

# RESEARCH BRIEF

Institute for the Study of  
Employee Ownership and Profit  
Sharing

## ESOP Communication: Does It Even Matter?

**QUESTION:** Is communication about an ESOP actually important for employees?

**ANSWER:** Yes, good communication matter a lot.

Good communication about the ESOP leads to higher satisfaction with the ESOP. Employees perceive their company is fair, when they are well communicated about the ESOP and want to stay.



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This report is based on the  
National ESOP Survey  
administered in 2019-2021

Younger workers and workers with greater base pay and ESOP value tend to evaluate the quality of ESOP communication more favorably.

- When the responses to the four questions about ESOP communications were summed up, younger workers showed higher scores.
- Higher base pay and greater ESOP value were also positively associated with the evaluation.
- Although younger workers tend to show lower satisfaction with the ESOP, good communication can help negate the negative association of age and ESOP satisfaction.

Please indicate whether you agree or disagree with each statement:

Question 1

- Employees receive formal training about the ESOP and how it works.

1=Strongly Disagree  
5=Strongly Agree

Question 2

- The information I receive about the ESOP is too complicated. (Reverse scored.)

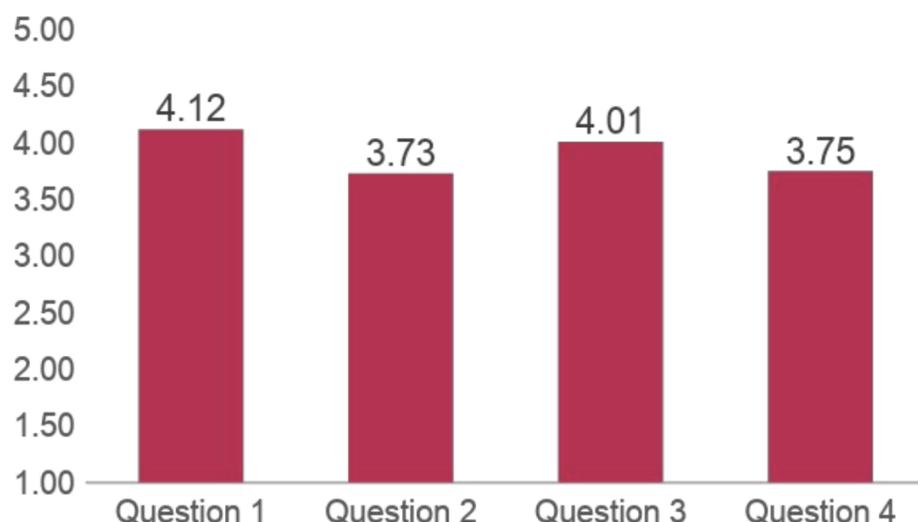
Question 3

- I do not really understand how the ESOP works. (Reverse scored.)

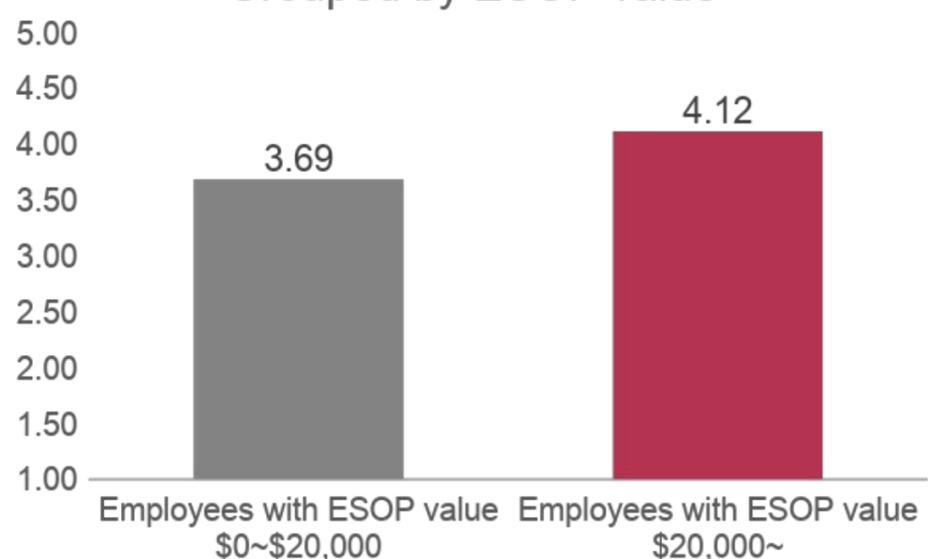
Question 4

- The information I receive about the ESOP is clear and easy to understand.

Average Score of Employees' Evaluation of ESOP Communication



Total Score of Employees' Evaluation of ESOP Communication Grouped by ESOP value



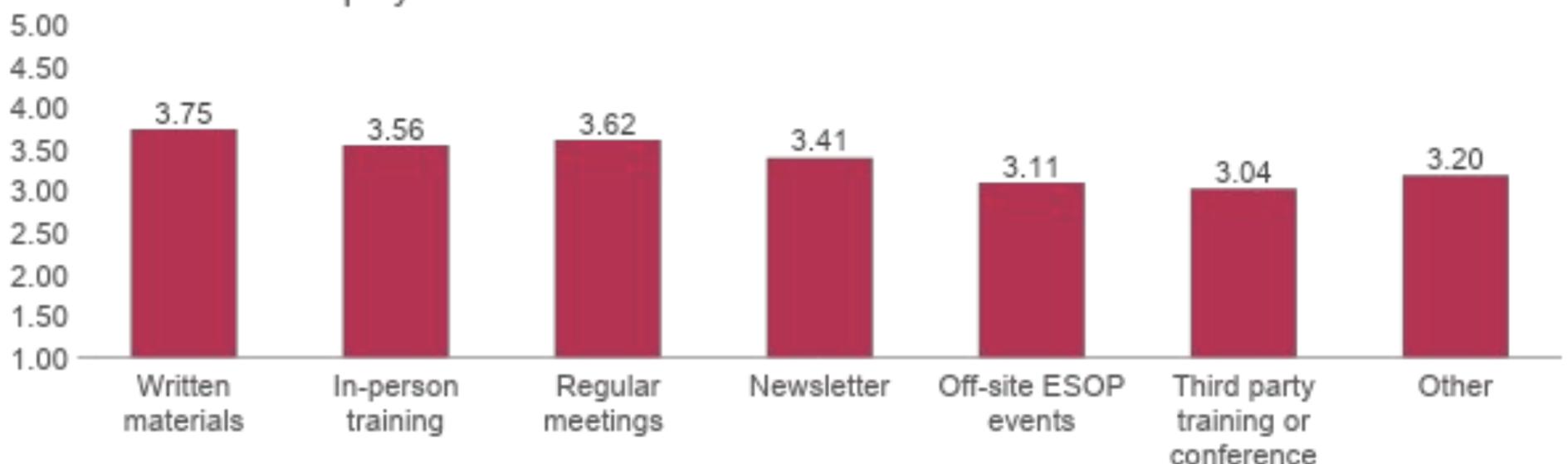
## Use of various communication channels and employee satisfaction with each of the channels.

- More than 80% of the employees responded that they received communications about the ESOP through written materials, in-person training, regular meetings, or newsletters. Participating companies widely use multiple channels to communicate about their ESOP.s
- Satisfaction with off-site events, third party training, and conferences is close to neutral.
- Internal communication sources showed higher satisfaction.

Please indicate how satisfied you are with each of these channels your company uses to communicate ESOP to you.

Question	Use Percentage	Scale
Question 1	82.1% reported its use.	1=Completely Dissatisfied 5=Completely Satisfied
• Written materials (paper or electronic)		
Question 2	81.8% reported its use.	
• In-person training		
Question 3	82.0% reported its use.	
• Regular meetings where ESOP is discussed		
Question 4	80.3% reported its use.	
• Newsletter		
Question 5	79.0% reported its use.	
• Off-site ESOP events		
Question 6	77.6% reported its use.	
• Third party training or conference		
Question 7	52.2% reported its use.	
• Other		

Employee Satisfaction with ESOP Communication Channels

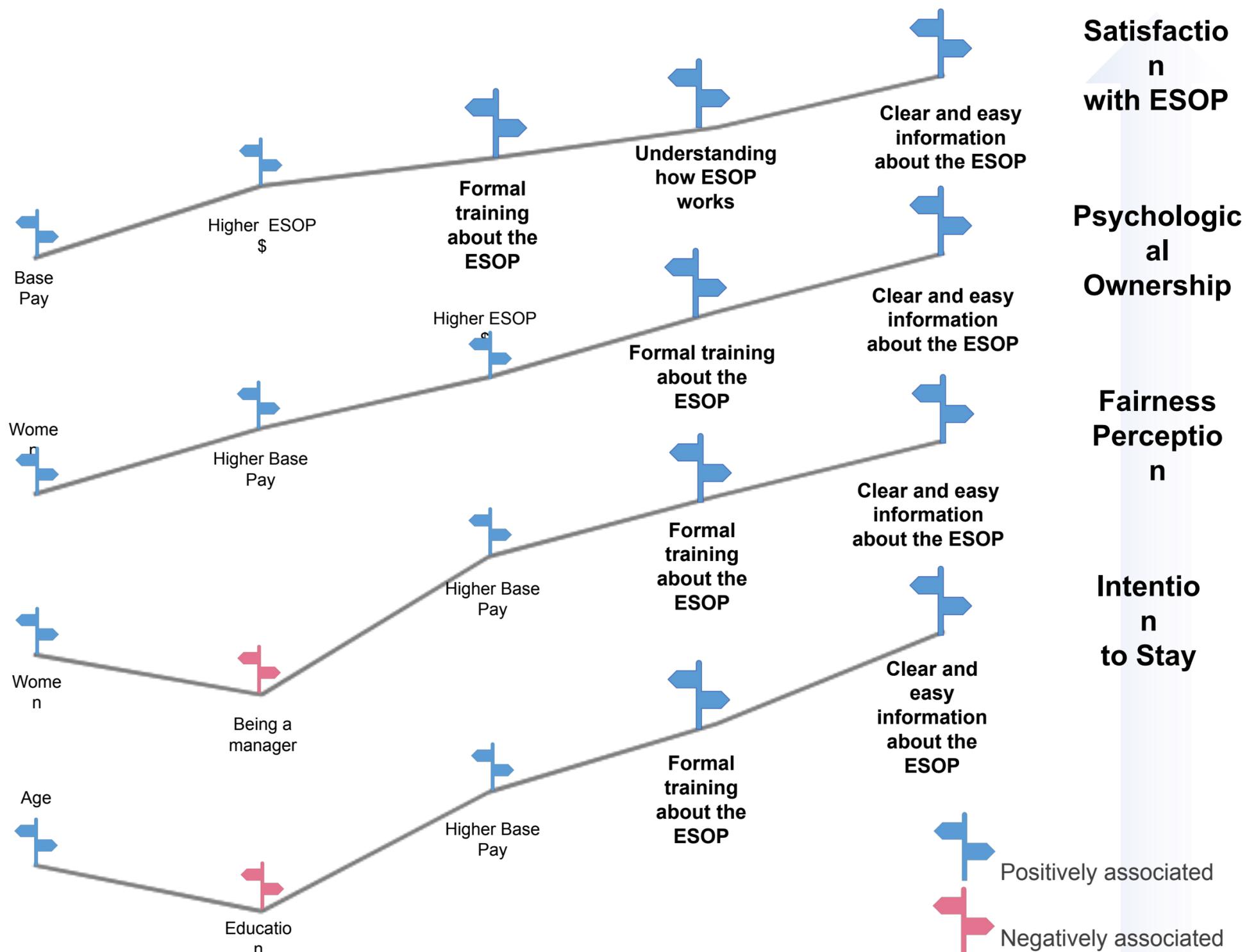


ESOP communication is important for employees' satisfaction with an ESOP, perception of fairness, and the sense of ownership, and intention to stay with the firm.

- When employees evaluated the quality of ESOP communication more positively, they showed:
  - Higher satisfaction with their ESOP;
  - Greater sense of ownership, and a sense of fairness, and;
  - Greater intention to stay with the company.

Good communication contributed to higher satisfaction with an ESOP, on top of the positive effect of greater base pay and ESOP value.

**Roadmap to Higher Satisfaction with An ESOP, Psychological Ownership, Fairness Perception, and Intention to Stay.**



## Conclusions

- Younger workers and workers with greater base pay and ESOP \$ value tend to evaluate the quality of ESOP communication more favorably.
  - More than 80% of the employees responded that they received communications about their ESOP through written materials, in-person training, regular meetings, or newsletters. Participating companies widely use multiple channels to communicate about an ESOP.
  - ESOP communication is important for employees' satisfaction with an ESOP, perception of fairness, the sense of ownership, and greater intention to stay with the organization.
- ➔ Having formal training sessions on the ESOP, providing "clear and easy-to-understand" information about the ESOP, and making sure employees gained clear understanding of how the ESOP works are the keys to greater ESOP satisfaction and other positive workplace attitudes including low turnover intention.
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