



## NEW REPORT: Employee ownership improves the performance of companies

**A new report to be published today on [IZA World of Labor](#) finds that employee ownership is linked to higher company performance, and often adds to worker pay, employment stability, and company survival.**

Employee ownership has attracted growing attention for its potential to improve economic outcomes for companies, workers, and the economy in general. But it is often argued that the “free-rider” problem neutralizes the positive effects.

In this new report economist Douglas Kruse of Rutgers University School of Management and Labor Relations, USA summarizes findings from hundreds of studies showing that employee ownership is generally linked to better productivity, pay, job stability, and firm survival, while worker co-monitoring and reciprocity overcome free-riding.

Two-thirds of 129 studies concluded that employee ownership is positively related to performance or employee attitudes. For example, a study of over 40,000 workers found that employee owners generally have lower turnover and absenteeism, more company pride and loyalty, greater willingness to work hard, and more suggestions of how to improve performance. They are also more likely to take action if they see a fellow worker not working well. Taking action against “free-riders” was most successful if supported by company policies to build team spirit, loyalty, and high work standards.

Employee ownership firms also appear to have higher survival rates. Publicly traded US companies with employee ownership are about 20% more likely than closely matched comparable firms to survive over a 12-year period. Furthermore, almost all studies in this area indicate that employee ownership tends to come on top of market levels of pay thereby enhancing income and reducing inequality.

Kruse summarizes: “Apart from benefitting companies and workers, the findings point to the potential for employee ownership to increase economic stability and reduce unemployment and inequality in the overall economy.” Therefore, he argues for supportive public policies providing a variety of fiscal and tax incentives related to employee ownership.

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### Notes for editors:

IZA World of Labor (<http://wol.iza.org>) is a global, freely available online resource that provides policy makers, academics, journalists, and researchers, with clear, concise and evidence-based knowledge on labor economics issues worldwide.

The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

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