Broad Based Employee Ownership and Labor Market Outcomes of the Formerly Incarcerated

Robynn Cox, Ph.D.
USC Suzanne Dworak-Peck School of Social Work
AEA Summer Program Seminar
6/14/2019

Presentation Outline

- Background
- What is an ESOP?
- Conceptual Relationship
- Research Questions
- Data
- Methods
- Results
- Conclusion
- Next Steps

Background

- Past 40 years US experiment in mass incarceration
- Disproportionately impacted minority communities
- Reentry and Aging
  - Aging prison population
    - Number of prisoners age 55 or older has increased by 400% between 1993 and 2013, and the median age of prisoners increased from 30 years to 36 years over this time-period
  - 95% of state prisoners are released (Hughes and Wilson 2003).
  - Although aging may create unique challenges for reentry (Williams and Abraldes 2007), there is a paucity of research on this topic.

Background

- Over this same time period, there has been an erosion in the middle class and greater economic inequality throughout the United States and the world (Heathcote, Perri, & Violanti 2010; Piketty2014)
- Picketty (2014) argues that the main driver of this inequality is that returns to capital outpace labor income
- In the United States, increases in inequality resulted from very large returns to managerial labor income (Piketty 2014, Picketty and Saez 2003)
- Autor (2010) and Autor et al. (2008), finds a “polarization” of job opportunities: high skilled, high-wage jobs and low skilled, low wage jobs

Background

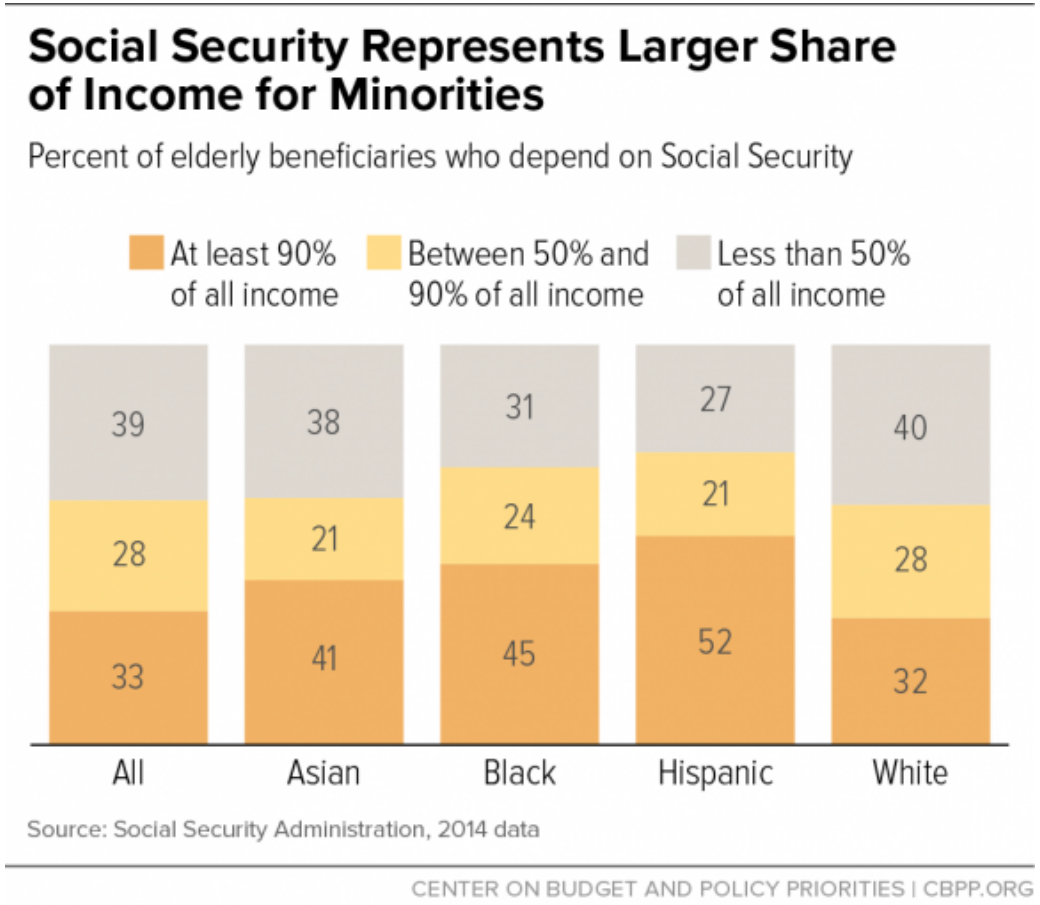
- Blasi, Freeman, and Kruse (2014) argue that broad based employee ownership (shared capitalism) is one mechanism that would help to restore capitalism as envisioned by the founding fathers of the United States, to restore the middle class, and decrease economic inequality.
- Employee Stock Ownership Plans (ESOPs) are one form of broad based employee ownership that has been extensively studied and found to increase firm productivity, wages, household net wealth, and employment stability (Kruse 2016).

Background

- An often overlooked topic within the prisoner reentry literature is asset accumulation among the formerly incarcerated.
- Effective reentry efforts should encourage the ownership of homes, businesses, stocks, savings accounts and real estate beyond the primary residence (Martin 2011).
- Additionally, we don’t know how mass incarceration might influence successful aging especially among minority populations, who are heavily reliant on social security income for retirement

Background

- If we don’t consider asset and wealth generating policies within the prisoner reentry framework, we may see a surge in minority poverty among older age individuals



A Brief History of Employee Ownership

Year	1956	1974	1996	2017
Event	Peninsula Newspapers establishes first ESOP.	Federal government creates statutory framework for ESOPs.	Congress passes legislation allowing ESOPs to own S corporations.	Today, there are roughly 14.1 million ESOP participants.
# of ESOPs	1 ESOP	200 ESOPs	6,680 ESOPs	6,717 ESOPs
Participants	Under 200	250,000	6.3 million	14.1 million

The National Center for Employee Ownership • web: www.nceo.org and www.esopinfo.org • email: outreach@nceo.org

What Is an ESOP?

NCEO
NATIONAL CENTER FOR EMPLOYEE OWNERSHIP

Employee stock ownership plans, or ESOPs, are a way to sell a business that benefits the company, employees, and the selling business owners. Business owners sell some or all of their shares to an ESOP trust, which owns those shares on behalf of employees.

ESOPs can be funded in many ways, but usually the transaction involves a loan. The company can take out a loan and then reloan the funds to the ESOP trust. The company makes contributions to the trust, which the trust uses to repay the loan. Sometimes the person selling the shares provides the loan. Almost all ESOPs are completely company-funded. Employees pay nothing.

As the loan is repaid, shares become available to allocate to employee accounts. The allocations must be made on a non-discriminatory basis, like payscale or a more level formula. With limited exceptions, all employees participate in the plan.

The company administers the plan in accordance with federal laws and regulations that govern issues such as contribution and allocation limits, vesting, benefit distributions, diversification, and more.

ESOP companies often have ownership cultures that encourage employees to "think and act like owners." Research shows such companies are more productive, faster growing, more profitable, have less turnover, and generate more wealth.

The Benefits of Selling to an ESOP

An ESOP can use pretax future corporate earnings to buy shares from an owner.

Sellers can defer taxation on the gain depending on the type of corporation.

The business will also receive numerous tax benefits depending on the type of corporation.

Sell the business at once or gradually in installments.

Sellers can define their role in the company moving forward.

Protects jobs.

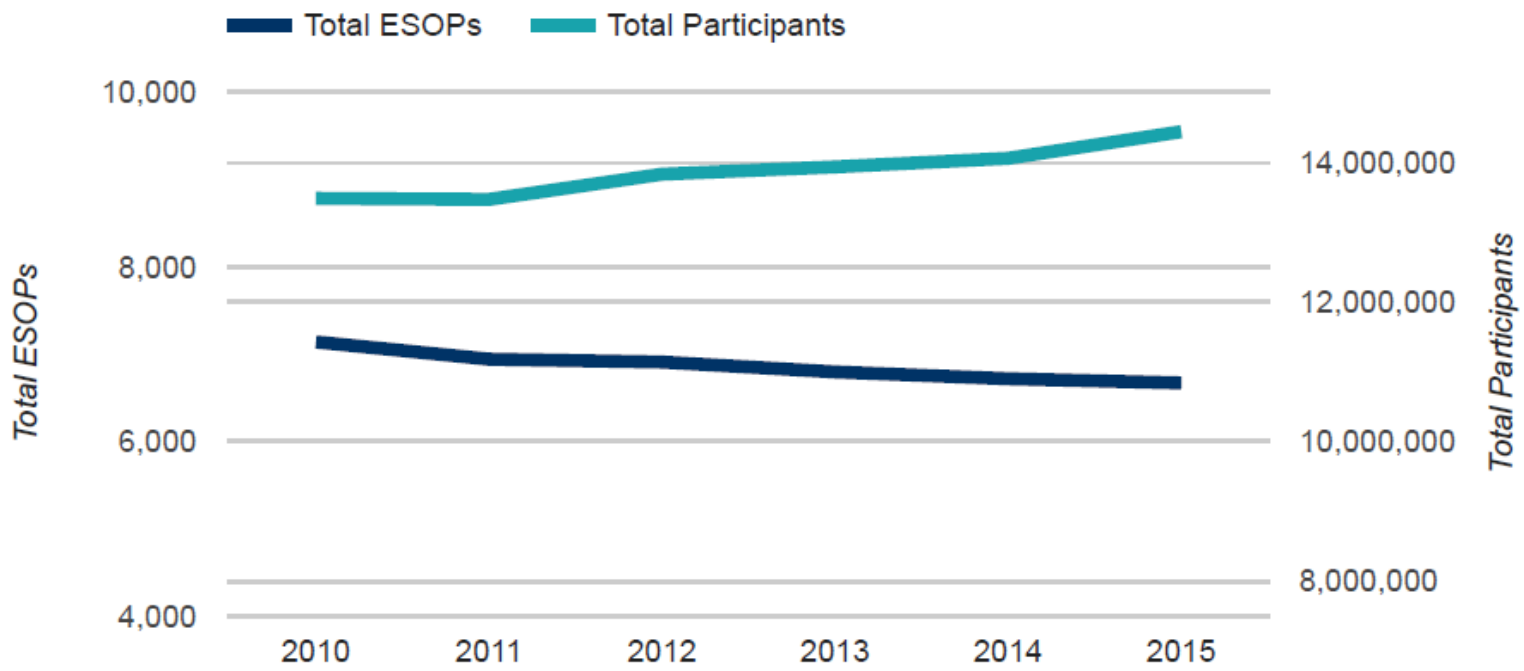
Provides employees with a significant retirement benefit.

Protects the integrity of the business by assuring that it will not be dismantled.

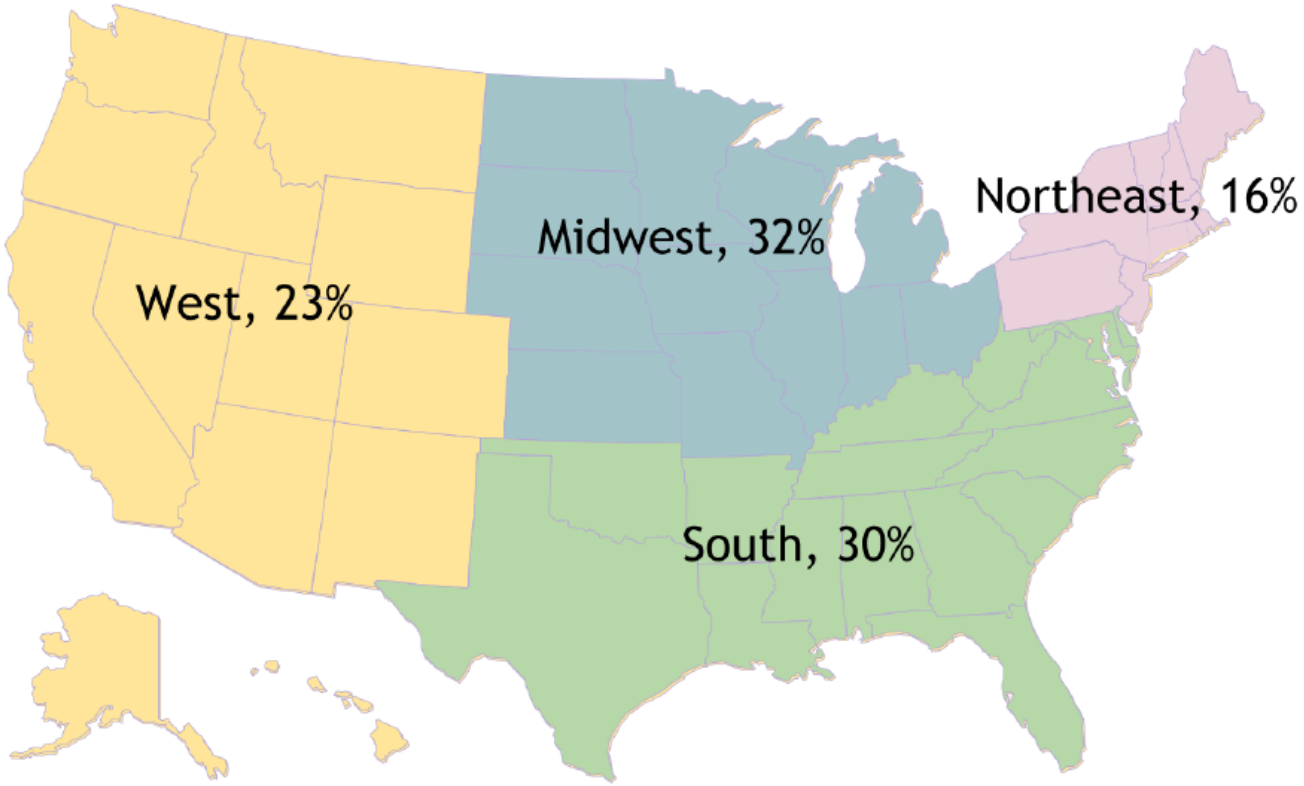
Financial Benefits
Flexibility
Rewarding Employees

ESOP and Total Participants (National Center for Employee Ownership, 2018)

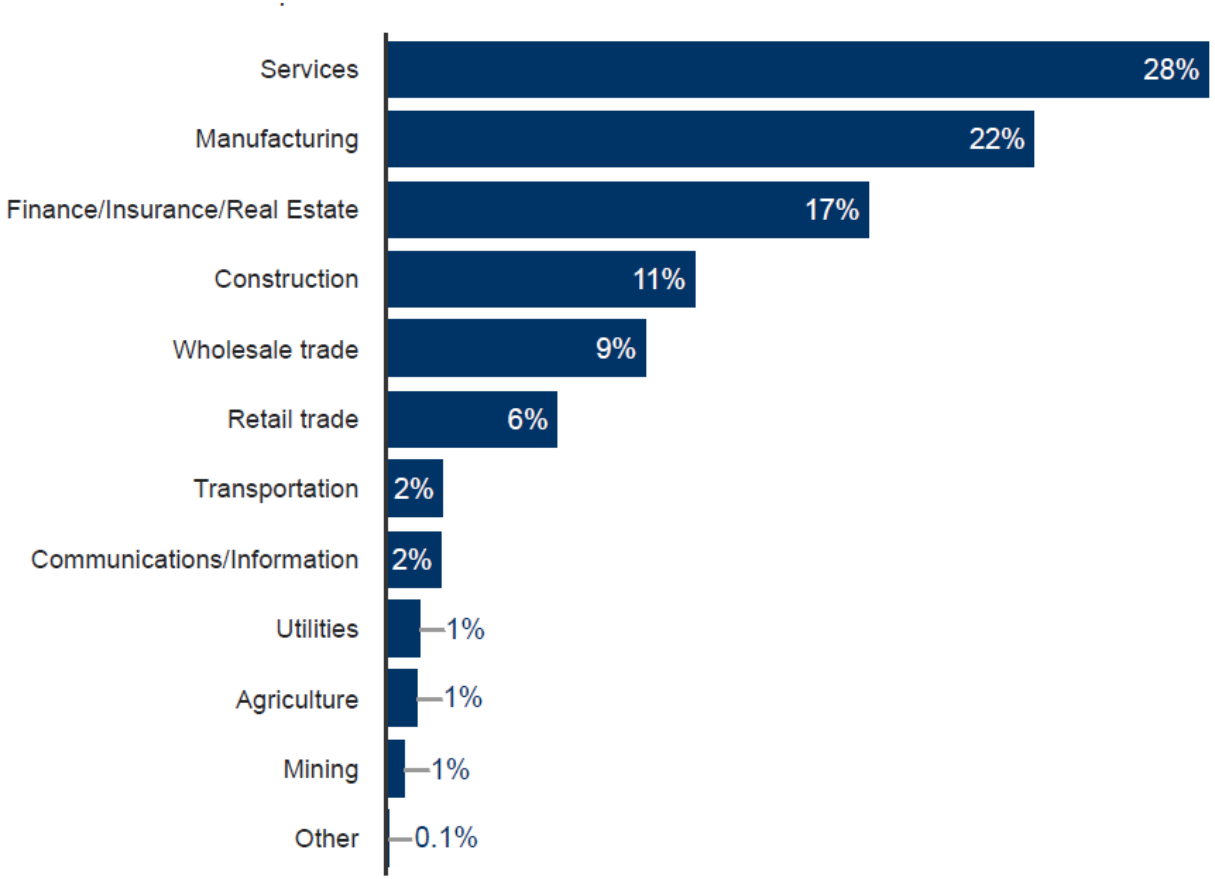
- ESOP and Total Participants



Where are ESOPs Located? (National Center for Employee Ownership, 2018)



ESOPs by Type (National Center for Employee Ownership, 2018)



Examples of Companies offering ESOP Benefits

- Winco Stores
  - 98 stores across 8 States
  - 130 Employees
  - Combined Retirement Savings at roughly $100,000,000
- Publix Grocery Stores
  - Largest employee owned company in the country
  - Most profitable grocer
  - All employees that work 1,000 hours and a year of employment receive an additional 8.5% of their total pay in the form of Publix stock

Examples of Companies offering ESOP Benefits

- Mathematica Policy Research
  - 1200 plus experts
  - 9 locations
- Westat
  - Professional Services: “supports research behind many federal, state, local, and foundation studies”
  - 1900 Employees
  - 14 locations

Conceptual Relationship ESOP Labor Market Outcomes of Formerly Incarcerated

- Direct Effects
  - ESOPs increase assets through retirement savings (defined contribution plan)
  - “Good Job”: tend to offer better pay and more generous non-wage compensation
  - Greater job stability
- Indirect Effects
  - Hard and soft skills developed from being an employee owner may increase outside option, leading to employment at even better paying firms
- Threats to Identification
  - Selection bias. ESOP firms may be good at selecting workers, for example, with better cognitive ability
  - Identifying the effect of an ESOP: maybe it’s not the ESOP but a bundle of benefits that lead to better outcomes

Research Questions:Aims

- Companies owned, in whole or in part, by workers may address some of the barriers ex-offenders face on the labor market (e.g., finding quality employment) and help to improve asset holdings among this population.
- Do those who stand to benefit the most, such as the formerly incarcerated, have access to these asset-generating, wealth building plans?
- What is the role of broad based employee ownership in general, and ESOPs in particular, in the economic wellbeing of the formerly incarcerated?

Research Questions

- Are there any differences in the characteristics of the formerly incarcerated employed in ESOP firms, versus those that are not?
- What are the predictors of employment at an ESOP firm for formerly incarcerated individuals?
- Does employment at ESOP firms improve the labor market outcomes (i.e., employment, labor supply, wages, and non-wage benefits) of the formerly incarcerated?
- Do the benefits of ESOP employment extend beyond the period of employment at an ESOP firm?

Data

- 1997 National Longitudinal Survey of Youth (NLSY97)
- Youthful respondents born between 1980 and 1984
- Ideal data source because it has information on employment benefits, including ESOPs, employment history, earnings, criminal history (e.g., incarceration criminal conviction)
- 17 waves of the survey
    - Baseline Survey in 1997

Data

- 8,984 individuals initially interviewed (51% males and 49% females)
- Oversample of black and Hispanic respondents
- Survey also collects data on human capital (i.e., education, training, achievement scores, and health), crime, substance use, parents, childhood and family experiences, household, marital status, children, and non-cognitive tests

Methods: Descriptive Analysis

- Sample restricted to individuals exposed to an incarceration who reported employment in the 2015 wave
- Lifetime ESOP participation for year 2015
  - Non-ESOP: no reported ESOP employment throughout the 17 waves of the survey
  - Had ESOP: reported prior ESOP employment but was not currently employed in an ESOP
  - Current ESOP: currently employed in an ESOP
- Multiple imputation used to impute missing data
- Weighted comparison of means and medians for demographic, criminogenic, and economic outcomes between the three treatment groups

Methods: Descriptive Analysis

- Multivariate Regression Analysis
  - Base model for economic outcomes:
    - $Y_i = \beta_0 + \beta_1 HadESOP_i + \beta_2 NonESOP_i + \beta_3 X_i + \varepsilon_i$
      - Y_i is a vector of economic outcomes, which include ESOP employment, total salary income, total family income, Net worth at 30, home ownership,
      - HadESOP: previously employed at an ESOP
      - NonESOP: never employed at an ESOP firm
      - X_i is a vector of controls that are correlated with ESOP firm status and the outcome variables such as ASVAB scores, education, prior work experience, age, criminal history, race, gender, location, industry of employment etc.
    - All regressions weighted to account for sample attrition

Prevalence of ESOP Employment among Formerly Incarcerated and Non-Incarcerated

Type	Percent	N
Current ESOP	10%	48
Had ESOP	51%	252
Non-ESOP	39%	192
Total	100%	492

Industry

INDUSTRY	Current ESOP	Previous ESOP	Never ESOP
Industry: Manufacturing	0.3182	0.1024***	0.0906***
Industry: Construction	0.0745	0.1935**	0.1738*
Industry: Govt, Transportation, Utilities, Mining, Agriculture, Whole sale	0.0767	0.1563	0.1207
Industry: Education, Finance, Professional Services, Health, and IT	0.2504	0.1744	0.2651
Industry: Entertainment Retail and Other services(auto mechanics, nail salons, barbers, etc)	0.2485	0.3312	0.3162

*** p<0.01, ** p<0.05, * p<0.1

Results: Demographic Characteristics

Variables	Current ESOP	Previous ESOP	Never ESOP
Age at Baseline (1997)	14.5	14.5	14.3
Age at 2015 Interview	33.1	33.2	32.8
Female	22%	15%	23%
Black	18%	16%	16%
Hispanic	18%	15%	13%
Other	6%	3%	5%
Marital Status (2015)	30%	37%	29%
Number of Biological Children in the Household (2015)	1.02	1.08	0.98
Number of children 0-6 in Household	0.38	0.51	0.45
Number of children under 18 in Household	1.1559	1.3167	1.1691
Single Parent	49%	44%	47%
Household Income 1997	$ 64,406.13	$ 63,183.29	$ 50,039.07
Highest Grade Completed Bio Mom	12.0	11.9	12.2
Highest Grade Completed Bio Dad	11.3	10.5	10.2
N	48	252	192

*** p<0.01, ** p<0.05, * p<0.1

Results: Human Capital Characteristics

Variables	Current ESOP	Previous ESOP	Never ESOP
Highest Grade Completed (2015)	12.3	11.6	11.7
No College (2015)	87%	93%	92%
Job Tenure Current Job (2015)	2.9	2.8	3.0
Work Experience (2015)	1.9	1.8	1.8
ASVAB Percentile (1999)	46.8	35.4*	34.3**
N	48	252	192

*** p<0.01, ** p<0.05, * p<0.1

Note: median differences for job tenure, work experience, and ASVAB are not significant

Results: Substance Use and Criminogenic Factors

Type of Crime Ever committed	Current ESOP	Previous ESOP	Never ESOP
Property	61%	54%	47%
Violent	60%	65%	58%
Drug	64%	55%	57%
Total Number of Arrest	6.6	6.5	5.7
Total Months Incarcerated by 2015	12.5	17.3	10.8
Length of Longest Incarceration (Months?)	9.9	11.8	8.9
Year of Last Recorded Incarceration	2006	2007	2007
Ever Sent to Juvenile Prior to 2015	25%	22%	19%
Ever sent to Jail or Prison Prior to 2015	94%	96%	92%
Age First Used Marijuana	11.9	13.0	12.6
Age First Used Hard Drugs	13.7	14.3	13.9
AGE FIRST Started Drinking	11.9	11.9	11.6
Ever Used Hard Drugs	65%	54%	58%
Ever Used Marijuana	96%	91.00%	91%*
# DAYs 5+ DRINKS/DAY LAST 30 DAYS(2015)	2.6	1.9	2.8
N	48	252	192

*** p<0.01, ** p<0.05, * p<0.1

Results: Traumatic Events

Traumatic Events	Current ESOP	Previous ESOP	Never ESOP
Seen Shooting	58%	37%**	35%***
Been Shot	32%	18%	13%**
Relative Shot	23%	13%	14%
Friend Shot	26%	27%	22%
Victim of Bullying	41%	35%	33%

*** p<0.01, ** p<0.05, * p<0.1

Results: Predicting ESOP Employment

VARIABLES	Mlogit Previous ESOP	Mlogit Never ESOP
Work Experience Prior to 2015	-0.8797	-1.1738*
	-0.5437	-0.6177
Work Experience Squared	0.0864	0.0468
	-0.0762	-0.1106
Age at Interview	2.0848	3.0868
	-7.2853	-7.6978
Age at Interview Squared	-0.0308	-0.0483
	-0.1101	-0.1164
Black	-0.9842**	-0.8077
	-0.4671	-0.5044
Hispanic	-0.9642*	-1.2503**
	-0.5475	-0.5907
Other	-1.3391	-1.051
	-0.9565	-0.9484
Female	-0.4362	-0.0991
	-0.4941	-0.5123
Industry: Manufacturing (2015)	-2.1232***	-1.8821***
	-0.6195	-0.6688
Industry: Construction (2015)	-0.0273	0.2974
	-0.8088	-0.8712
Industry: Other Services (2015)	-0.2561	-0.174
	-0.6167	-0.6576
Industry: Business, Education, and Health (2015)	-0.8526	-0.21
	-0.6409	-0.6871
Marital Status (2015)	0.5178	0.2011
	-0.4258	-0.4647
# Children Under 6 (2015)	0.117	0.0136
	-0.2626	-0.3257

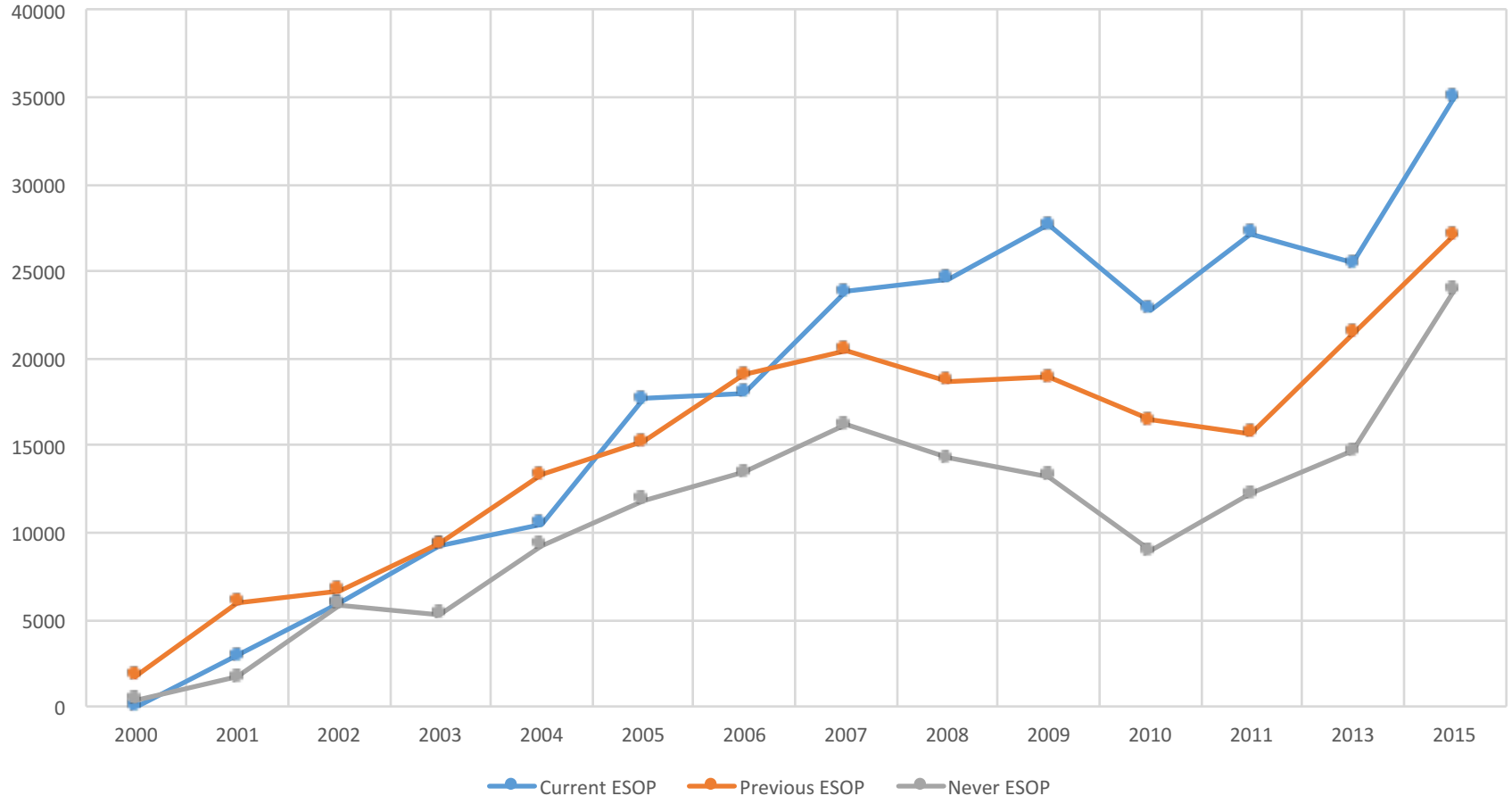
*** p<0.01, ** p<0.05, * p<0.1

Results: Predicting ESOP Employment

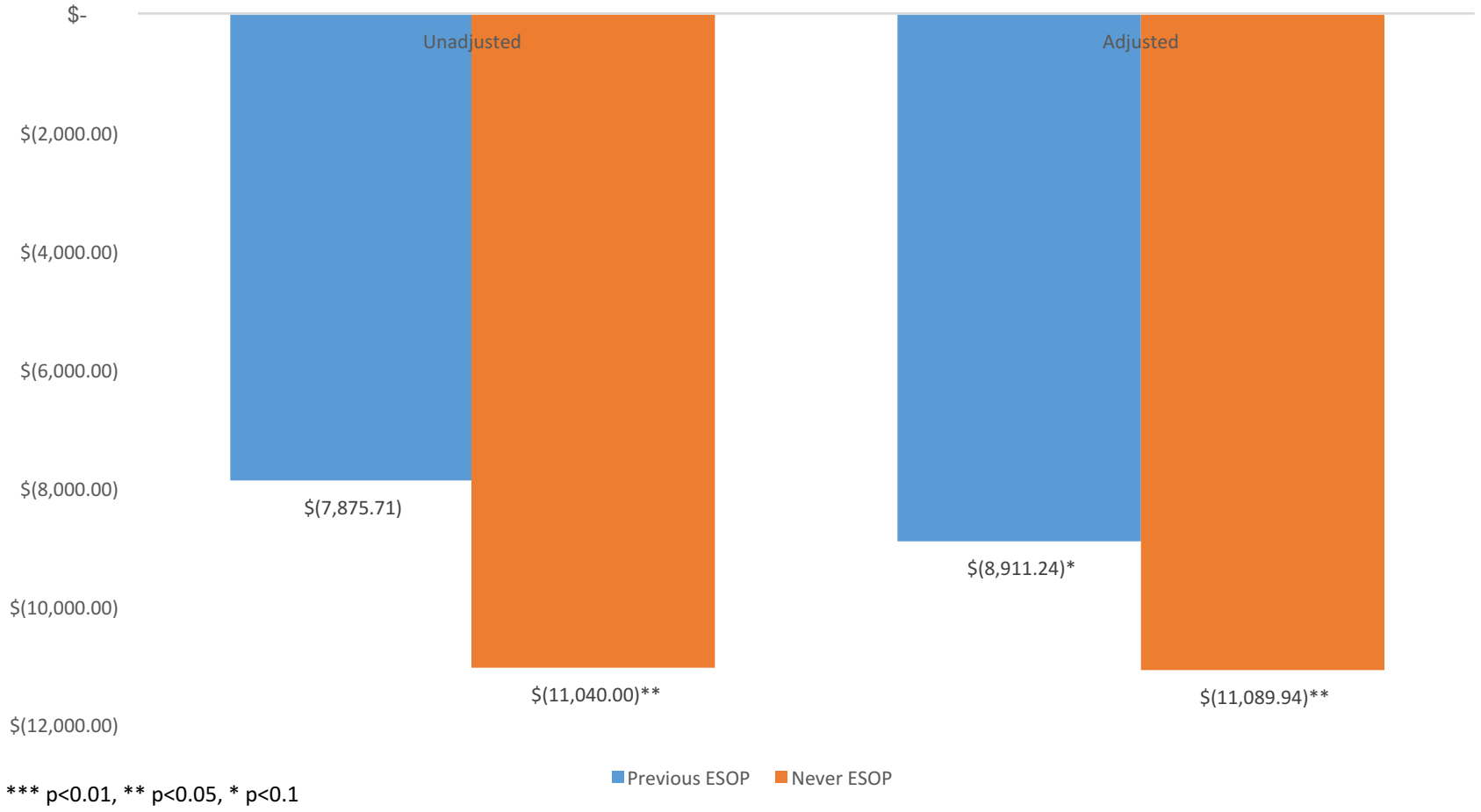
VARIABLES	Mlogit Previous ESOP	Mlogit Never ESOP
# Children Under 6-17 (2015)	-0.1327	-0.2604
	(0.1935)	(0.1968)
Ever Incarcerated: Juvenile Facility	-0.0786	-0.2185
	(0.4792)	(0.4852)
Total Years Incarcerated	0.0481	-0.1109
	(0.0865)	(0.1070)
Ever Used Hard Drugs	-0.2864	-0.0132
	(0.4225)	(0.4584)
Ever Used Marijuana	-0.6196	-0.9285
	(0.6757)	(0.7424)
# Days 5+ Drinks/Dat in LAST 30 DAYS (2015)	-0.0371	-0.0082
	(0.0409)	(0.0410)
ASVAB MATH and VERBAL SCORE PCT 1999	-0.0208**	-0.0249**
	(0.0087)	(0.0114)
Household Income 1997	0.0000	-0.0000
	(0.0000)	(0.0000)
Highest Grade Completed: Biological Father	-0.0453	-0.0490
	(0.0501)	(0.0465)
Highest Grade Completed: Biological Mother	0.0395	0.0548
	(0.0622)	(0.0708)
Observations	492	492

*** p<0.01, ** p<0.05, * p<0.1
Urban-Rural and Region Fixed Effects Included

Results: Real Earnings Over Time

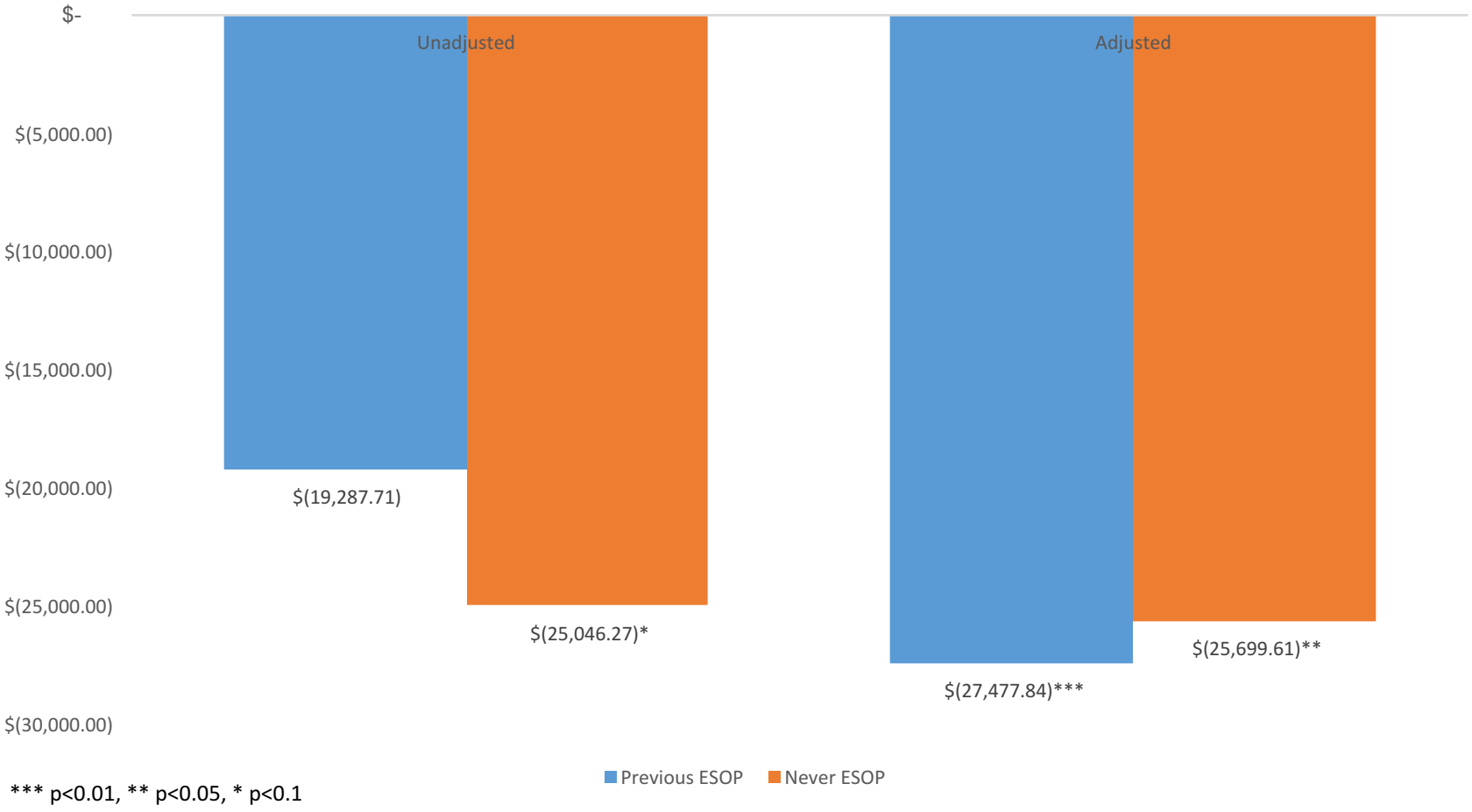


Results: Adjusted Median Differences in Real Salary Income (2015)



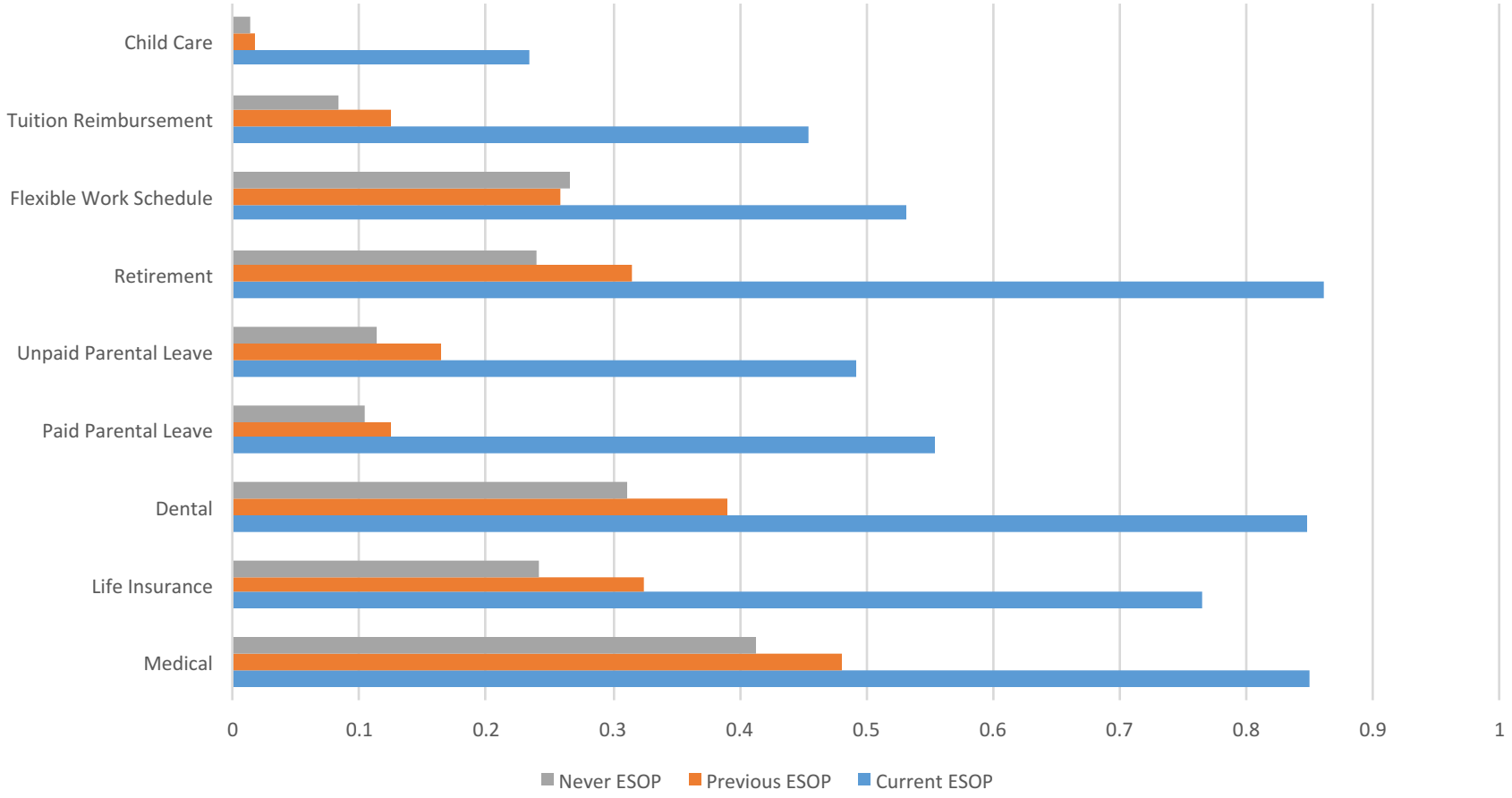
*** p<0.01, ** p<0.05, * p<0.1

Results: Adjusted Median Differences in Household Income (2015)

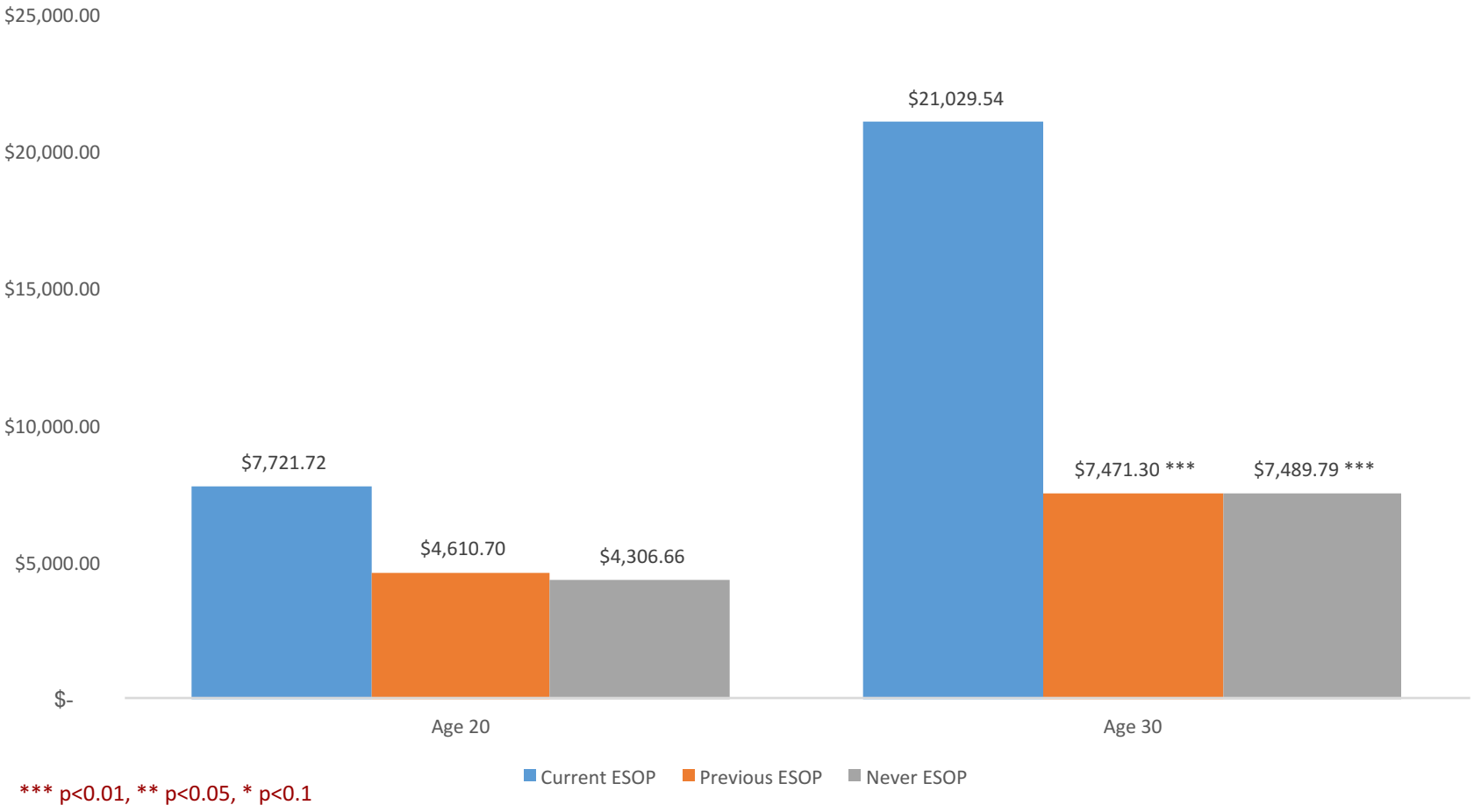


*** p<0.01, ** p<0.05, * p<0.1

Results: Non-wage Employee Benefits

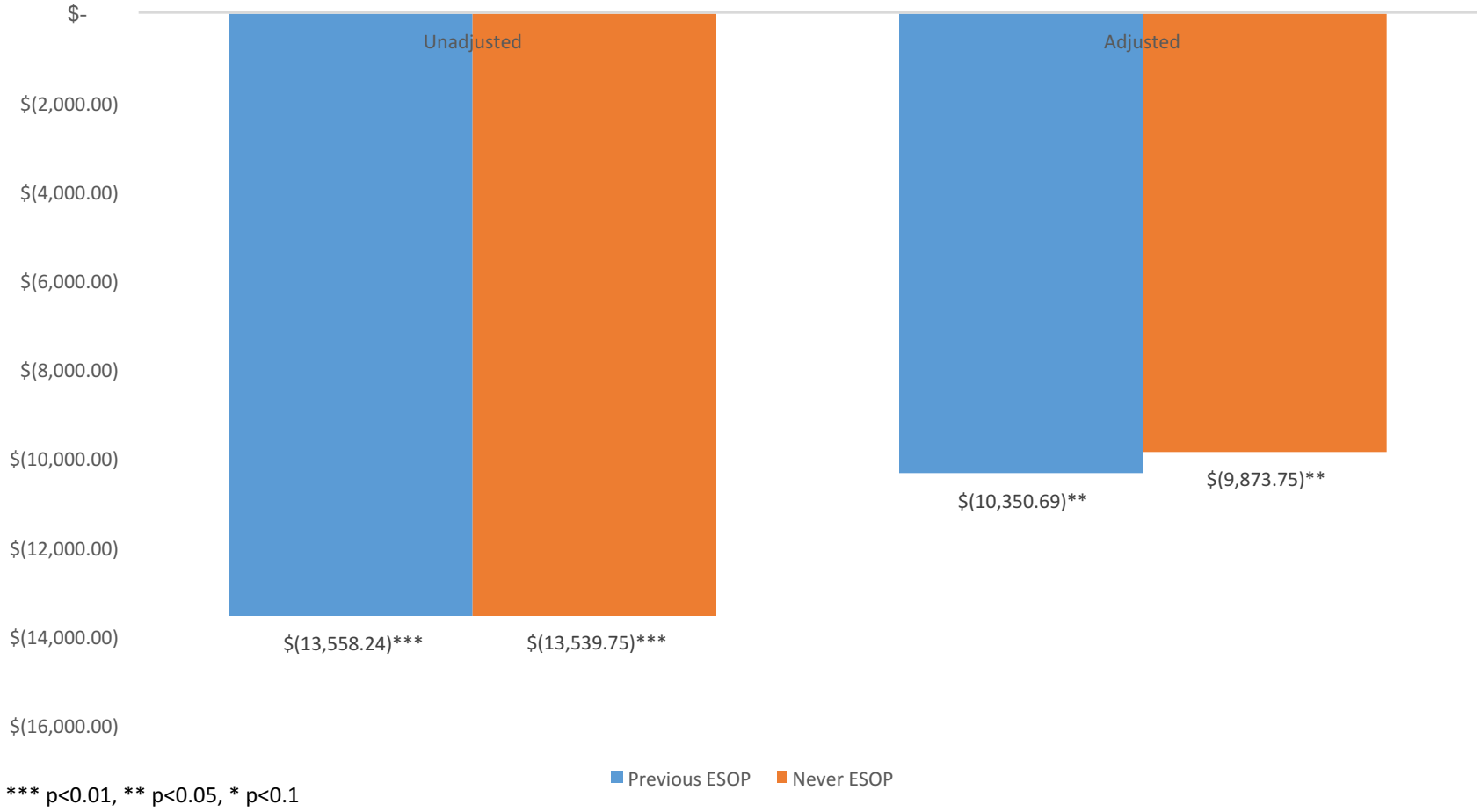


Results: Median Net Household Worth By Age



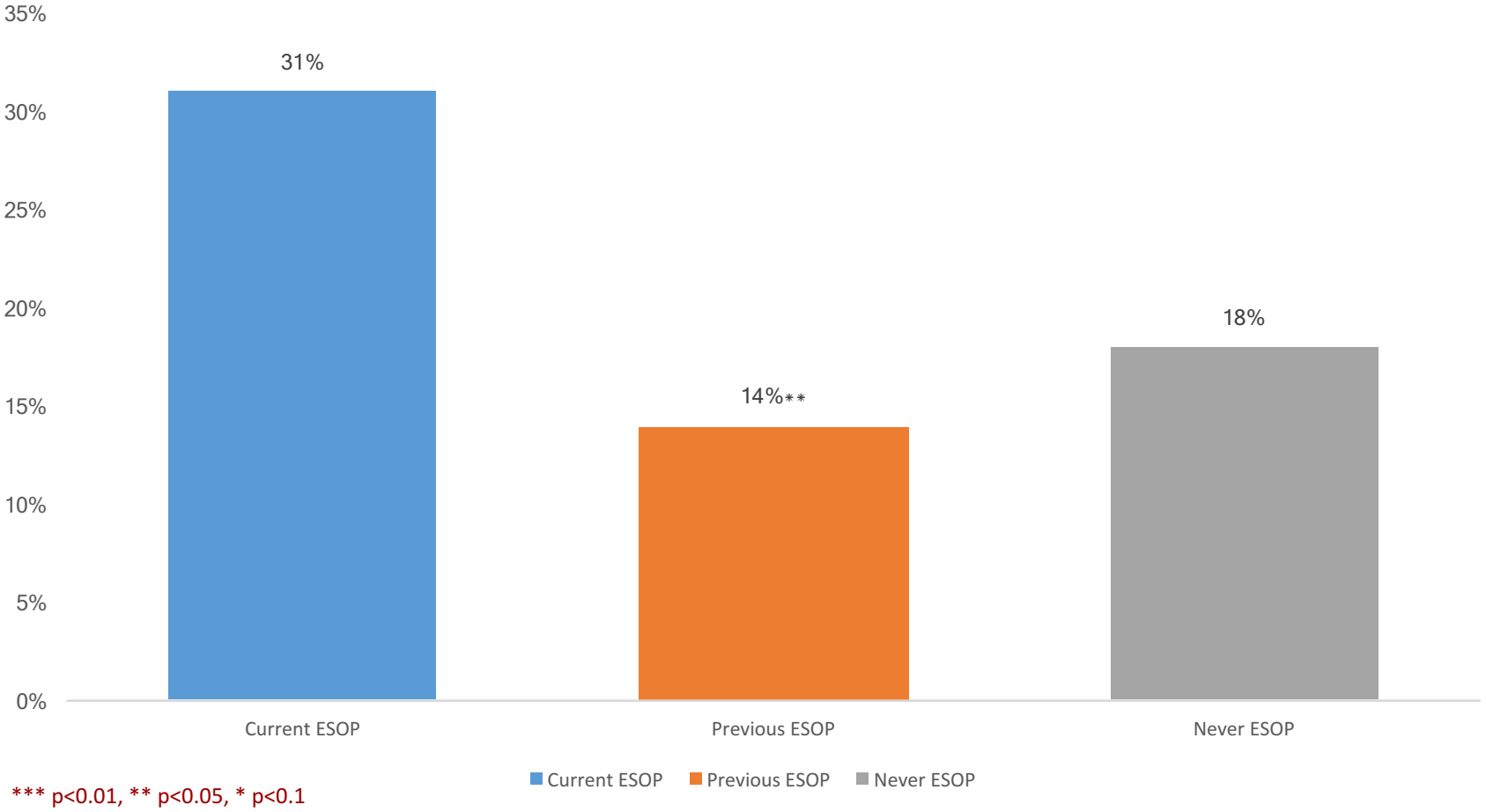
*** p<0.01, ** p<0.05, * p<0.1

Results: Adjusted Differences Median Net Household Worth Age 30



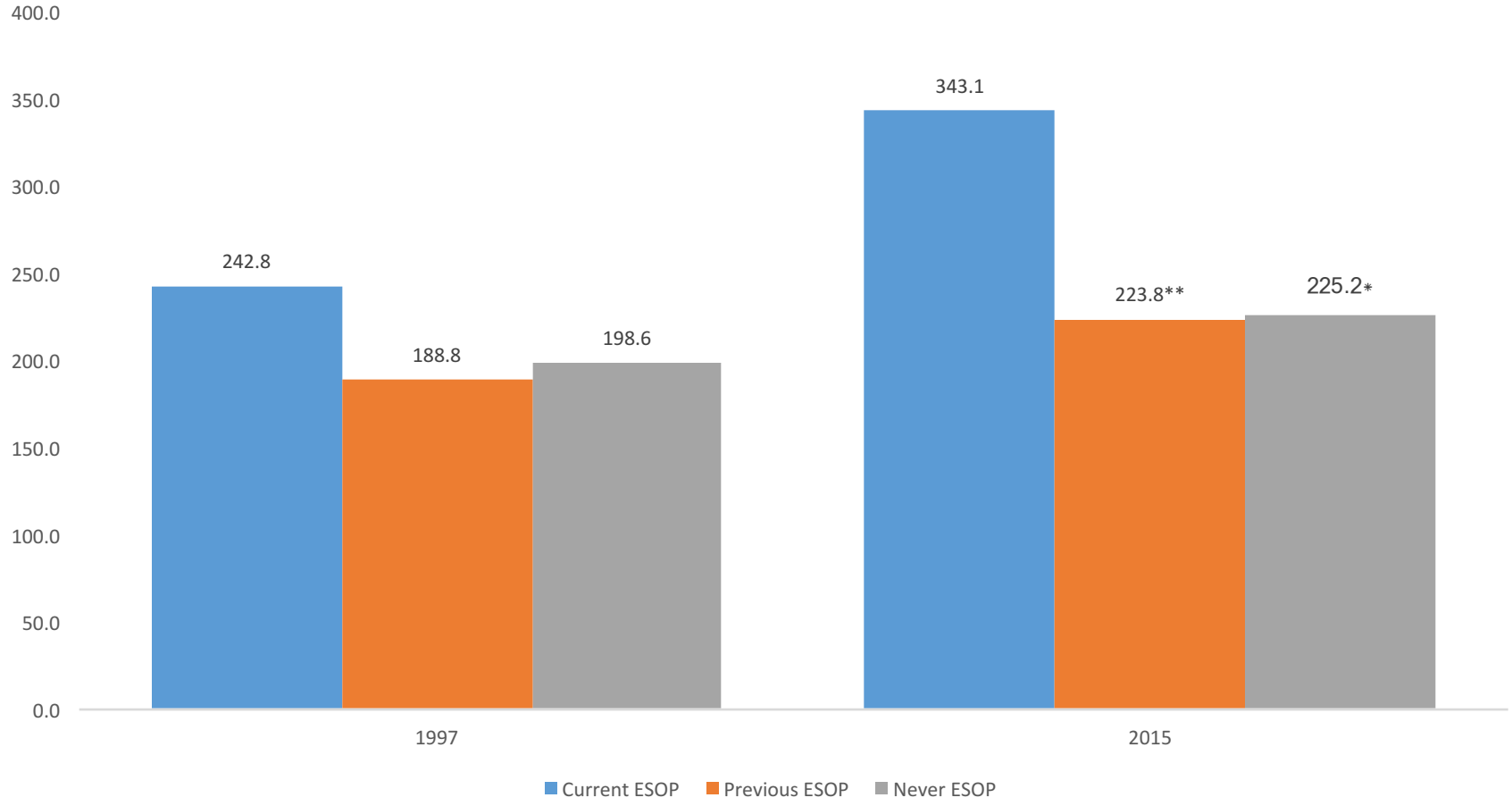
*** p<0.01, ** p<0.05, * p<0.1

Results: Home Ownership



*** p<0.01, ** p<0.05, * p<0.1

Income to Poverty Ratio 1997 and 2015



Methods: Fixed Effects Model

- $Y_{it} = \gamma_{0i} + \delta_t + \alpha\, ESOP_{it} + X'_{it}\beta + \epsilon_{it}$

  - Y_{it} : employment, weeks worked, hours worked, log salary income, hourly wages, non-wage benefits (e.g., medical insurance, tuition child care, etc.
  - γ_{0i} unit specific intercept
  - δ_t are time fixed effects
  - α is the treatment effect
  - X_{it} are time varying covariates: marital status, highest grade completed, work experience, number of children under 6, number of children from 6-18, highest grade completed criminal behavior, industry, urban-rural fixed effects, regional fixed effects

Sample Balance

	NON-ESOP		ESOP		Normalized
Variables	Mean	Std.	Mean	Std.	Difference
FEMALE	0.227	0.419	0.206	0.405	-0.050
BLACK	0.382	0.486	0.277	0.448	-0.224
HISPANIC	0.211	0.408	0.237	0.425	0.062
OTHER	0.030	0.172	0.028	0.164	-0.017
ASVAB	**26.372**	**24.236**	**34.536**	**24.190**	**0.337**
WORK EXPERIENCE	**0.495**	**0.661**	**0.724**	**0.703**	**0.335**
EMPLOYED	**0.466**	**0.499**	**0.695**	**0.461**	**0.475**
BASELINE FAMILY INCOME	**$ 46,998.91**	**$ 52,279.20**	**$ 52,745.60**	**$ 47,921.27**	0.115
HIGHEST GRADE-MOM	11.496	6.910	11.428	3.340	-0.012
HIGHEST GRADE -DAD	**9.722**	**5.785**	**10.345**	**4.329**	0.122
NUMBER OF CHILDREN UNDER 6	0.409	0.746	0.415	0.752	0.007
NUMBER OF CHILDREN 6-18	0.901	1.225	0.813	1.172	-0.074
HIGHEST GRADE OBTAINED	**10.380**	**2.878**	**11.084**	**2.514**	0.261
CRIME-STOLE	0.150	0.358	0.142	0.349	-0.025
CRIME PROPERTY	0.133	0.340	0.127	0.333	-0.019
CRIME DRUG	0.125	0.331	0.127	0.333	0.007
CRIME VIOLENT	0.178	0.383	0.170	0.376	-0.022

Results: Two-Way Fixed Effects Model

Specfication	Description	EMPLOYMENT		WEEKS WORKED+		Ln(INCOME)+		Covariates	Industry Fixed Effects	Time, Location and Location*Time Fixed Effects
		Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error			
A.	Formerly Incarcearted==1	0.1172***	(0.0162)	-1.3216	(1.1569)	0.3195***	(0.0533)		X	X
A.	Formerly Incarcearted==1	0.0604***	(0.0210)	0.3803	(1.4904)	0.2557***	(0.0614)	X	X	X
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.0973***	(0.0187)	0.6157	(1.5017)	0.2369***	(0.0575)		X	X
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.0437*	(0.0254)	2.8299	(2.0388)	0.1587**	(0.0755)	X	X	X
C.	Formerly Incarcearted==1, Years of Incarceration Excluded	0.1133***	(0.0179)	-1.7395	(1.2521)	0.3150***	(0.0577)		X	X
C.	Formerly Incarcearted==1, Years of Incarceration Years Excluded	0.0592**	(0.0240)	-0.3415	(1.6988)	0.2537***	(0.0715)	X	X	X
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOP >20, Incarceartion Years Excluded	0.0941***	(0.0191)	1.0109	(1.6314)	0.2071***	(0.0595)		X	X
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOP >20, Incarceartion Years Excluded	0.0464*	(0.0260)	2.9038	(2.1613)	0.1659*	(0.0854)	X	X	X

Results: Two-Way Fixed Effects Model Men

Specfication	Description	EMPLOYMENT		WEEKS WORKED+		Ln(INCOME)+		Covariates	Industry Fixed Effects	Time, Location and Location*Time Fixed Effects
		Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error			
A.	Formerly Incarcearted==1	0.1083***	(0.0186)	-0.6400	(1.3149)	0.2615***	(0.0579)		X	X
A.	Formerly Incarcearted==1	0.0504**	(0.0240)	0.6730	(1.6622)	0.2183***	(0.0660)	X	X	X
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.0846***	(0.0196)	0.9512	(1.6879)	0.1889***	(0.0607)		X	X
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.0271	(0.0274)	3.1775	(2.2157)	0.0979	(0.0670)	X	X	X
C.	Formerly Incarcearted==1, Years of Incarceration Excluded	0.1101***	(0.0209)	-1.1791	(1.4455)	0.2475***	(0.0635)		X	X
C.	Formerly Incarcearted==1, Years of Incarceration Years Excluded	0.0578**	(0.0276)	-0.3675	(1.9235)	0.1948**	(0.0774)	X	X	X
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOP >20, Incarceartion Years Excluded	0.0895***	(0.0203)	1.3023	(1.8575)	0.1499**	(0.0616)		X	X
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOP >20, Incarceartion Years Excluded	0.0387	(0.0288)	3.4393	(2.4181)	0.0967	(0.0756)	X	X	X

Results: Two-Way Fixed Effects Model

Specfication	Description	CHILD CARE		DENTAL		LIFE INSURANCE		MEDICAL		PAID PARENTAL LEAVE		RETIREMENT	Industry Fixed Effects
		Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error
A.	Formerly Incarcearted==1	0.1597***	(0.0243)	0.4811***	(0.0259)	0.4793***	(0.0250)	0.4547***	(0.0242)	0.4011***	(0.0469)	0.4776***	(0.0267)
A.	Formerly Incarcearted==1	0.1528***	(0.0273)	0.4507***	(0.0302)	0.4536***	(0.0313)	0.4258***	(0.0289)	0.3581***	(0.0311)	0.4304***	(0.0335)
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.1909***	(0.0276)	0.4723***	(0.0307)	0.4438***	(0.0330)	0.4382***	(0.0309)	0.3333***	(0.0323)	0.4634***	(0.0339)
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.1642***	(0.0341)	0.4362***	(0.0396)	0.4115***	(0.0409)	0.4138***	(0.0387)	0.3711***	(0.0372)	0.4012***	(0.0438)
C.	Formerly Incarcearted==1, Years of Incarceration Excluded	0.1535***	(0.0237)	0.4560***	(0.0272)	0.4520***	(0.0268)	0.4342***	(0.0252)	0.3272***	(0.0397)	0.4589***	(0.0283)
C.	Formerly Incarcearted==1, Years of Incarceration Years Excluded	0.1511***	(0.0277)	0.4197***	(0.0328)	0.4232***	(0.0350)	0.4151***	(0.0325)	0.3637***	(0.0328)	0.4013***	(0.0359)
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20, Incarceartion Years Excluded	0.1870***	(0.0277)	0.4602***	(0.0327)	0.4236***	(0.0350)	0.4262***	(0.0337)	0.3387***	(0.0355)	0.4493***	(0.0356)
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20, Incarceartion Years Excluded	0.1618***	(0.0351)	0.4319***	(0.0431)	0.4025***	(0.0447)	0.4266***	(0.0443)	0.3828***	(0.0390)	0.4640***	(0.0298)

Results: Two-Way Fixed Effects Model Men

Specfication	Description	CHILD CARE		DENTAL		LIFE INSURANCE		MEDICAL		PAID PARENTAL LEAVE		RETIREMENT	Industry Fixed Effects
		Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error	Treatment Effect	Standard Error
A.	Formerly Incarcearted==1	0.1504***	(0.0275)	0.4651***	(0.0285)	0.4570***	(0.0274)	0.4476***	(0.0267)	0.3462***	(0.0417)	0.4344***	(0.0367)
A.	Formerly Incarcearted==1	0.1475***	(0.0305)	0.4336***	(0.0325)	0.4257***	(0.0339)	0.4244***	(0.0326)	0.3446***	(0.0352)	0.4467***	(0.0367)
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.1777***	(0.0312)	0.4608***	(0.0330)	0.4281***	(0.0358)	0.4144***	(0.0328)	0.3294***	(0.0364)	0.3894***	(0.0480)
B.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20	0.1498***	(0.0381)	0.4213***	(0.0432)	0.3904***	(0.0448)	0.3954***	(0.0426)	0.3711***	(0.0425)	0.4382***	(0.0309)
C.	Formerly Incarcearted==1, Years of Incarceration Excluded	0.1416***	(0.0264)	0.4324***	(0.0301)	0.4235***	(0.0299)	0.4209***	(0.0278)	0.3372***	(0.0445)	0.3937***	(0.0392)
C.	Formerly Incarcearted==1, Years of Incarceration Years Excluded	0.1420***	(0.0307)	0.3969***	(0.0359)	0.3968***	(0.0390)	0.4104***	(0.0365)	0.3557***	(0.0375)	0.4281***	(0.0385)
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20, Incarceartion Years Excluded	0.1711***	(0.0312)	0.4414***	(0.0351)	0.4033***	(0.0382)	0.3979***	(0.0361)	0.3492***	(0.0402)	0.3621***	(0.0486)
D.	Formerly Incarcearted==1, Age≥21, Age at First ESOp >20, Incarceartion Years Excluded	0.1451***	(0.0392)	0.4011***	(0.0469)	0.3783***	(0.0493)	0.3983***	(0.0493)	0.3865***	(0.0447)	0.3798***	(0.0448)

Conclusion

- Descriptive Analysis finds that labor market outcomes and well-being of formerly incarcerated currently employed at ESOP firms seems to be generally better than those who are employed at non-ESOP firms along multiple economic measures of wellbeing:
  - Earnings, Household Income, Non-wage Benefits, Net Worth, and home ownership
- This is true even when holding job tenure constant

Conclusion Continued

- Analysis also suggest there may be selection between formerly incarcerated who work at ESOP firms and those that do not:
  - ESOP firms may be better at identifying employees with superior cognitive skills.
  - However, regression analysis suggest that there are still significant differences for net worth, family income, and income even after controlling for differences in human capital and “cognitive ability”

Conclusion Continued

- Nonetheless, fixed effects results suggest that ESOPs improve employment of the formerly incarcerated along the extensive margin (i.e., employment), but not along the intensive margin (i.e., weeks worked and hours worked conditional on employment)
- Moreover, ESOP workers earn more, and this does not seem to be through an increase in labor supply

Conclusion Continued

- Evidence that ESOPs are associated with better nonwage benefits:
  - Flexible Work Schedules
  - Additional Retirement Savings Plans
  - Paid Parental Leave
  - Unpaid Parental Leave
  - Medical and Dental Insurance
  - Life Insurance
  - Tuition Reimbursement

Policy Implications

- Employment at employee owned firms may increase the economic wellbeing of the formerly incarcerated, one of society's most marginalized groups
- Generation of baby boomer entrepreneurs retiring: increase ESOP employment through succession planning
  - Encourage employment at employee earned firms when possible

Next Steps

- Better exploit the longitudinal structure of the data
  - Inverse Probability Weighting with DID
  - Pin down the timing of the ESOP and the Incarceration (data permitting)
- Sources of exogenous variation using location?
- Acquire administrative data to get matched employer-employee data

Next Steps

- Conduct the analysis among other groups that face barriers to the labor market due to criminal justice involvement and other marginalized populations:
  - Arrested
  - Convicted of Crime
  - Racial Minorities

Thank You!

Contact: robynnco@usc.edu