10.0% | 30.1% |
| | higher | Count | 47 | 26 | 10 | 83 |
| | | % within Governance2: Board+Passthru 2004 | 100.0% | 100.0% | 100.0% | 100.0% |
| | | Total | | | | |

Crosstab Gamma = -.112 (.407)

| | | Collapsed Shopfloor Participation since ESOP/last 10 years | | | |
|---|---|---|--------|----------------|--------------|
| | | None | 1 | Median/Typical | Above Median |
| 45. Nonmanagerial wages company compared to industry 2004 | lower | Count 1 | 2 | 3 | 5.9 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years 6.7% | 8.0% | 12.0% | |
| | about the same | Count 10 | 13 | 18 | 70.6 |
| | % within Collapsed Shopfloor Participation since ESOP/last 10 years 66.7% | 52.0% | 72.0% | | |
| | higher | Count 4 | 10 | 4 | 23.5 |
| | % within Collapsed Shopfloor Participation since ESOP/last 10 years 26.7% | 40.0% | 16.0% | | |
| Total | | Count 15 | 25 | 25 | 100.0 |
| | % within Collapsed Shopfloor Participation since ESOP/last 10 years 100.0% | 100.0% | 100.0% | 100.0% | |

Crosstab Gamma = .260 (.152)

| | | Governance2: Board+Passthru 2004 | | | |
|--|---|--|---------------------------------------|--------|--------|
| | | Neither | NM on board/pass through MT legal min | Both | Total |
| 46. Benefit package in company compared to industry 2004 | lower | Count 0 | 2 | 0 | 2 |
| | | % within Governance2: Board+Passthru 2004 .0% | 8.0% | .0% | 2.4% |
| | about the same | Count 27 | 10 | 3 | 40 |
| | % within Governance2: Board+Passthru 2004 57.4% | 40.0% | 27.3% | 48.2% | |
| | higher | Count 20 | 13 | 8 | 41 |
| | % within Governance2: Board+Passthru 2004 42.6% | 52.0% | 72.7% | 49.4% | |
| Total | | Count 47 | 25 | 11 | 83 |
| | % within Governance2: Board+Passthru 2004 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.198 (.173)

| | | Collapsed Shopfloor Participation since ESOP/ | | | | |
|--|----------------|---|--------|----------------|-----------|-----|
| | | None | 1 | Median/Typical | Above Med | |
| 46. Benefit package in company compared to industry 2004 | lower | Count | 0 | 1 | 0 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | .0% | 4.3% | .0% | |
| | about the same | Count | 6 | 8 | 10 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 54.5% | 34.8% | 47.6% | 75 |
| | higher | Count | 5 | 14 | 11 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 45.5% | 60.9% | 52.4% | 25 |
| Total | | Count | 11 | 23 | 21 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 100.0% | 100.0% | 100.0% | 100 |

Crosstab Gamma = -.020 (.902)

| | | Governance2: Board+Passthru 2004 | | | | |
|-------------------------------------|---|---|---------------------------------------|-------|-------|-------|
| | | Neither | NM on board/pass through MT legal min | Both | Total | |
| 47. Outsourcing in our company 2004 | none | Count | 29 | 13 | 8 | 50 |
| | | % within Governance2: Board+Passthru 2004 | 58.0% | 54.2% | 72.7% | 58.8% |
| | a little | Count | 10 | 2 | 2 | 14 |
| | | % within Governance2: Board+Passthru 2004 | 20.0% | 8.3% | 18.2% | 16.5% |
| | some | Count | 10 | 6 | 1 | 17 |
| | | % within Governance2: Board+Passthru 2004 | 20.0% | 25.0% | 9.1% | 20.0% |
| a great deal | Count | 1 | 3 | 0 | 4 | |
| | % within Governance2: Board+Passthru 2004 | 2.0% | 12.5% | .0% | 4.7% | |
| Total | | Count | 50 | 24 | 11 | 85 |

| | | | | | |
|--|---|--------|--------|--------|--------|
| | % within Governance2: Board+Passthru 2004 | 100.0% | 100.0% | 100.0% | 100.0% |
|--|---|--------|--------|--------|--------|

Crosstab Gamma = .221 (.071)

| | | Collapsed Shopfloor Participation since ESOP/last 10 years | | | | |
|-------------------------------------|---|---|--------|----------------|--------------|-------|
| | | None | 1 | Median/Typical | Above Median | Top |
| 47. Outsourcing in our company 2004 | none | Count | 11 | 17 | 13 | 7 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 73.3% | 63.0% | 54.2% | 41.2% |
| | a little | Count | 1 | 8 | 6 | 4 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 6.7% | 29.6% | 25.0% | 23.5% |
| | some | Count | 1 | 1 | 5 | 6 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 6.7% | 3.7% | 20.8% | 35.3% |
| | a great deal | Count | 2 | 1 | 0 | 0 |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 13.3% | 3.7% | .0% | .0% |
| Total | Count | 15 | 27 | 24 | 17 | |
| | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 100.0% | 100.0% | 100.0% | 100.0% | |

Crosstab Gamma = -.042 (.818)

| | | Governance2: Board+Passthru 2004 | | | Total | |
|---------------------------------------|-----------------------------|---|---------------------------------------|------|-------|-------|
| | | Neither | NM on board/pass through MT legal min | Both | | |
| Outsourcing company vs. industry 2004 | Much less than industry | Count | 4 | 0 | 1 | 5 |
| | | % within Governance2: Board+Passthru 2004 | 8.2% | .0% | 9.1% | 6.0% |
| | Somewhat less than industry | Count | 8 | 0 | 4 | 12 |
| | | % within Governance2: Board+Passthru 2004 | 16.3% | .0% | 36.4% | 14.5% |

| | | | | | | |
|-------|-----------------------------|---|--------|--------|--------|--------|
| Total | A little less than industry | Count | 9 | 6 | 3 | 18 |
| | | % within Governance2: Board+Passthru 2004 | 18.4% | 26.1% | 27.3% | 21.7% |
| | Same as industry | Count | 28 | 17 | 3 | 48 |
| | | % within Governance2: Board+Passthru 2004 | 57.1% | 73.9% | 27.3% | 57.8% |
| | | Count | 49 | 23 | 11 | 83 |
| | | % within Governance2: Board+Passthru 2004 | 100.0% | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.227 (.073)

| | | Collapsed Shopfloor Participation since ESOP/la | | | | |
|---------------------------------------|---|---|--------|----------------|-------------|-------|
| | | None | 1 | Median/Typical | Above Media | |
| Outsourcing company vs. industry 2004 | Much less than industry | Count | 1 | 0 | 1 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 7.1% | .0% | 4.2% | .0% |
| | Somewhat less than industry | Count | 4 | 3 | 3 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 28.6% | 11.1% | 12.5% | 11.8% |
| | A little less than industry | Count | 0 | 7 | 6 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | .0% | 25.9% | 25.0% | 29.4% |
| | Same as industry | Count | 9 | 17 | 14 | |
| | | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 64.3% | 63.0% | 58.3% | 58.8% |
| Total | Count | 14 | 27 | 24 | | |
| | % within Collapsed Shopfloor Participation since ESOP/last 10 years | 100.0% | 100.0% | 100.0% | 100.0% | |

Crosstab Gamma = .093 (.660)

| | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | Total | |
|-----------------|----------------|--|-----|-------|---|
| | | no | yes | | |
| Employment firm | Somewhat worse | Count | 1 | 0 | 1 |

| | | | | | |
|-------------------|----------------|---|--------|--------|--------|
| vs. industry 2004 | A little worse | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 1.4% | .0% | 1.1% |
| | | Count | 4 | 2 | 6 |
| Same as industry | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 5.7% | 10.5% | 6.7% |
| | | Count | 42 | 8 | 50 |
| A little better | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 60.0% | 42.1% | 56.2% |
| | | Count | 15 | 9 | 24 |
| Somewhat better | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 21.4% | 47.4% | 27.0% |
| | | Count | 8 | 0 | 8 |
| Total | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 11.4% | .0% | 9.0% |
| | | Count | 70 | 19 | 89 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.258 (.183)

| | | PassThru Voting Collapsed | | Total | |
|--------------------------------------|----------------|---------------------------------------|--------------------|-------|-------|
| | | Legal Minimum | Board, MT Board | | |
| Employment firm vs. industry 2004 | Somewhat worse | Count | 0 | 1 | 1 |
| | | % within PassThru Voting Collapsed | .0% | 3.6% | 1.2% |
| A little worse | | Count | 3 | 4 | 7 |
| | | % within PassThru Voting Collapsed | 5.4% | 14.3% | 8.3% |
| Same as industry | | Count | 30 | 14 | 44 |
| | | % within PassThru Voting Collapsed | 53.6% | 50.0% | 52.4% |
| A little better | | Count | 17 | 7 | 24 |
| | | % within PassThru Voting Collapsed | 30.4% | 25.0% | 28.6% |

| | | | | | |
|-------|-----------------|------------------------------------|--------|--------|--------|
| | Somewhat better | Count | 6 | 2 | 8 |
| | | % within PassThru Voting Collapsed | 10.7% | 7.1% | 9.5% |
| Total | | Count | 56 | 28 | 84 |
| | | % within PassThru Voting Collapsed | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.129 (.569)

| | | | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | Total |
|--|----------------|---|--------|--|--------|-------|
| | | | | no | yes | |
| 44. capital investment in your company compared to industry 2004 | lower | Count | 11 | 5 | 16 | |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 13.9% | 25.0% | 16.2% | |
| | about the same | Count | 44 | 9 | 53 | |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 55.7% | 45.0% | 53.5% | |
| | higher | Count | 24 | 6 | 30 | |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 30.4% | 30.0% | 30.3% | |
| Total | | Count | 79 | 20 | 99 | |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 100.0% | 100.0% | 100.0% | |

Crosstab Gamma = -.290 (.144)

| | | | | PassThru Voting Collapsed | | Total |
|--|----------------|------------------------------------|-------|---------------------------|-----------------|-------|
| | | | | Legal Minimum | Board, MT Board | |
| 44. capital investment in your company compared to industry 2004 | lower | Count | 7 | 9 | 16 | |
| | | % within PassThru Voting Collapsed | 12.7% | 32.1% | 19.3% | |
| | about the same | Count | 31 | 12 | 43 | |
| | | % within PassThru Voting Collapsed | 56.4% | 42.9% | 51.8% | |
| | higher | Count | 17 | 7 | 24 | |
| | | % within PassThru Voting Collapsed | 30.9% | 25.0% | 28.9% | |

| | | | | |
|-------|------------------------------------|--------|--------|--------|
| Total | Count | 55 | 28 | 83 |
| | % within PassThru Voting Collapsed | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.013 (.958)

| | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | Total |
|---|----------------|--|--------------|---------------|
| | | no | yes | |
| 45. Nonmanagerial wages company compared to industry 2004 | lower | Count 5 6.0% | 2 10.5% | 7 6.9% |
| | about the same | Count 54 65.1% | 11 57.9% | 65 63.7% |
| | higher | Count 24 28.9% | 6 31.6% | 30 29.4% |
| Total | | Count 83 100.0% | 19 100.0% | 102 100.0% |

Crosstab Gamma = -.464 (.026) This is significant

| | | PassThru Voting Collapsed | | Total |
|---|----------------|---------------------------|-----------------|-------------|
| | | Legal Minimum | Board, MT Board | |
| 45. Nonmanagerial wages company compared to industry 2004 | lower | Count 1 1.8% | 6 20.7% | 7 8.2% |
| | about the same | Count 36 64.3% | 17 58.6% | 53 62.4% |
| | higher | Count 19 33.9% | 6 20.7% | 25 29.4% |
| Total | | Count 56 | 29 | 85 |

| | | | |
|---------------------------------------|--------|--------|--------|
| % within PassThru Voting Collapsed | 100.0% | 100.0% | 100.0% |
|---------------------------------------|--------|--------|--------|

Crosstab Gamma = .686 (.002) This is significant

| | | | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | |
|---|----------------|--|--|--|--------|--------|
| | | | | no | yes | Total |
| 46. Benefit package in company compared to industry 2004 | lower | Count | | 2 | 0 | 2 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 2.7% | .0% | 2.2% |
| | about the same | Count | | 42 | 4 | 46 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 57.5% | 22.2% | 50.5% |
| | higher | Count | | 29 | 14 | 43 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 39.7% | 77.8% | 47.3% |
| Total | | Count | | 73 | 18 | 91 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = .047 (.830)

| | | | | PassThru Voting Collapsed | | |
|---|----------------|---------------------------------------|--|------------------------------|--------------------|--------|
| | | | | Legal Minimum | Board, MT Board | Total |
| 46. Benefit package in company compared to industry 2004 | lower | Count | | 0 | 2 | 2 |
| | | % within PassThru Voting Collapsed | | .0% | 6.7% | 2.4% |
| | about the same | Count | | 29 | 12 | 41 |
| | | % within PassThru Voting Collapsed | | 52.7% | 40.0% | 48.2% |
| | higher | Count | | 26 | 16 | 42 |
| | | % within PassThru Voting Collapsed | | 47.3% | 53.3% | 49.4% |
| Total | | Count | | 55 | 30 | 85 |
| | | % within PassThru Voting Collapsed | | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.294 (.171)

| | | | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | |
|-------------------------------------|---|---|-------|--|--------|--------|
| | | | | no | yes | Total |
| 47. Outsourcing in our company 2004 | none | Count | | 45 | 12 | 57 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 52.9% | 66.7% | 55.3% |
| | a little | Count | | 20 | 4 | 24 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 23.5% | 22.2% | 23.3% |
| | some | Count | | 16 | 2 | 18 |
| | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | 18.8% | 11.1% | 17.5% | |
| | a great deal | Count | | 4 | 0 | 4 |
| | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | | 4.7% | .0% | 3.9% |
| Total | | Count | | 85 | 18 | 103 |
| | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = .033 (.873)

| | | | | PassThru Voting Collapsed | | |
|-------------------------------------|------------------------------------|------------------------------------|-------|---------------------------|-----------------|-------|
| | | | | Legal Minimum | Board, MT Board | Total |
| 47. Outsourcing in our company 2004 | none | Count | | 33 | 18 | 51 |
| | | % within PassThru Voting Collapsed | | 56.9% | 62.1% | 58.6% |
| | a little | Count | | 13 | 2 | 15 |
| | % within PassThru Voting Collapsed | | 22.4% | 6.9% | 17.2% | |
| | some | Count | | 11 | 6 | 17 |
| | % within PassThru Voting | | | 19.0% | 20.7% | 19.5% |

| | | Collapsed | | | |
|-------|--------------|------------------------------------|--------|--------|--------|
| Total | a great deal | Count | 1 | 3 | 4 |
| | | % within PassThru Voting Collapsed | 1.7% | 10.3% | 4.6% |
| | | Count | 58 | 29 | 87 |
| | | % within PassThru Voting Collapsed | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = -.286 (.168)

| | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | Total | |
|---------------------------------------|-----------------------------|---|--------|--------|--------|
| | | no | yes | | |
| Outsourcing company vs. industry 2004 | Much less than industry | Count | 4 | 1 | 5 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 4.9% | 5.6% | 5.0% |
| | Somewhat less than industry | Count | 12 | 4 | 16 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 14.6% | 22.2% | 16.0% |
| | A little less than industry | Count | 18 | 6 | 24 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 22.0% | 33.3% | 24.0% |
| | Same as industry | Count | 48 | 7 | 55 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 58.5% | 38.9% | 55.0% |
| Total | | Count | 82 | 18 | 100 |
| | | % within 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | 100.0% | 100.0% | 100.0% |

Crosstab Gamma = .045 (.819)

| | | PassThru Voting Collapsed | | Total | |
|-------------|----------------|---------------------------|-----------------|-------|---|
| | | Legal Minimum | Board, MT Board | | |
| Outsourcing | Much less than | Count | 4 | 1 | 5 |

| | | | | | |
|------------------------------|--------------------------------|---------------------------------------|--------|--------|--------|
| company vs. industry 2004 | industry | % within PassThru Voting Collapsed | 7.0% | 3.6% | 5.9% |
| | Somewhat less than industry | Count | 8 | 4 | 12 |
| | | % within PassThru Voting Collapsed | 14.0% | 14.3% | 14.1% |
| | A little less than industry | Count | 13 | 7 | 20 |
| | | % within PassThru Voting Collapsed | 22.8% | 25.0% | 23.5% |
| | Same as industry | Count | 32 | 16 | 48 |
| | | % within PassThru Voting Collapsed | 56.1% | 57.1% | 56.5% |
| Total | | Count | 57 | 28 | 85 |
| | | % within PassThru Voting Collapsed | 100.0% | 100.0% | 100.0% |

Table 9. Factor Analysis of various participation variables

Component Matrix(a)

| | Component | | |
|--|-----------|-------|-------|
| | 1 | 2 | 3 |
| Shopfloor Participation since ESOP (10 variables) (no mentor, new emp) | .962 | .141 | -.160 |
| 56. Labor-Mgmt Partic teams since ESOP/in last 10 years 2004 | .799 | .089 | -.117 |
| 56. Quality of worklife program since ESOP/in last 10 years 2004 | .768 | .246 | -.097 |
| 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | -.722 | .290 | .173 |
| 56. Self-managing work groups since ESOP/in last 10 years 2004 | .668 | -.383 | -.095 |
| 56. Problem-solving groups since ESOP/in last 10 years 2004 | .639 | .191 | .128 |
| 56. Employee attitude survey since ESOP/in last 10 years 2004 | .627 | .209 | -.520 |
| 56. Joint Steering Cttee. since ESOP/in last 10 years 2004 | .617 | -.334 | .291 |
| 56. quality circles since ESOP/in last 10 years 2004 | .616 | .174 | .235 |
| 56. Coaching/mentoring since ESOP/in last 10 years 2004 | .599 | .482 | .352 |
| Mgmt or Emps Select NM board members | -.577 | .387 | .300 |
| 24. Your firm has an ESOP Admin Comm that directs trustee? 2004 | .466 | .059 | .431 |
| 56. Total quality mgmt since ESOP/in last 10 years 2004 | .308 | .690 | .278 |
| 56. Joint mgmt committee since ESOP/in last 10 years 2004 | .494 | -.658 | -.054 |
| Pass Through Voting Collapsed | -.010 | -.252 | -.133 |
| 56. Suggestion system since ESOP/in last 10 years 2004 | .009 | .495 | -.743 |
| 56. New Employee Orientation since ESOP/MT 10 years ago 2004 | .328 | -.224 | .418 |

Extraction Method: Principal Component Analysis.

a 3 components extracted.

The concept of shopfloor participation is quite viable. The individual components load strongly, and the 10-variable index loads strongest of all. It was a good idea to exclude new employee orientation from participation. It's really more like training. Coaching and mentoring fit right in with the other shopfloor participation measures. Maybe it should be included in the index even though it seems more like training to me. Surprises are suggestion systems and TQM, which load more strongly on the second principal component with NM in the board room.

7. Year ESOP Established 2004

Survivors into Three 1986-2004, 1993-2004

| | Valid Freq | Percent | Valid | Cumulative | |
|-------------------|------------|---------|---------|------------|-------|
| | | | | Pct | Pct |
| | 1974 | 1 | 12.5 | 12.5 | 12.5 |
| | 1976 | 1 | 12.5 | 12.5 | 25.0 |
| | 1977 | 1 | 12.5 | 12.5 | 37.5 |
| Median is 1978 | | | | | |
| | 1979 | 2 | 25.0 | 25.0 | 62.5 |
| | 1980 | 2 | 25.0 | 25.0 | 87.5 |
| | 1981 | 1 | 12.5 | 12.5 | 100.0 |
| | Total | 8 | 100.0 | 100.0 | |
| 1993 & 2004 | Valid | | | | |
| | 1975 | 1 | 3.6 | 3.8 | 3.8 |
| | 1976 | 1 | 3.6 | 3.8 | 7.7 |
| | 1978 | 1 | 3.6 | 3.8 | 11.5 |
| | 1979 | 1 | 3.6 | 3.8 | 15.4 |
| | 1981 | 1 | 3.6 | 3.8 | 19.2 |
| | 1982 | 2 | 7.1 | 7.7 | 26.9 |
| | 1984 | 1 | 3.6 | 3.8 | 30.8 |
| Median is | 1985 | 5 | 17.9 | 19.2 | 50.0 |
| | 1986 | 5 | 17.9 | 19.2 | 69.2 |
| | 1987 | 1 | 3.6 | 3.8 | 73.1 |
| | 1988 | 3 | 10.7 | 11.5 | 84.6 |
| | 1989 | 1 | 3.6 | 3.8 | 88.5 |
| | 1990 | 3 | 10.7 | 11.5 | 100.0 |
| | Total | 26 | 92.9 | 100.0 | |
| | Missing | | System2 | 7.1 | |
| | Total | 28 | 100.0 | | |
| others surveyd | Valid | | | | |
| | 1974 | 1 | .4 | 1.4 | 1.4 |
| | 1976 | 2 | .8 | 2.9 | 4.3 |
| | 1978 | 1 | .4 | 1.4 | 5.8 |
| | 1979 | 2 | .8 | 2.9 | 8.7 |
| | 1980 | 1 | .4 | 1.4 | 10.1 |
| | 1985 | 2 | .8 | 2.9 | 13.0 |
| | 1986 | 1 | .4 | 1.4 | 14.5 |
| | 1987 | 5 | 1.9 | 7.2 | 21.7 |
| | 1988 | 1 | .4 | 1.4 | 23.2 |
| | 1989 | 2 | .8 | 2.9 | 26.1 |
| | 1990 | 4 | 1.5 | 5.8 | 31.9 |
| | 1991 | 2 | .8 | 2.9 | 34.8 |
| | 1993 | 6 | 2.3 | 8.7 | 43.5 |
| Median is 1993-94 | | | | | |
| | 1994 | 7 | 2.7 | 10.1 | 53.6 |

| | | | | | |
|-------|---------|--------|------|-------|-------|
| | 1995 | 4 | 1.5 | 5.8 | 59.4 |
| | 1996 | 2 | .8 | 2.9 | 62.3 |
| | 1997 | 2 | .8 | 2.9 | 65.2 |
| | 1998 | 10 | 3.8 | 14.5 | 79.7 |
| | 1999 | 5 | 1.9 | 7.2 | 87.0 |
| | 2000 | 5 | 1.9 | 7.2 | 94.2 |
| | 2001 | 1 | .4 | 1.4 | 95.7 |
| | 2002 | 2 | .8 | 2.9 | 98.6 |
| | 2003 | 1 | .4 | 1.4 | 100.0 |
| | Total | 69 | 26.3 | 100.0 | |
| | Missing | System | 193 | 73.7 | |
| Total | 262 | 100.0 | | | |

* = highest - = second highest, and within 5% of highest

| EFFECTS/IMPACT OF ESOP (25, 31) | Longest lived (N=8) | Longer lived (N=28) | Other (N=??) |
|--|----------------------------|----------------------------|---------------------|
| 1986% REPORTING POSITIVE IMPACT ON MOTIVATION & PRODUCTIVITY | 87.5* | | 50 |
| 1993 % REPORTING POSITIVE IMPACT ON MOTIVATION | 66.7 | 96.3 | 61.7 |
| 1993 % REPORTING POSITIVE IMPACT ON PRODUCTIVITY | 66.7 - | 67.9 | 53.9 |
| 2004 % REPORTING POSITIVE IMPACT ON MOTIVATION | 85.5* | 76.0 | 53.8 |
| 2004 % REPORTING POSITIVE IMPACT ON PRODUCTIVITY | 85.5* | 64.0 | 40.3 |
| | | | |
| 1986 % REPORTING POSITIVE IMPACT ON ABSENTEEISM | 28.6* | | 13.2 |
| 1993 % REPORTING POSITIVE IMPACT ON ABSENTEEISM | 33.3 | 39.3 | 22.6 |
| 2004 % REPORTING POSITIVE IMPACT ON ABSENTEEISM | 71.5* | 32.0 | 22.4 |
| 1986 % REPORTING POSITIVE IMPACT ON MANAGER-WORKER COMMUNICATION | 71.4* | | 47.2 |
| 1993 % REPORTING POSITIVE IMPACT ON MANAGER-WORKER COMMUNICATION | 100.0* | 75.0 | 56.7 |
| 2004 % REPORTING POSITIVE IMPACT ON MANAGER-WORKER COMMUNICATION | 85.7* | 68.0 | 46.2 |
| 1986 % REPORTING POSITIVE IMPACT ON JOB PERFORMANCE | 71.4* | | 34.0 |
| 1993 % REPORTING POSITIVE IMPACT | 66.7 | 75.0 | 62.2 |

| | | | |
|---|-------|------|------|
| ON JOB PERFORMANCE | | | |
| 2004 % REPORTING POSITIVE IMPACT ON JOB PERFORMANCE | 71.5- | 72.0 | 51.5 |
| 1986 % REPORTING POSITIVE IMPACT ON PRODUCT QUALITY | 57.1* | | 30 |
| 1993 % REPORTING POSITIVE IMPACT ON PRODUCT QUALITY | 33.3 | 67.9 | 48.4 |
| 2004 % REPORTING POSITIVE IMPACT ON PRODUCT QUALITY | 71.5* | 52.0 | 37.3 |
| 1986 % REPORTING POSITIVE IMPACT ON TURNOVER | 42.9* | | 34.0 |
| 1993 % REPORTING POSITIVE IMPACT ON TURNOVER | 66.7* | 57.1 | 48.4 |
| 2004 % REPORTING POSITIVE IMPACT ON TURNOVER | 71.4* | 38.0 | 53.7 |
| | | | |
| 1986 % REPORTING POSITIVE IMPACT ON WORKER JOB SATISFACTION | 71.4* | | 39.6 |
| 1993 % REPORTING POSITIVE IMPACT ON WORKER JOB SATISFACTION | 83.4* | 59.2 | 56.7 |
| 2004 % REPORTING POSITIVE IMPACT ON WORKER JOB SATISFACTION | 71.5 | 80.0 | 64.1 |
| | | | |

| | | | 53. Nonmanagerial hold current board seats or in last 5 yrs 2004 | | |
|--------------------------|----------------|----------|--|--------|--------|
| | | | no | yes | Total |
| 1. Line of business 2004 | banking | Count | 12 | 0 | 12 |
| | | Row % | 100.0% | .0% | 100.0% |
| | | Column % | 13.3% | .0% | 10.9% |
| | communications | Count | 1 | 0 | 1 |
| | | Row % | 100.0% | .0% | 100.0% |
| | | Column % | 1.1% | .0% | .9% |
| | construction | Count | 8 | 3 | 11 |
| | | Row % | 72.7% | 27.3% | 100.0% |
| | | Column % | 8.9% | 15.0% | 10.0% |
| | energy | Count | 0 | 1 | 1 |
| | | Row % | .0% | 100.0% | 100.0% |
| | | Column % | .0% | 5.0% | .9% |
| insurance | Count | 1 | 2 | 3 | |
| | Row % | 33.3% | 66.7% | 100.0% | |
| | Column % | 1.1% | 10.0% | 2.7% | |

| | | | | |
|--------------------------|----------|--------|--------|--------|
| light | Count | 20 | 4 | 24 |
| manufacturing | Row % | 83.3% | 16.7% | 100.0% |
| | Column % | 22.2% | 20.0% | 21.8% |
| heavy | Count | 21 | 2 | 23 |
| manufacturing | Row % | 91.3% | 8.7% | 100.0% |
| | Column % | 23.3% | 10.0% | 20.9% |
| medical | Count | 1 | 1 | 2 |
| | Row % | 50.0% | 50.0% | 100.0% |
| | Column % | 1.1% | 5.0% | 1.8% |
| professional corporation | Count | 4 | 1 | 5 |
| | Row % | 80.0% | 20.0% | 100.0% |
| | Column % | 4.4% | 5.0% | 4.5% |
| retail | Count | 3 | 0 | 3 |
| | Row % | 100.0% | .0% | 100.0% |
| | Column % | 3.3% | .0% | 2.7% |
| transportation | Count | 2 | 0 | 2 |
| | Row % | 100.0% | .0% | 100.0% |
| | Column % | 2.2% | .0% | 1.8% |
| wholesale | Count | 5 | 3 | 8 |
| | Row % | 62.5% | 37.5% | 100.0% |
| | Column % | 5.6% | 15.0% | 7.3% |
| other | Count | 12 | 3 | 15 |
| | Row % | 80.0% | 20.0% | 100.0% |
| | Column % | 13.3% | 15.0% | 13.6% |
| Total | Count | 90 | 20 | 110 |
| | Row % | 81.8% | 18.2% | 100.0% |
| | Column % | 100.0% | 100.0% | 100.0% |

Table 8. Shopfloor Participation by business sector

Crosstab

| | | | Collapsed Shopfloor Participation since ESOP/last 10 years | | | | | |
|--------------------------|----------------|----------|--|-----|----------------|--------------|---------------|--------|
| | | | None | 1 | Median/Typical | Above Median | Top 20% (4-7) | Total |
| 1. Line of business 2004 | banking | Count | 6 | 0 | 5 | 2 | 1 | 14 |
| | | Row % | 42.9% | .0% | 35.7% | 14.3% | 7.1% | 100.0% |
| | | Column % | 28.6% | .0% | 20.0% | 11.8% | 4.5% | 12.5% |
| | communications | Count | 0 | 0 | 0 | 0 | 1 | 1 |
| | | Row % | .0% | .0% | .0% | .0% | 100.0% | 100.0% |
| | | Column % | .0% | .0% | .0% | .0% | 4.5% | .9% |

| | | | | | | | |
|-----------------------------|----------|--------|--------|--------|--------|--------|--------|
| construction | Count | 2 | 3 | 2 | 1 | 3 | 11 |
| | Row % | 18.2% | 27.3% | 18.2% | 9.1% | 27.3% | 100.0% |
| | Column % | 9.5% | 11.1% | 8.0% | 5.9% | 13.6% | 9.8% |
| energy | Count | 0 | 1 | 0 | 0 | 0 | 1 |
| | Row % | .0% | 100.0% | .0% | .0% | .0% | 100.0% |
| | Column % | .0% | 3.7% | .0% | .0% | .0% | .9% |
| insurance | Count | 0 | 2 | 0 | 0 | 0 | 2 |
| | Row % | .0% | 100.0% | .0% | .0% | .0% | 100.0% |
| | Column % | .0% | 7.4% | .0% | .0% | .0% | 1.8% |
| light manufacturi ng | Count | 2 | 5 | 6 | 5 | 5 | 23 |
| | Row % | 8.7% | 21.7% | 26.1% | 21.7% | 21.7% | 100.0% |
| | Column % | 9.5% | 18.5% | 24.0% | 29.4% | 22.7% | 20.5% |
| heavy manufacturi ng | Count | 4 | 2 | 5 | 3 | 8 | 22 |
| | Row % | 18.2% | 9.1% | 22.7% | 13.6% | 36.4% | 100.0% |
| | Column % | 19.0% | 7.4% | 20.0% | 17.6% | 36.4% | 19.6% |
| medical | Count | 1 | 0 | 0 | 1 | 0 | 2 |
| | Row % | 50.0% | .0% | .0% | 50.0% | .0% | 100.0% |
| | Column % | 4.8% | .0% | .0% | 5.9% | .0% | 1.8% |
| professional corporation | Count | 0 | 2 | 2 | 1 | 0 | 5 |
| | Row % | .0% | 40.0% | 40.0% | 20.0% | .0% | 100.0% |
| | Column % | .0% | 7.4% | 8.0% | 5.9% | .0% | 4.5% |
| retail | Count | 1 | 1 | 1 | 1 | 0 | 4 |
| | Row % | 25.0% | 25.0% | 25.0% | 25.0% | .0% | 100.0% |
| | Column % | 4.8% | 3.7% | 4.0% | 5.9% | .0% | 3.6% |
| transportatio n | Count | 1 | 1 | 0 | 0 | 0 | 2 |
| | Row % | 50.0% | 50.0% | .0% | .0% | .0% | 100.0% |
| | Column % | 4.8% | 3.7% | .0% | .0% | .0% | 1.8% |
| wholesale | Count | 1 | 3 | 3 | 1 | 1 | 9 |
| | Row % | 11.1% | 33.3% | 33.3% | 11.1% | 11.1% | 100.0% |
| | Column % | 4.8% | 11.1% | 12.0% | 5.9% | 4.5% | 8.0% |
| other | Count | 3 | 7 | 1 | 2 | 3 | 16 |
| | Row % | 18.8% | 43.8% | 6.3% | 12.5% | 18.8% | 100.0% |
| | Column % | 14.3% | 25.9% | 4.0% | 11.8% | 13.6% | 14.3% |
| Total | Count | 21 | 27 | 25 | 17 | 22 | 112 |
| | Row % | 18.8% | 24.1% | 22.3% | 15.2% | 19.6% | 100.0% |
| | Column % | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | | | % | | |