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# An assessment of employee ownership in the United States with implications for the EU

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performance of employee owned firms is presented. Most employee ownership firms will use the pull model of employee ownership where the firm never makes the extreme commitments of cultural transformation that are necessary to drive better corporate performance. We expect that the push model of employee ownership will continue to be the basis of a more “utopian” image of employee ownership. The pull model of employee ownership is based on the notion that the structure of compensation has changed in modern society and corporations are increasingly looking for ways to provide modest fixed wage commitments and pay AFTER performance has taken place. The collapse of the fixed wage system plays a key role in the emergence of employee ownership in the US. Research on the wealth effects of employee ownership supports the perception that employee ownership firms are more generous. It is only this evidence that creates the basis of broad public support of the idea. This last observation helps explain why employee ownership has become so popular in the United States despite the fact that it violates a common precept of investment, namely, that a diversified basket of investments are the most rational market investment. Too much US employee ownership was “bogus employee ownership” based on workers purchasing stock with their savings. To the extent the EU wants to learn about employee ownership from the US, it should not imitate these mistakes.

Keywords: Employee ownership, broad-based stock options, Employee Stock Ownership Plans (ESOPs), profit sharing, ESOPs

## Notes

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