



## OVERVIEW OF ESOP ORGANIZATIONS SUPPORTING THE ESOP BUSINESS COMMUNITY

### **History of Employee Stock Ownership Plans (ESOP)**

Employee Stock Ownership Plans (ESOPs) – a qualified, defined contribution plan that provides a company’s workers with retirement savings through the opportunity to invest in their employer’s stock at no cost to the worker – have their origin in the 1950s with Congress taking additional action in the 1970s, led by Senate Finance Committee Chairman, Russell Long (R-LA) securing an ESOP exemption in the 1974 Employee Retirement Security Act (ERISA).<sup>1</sup> Congress passed additional ESOP incentives, specifically in federal tax policy during the 1980s and 1990s, with the passage of the Small Business Job Protection Act of 1996, creating the S corporation ESOP (S-ESOP) structure that is the primary vehicle for businesses to be wholly employee-owned (i.e., 100% ESOP). According to the National Centers for Employee Ownership (NCEO), data shows roughly 6,500 ESOP plans nationally with about 3,200 businesses structured as S-ESOPs.<sup>2</sup>

### **About the ESOP Community**

As ESOPs have grown in popularity in the business community – and with Members of Congress as a means to incent retirement savings for millions of Americans – industry, academic, and non-profit advocacy ESOP organizations have formed to promote ESOP issues and represent the community. Although many of these organizations are comprised of similar business members, their missions differ. This paper provides an overview of the leading ESOP organizations, many of which are engaged in congressional advocacy, and provides information on their focus, structure, and mission as outlined on each organization’s website. Please reach out to Matt Pearce at [matt.pearce@ecrcoalition.com](mailto:matt.pearce@ecrcoalition.com) for additional information.

### **The ESOP Community Organizations**

#### ***Think Tanks/Research***

- **National Center for Employee Ownership (NCEO)** – NCEO is a nonprofit organization that supports employee-owned companies through education, information, and support on technical issues. NCEO is a member-based organization that hosts live and online events to help employee ownership companies build ownership cultures where employees think and act like owners. While they support pro-ESOP policy engagement, they are not overly involved in federal advocacy. More information on NCEO can be found here: <https://www.nceo.org/>

#### ***Industry Associations***

- **Employee-Owned S Corporations of America (ESCA)** – ESCA is the voice in Washington, DC that speaks exclusively for employee-owned S Corporations (“S ESOPs”). Since 1998, ESCA’s membership has grown to represent more than 220,000 employee-owners across the country. ESCA company members engage in a broad spectrum of business activities and are a variety of sizes and are focused on protecting and promoting the S corporation ESOP structure. ESCA is actively engaged in federal government affairs advocacy and works with policy and academic experts to produce intellectual capital and data to show the benefits of employee ownership in S corporations. More information about ESCA can be found here: <https://esca.us/>

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<sup>1</sup> “The Origin and History of the ESOP and Its Future Role as a Business Succession Tool,” The Menke Group, accessed August 9, 2022, <https://www.menke.com/esop-archives/the-origin-and-history-of-the-esop-and-its-future-role-as-a-business-succession-tool/>.

<sup>2</sup> “How an Employee Stock Ownership Plan (ESOP) Works.” NCEO, August 24, 2020. <https://www.nceo.org/articles/esop-employee-stock-ownership-plan>

- **Employee-Owned Contractor Roundtable (ECR)** – ECR is a Washington, DC-based member driven advocacy organization focused on issues relating to federal contracting, procurement, and small business policy issues that impact businesses wholly-owned through an ESOP. ECR and ESCA share membership overlap, though ECR’s membership is specific comprised of member companies that are primarily federal contractors that provide products and services for the U.S. Government, ranging from manufacturing engines and timing belts to developing some of the most advanced combat simulators and sonar detection technologies. ECR members and staff are actively engaged in advancing ESOP-centric federal contracting policies on Capitol Hill and with federal agencies. More information on ECR can be found here: <https://ecrcoalition.com/>
- **The ESOP Association (TEA)** – TEA advocates on behalf of all employee-owned companies and individuals looking to learn more about ESOPs. TEA is a membership-based organization representing all types of ESOPs and ESOP service providers. They host national meetings, local events, and conferences and are actively engaged in federal government affairs advocacy. More information on TEA can be found here: <https://esopassociation.org/>

### **Academic**

- **Beyster Institute** – The Beyster Institute – an organization at the University of California San Diego’s Rady School of Management – works to advance the understanding and practice of employee ownership as an effective and responsible business model. The Institute focuses on education, research, and consulting to promote employee ownership and the creation of effective ownership cultures. More information on the Beyer Institute can be found here: <https://rady.ucsd.edu>
- **Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University** - The Institute provides education, scholarly, and technical support on employee ownership models, and produces educational studies and reports on the functions, benefits, and costs of a wide variety of models of employee share ownership and profit sharing. Additionally, the Institute convenes educational conferences, and provides technical assistance, executive, professional, and employee education to businesses and individuals exploring employee share ownership. More information on the Institute can be found here: <https://smlr.rutgers.edu/faculty-research-engagement/institute-study-employee-ownership-and-profit-sharing>

### **Non-Profit/Advocacy**

- **Employee Ownership Expansion Network (EOX)** – EOX works to expand employee ownership across the US by creating and supporting a network of non-profit state centers for employee ownership. EOX staff engages in federal government affairs advocacy on a limited basis, mostly targeting specific ESOP legislation and funding opportunities. More information on EOX can be found here: <https://www.eoxnetwork.org/>
- **Certified Employee-Owned (Certified EO)** – Certified Employee-Owned provides ESOP certifications and assistance with the engagement and recruitment of employee-owners in over 200 industries in all 50 states. With a State and local focus, Certified EO aims to educate the government that employee-owned companies are tied to local communities in ways that strengthen local economies. More information on Certified EO can be found here: <https://www.certifiedeo.com/>
- **Ownership America** – Ownership America is a financial partnership group that organizes and mobilizes a coalition of ownership advocates and produces applied policy research on opportunities to create owners with a focus on assets and wealth. Ownership America is actively engaged in federal government affairs policy, mostly on the ESOP financing issues. More information on Ownership America can be found here: <https://ownershipamerica.org/>