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How Did Employee Ownership Firms Weather the Last Two Recessions?

Fidan Ana Kurtulus and Douglas L. Kruse
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KALAMAZOO, Mich.—Nearly 23 million U.S. workers, or about one-fifth of all private sector employees, own stock in the companies they work for. This broad-based stock ownership affords them the opportunity to share in the firm’s profits and it gives them a voice in workplace decisions. While much documentation exists on how the various forms of employee ownership impact outcomes such as productivity for firms and workers, until now there has been scant evidence on the link between employee ownership and employment stability and firm survival in the face of either economy-wide or firm-specific shocks.

In *How Did Employee Ownership Firms Weather the Last Two Recessions? Employee Ownership, Employment Stability, and Firm Survival: 1999–2011*, Fidan Ana Kurtulus and Douglas L. Kruse present new evidence that links employee ownership with increased employment stability and firm survival. In fact, in comparing the performance of employee ownership firms with that of otherwise similar firms during the last two recessions, the authors find that the macroeconomic effects of employee ownership during periods of recessionary pressure tend to decrease unemployment while helping to stabilize the economy.

According to the authors, the main reason for this increased employment stability and survival is likely to be the relationship between employee ownership and higher productivity. Employee ownership firms retain more workers during recessions which benefits long-term productivity by helping retain workers with job-specific skills while fostering relationships that support a strong and positive workplace culture.
Overview

Kurtulus and Kruse begin with a discussion of the current trends in employee ownership and prior evidence of its impacts on firms and workers. Next they discuss the historical roots and current prevalence of employee ownership before turning to their empirical work on its impacts on employment stability and firm survival during the last two recessions. They discuss the reasons why employee ownership firms have greater stability and survival rates and close with a set of policy recommendations.

Kurtulus and Kruse conclude by saying

Combining our findings with the empirical literature as a whole, we see a body of evidence showing that, despite the theoretical free-rider and financial risk objections raised against it, employee ownership is generally linked to increased worker performance and commitment, enhanced employee cooperation toward firm goals, lower turnover, higher pay, and wealth, as well as to improved firm-level outcomes such as higher productivity, greater employment stability, and firm survival. These benefits—particularly the greater stability and survival, which can help the overall economy by reducing unemployment and resisting recessionary pressures—can provide a clear justification for widespread government support to broaden employee ownership programs.

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