CertifiedEO

Job Seeker Interest in Employee Ownership

December 2017

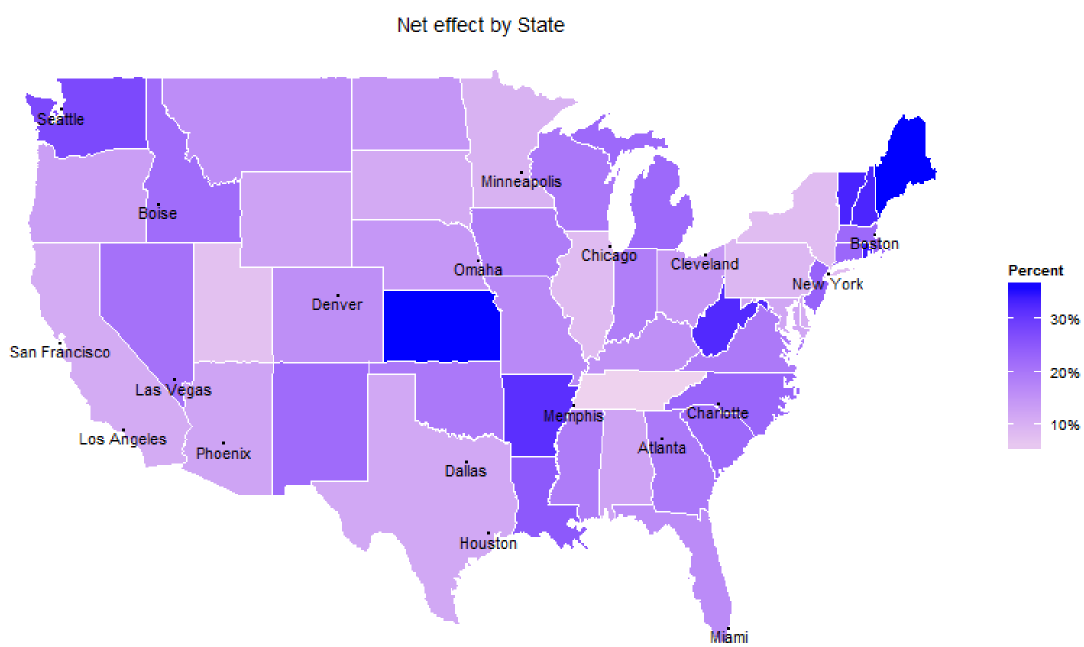
Introduction

Attracting great employees is a critical part of creating a high-performance business. At first blush, employee-owned companies should have a leg-up in recruitment – who wouldn't want to be an employee-owner? But employee ownership is largely unknown in America today. Is this due to a lack of awareness or a lack of interest on the part of Americans?

To help employee-owned companies make informed decisions about leveraging EO in recruitment, we use nationally-representative surveys to explore two questions. First, we ask: to what extent to Americans value working at employee-owned companies? Finding strong interest among job seekers, we then ask: how does interest in employee ownership vary with demographics and geography?

Overall, our findings indicate that Americans are very interested in working at employee-owned companies. 31% - 38% of Americans surveyed responded that a Certified EO mark on a job application would make them more likely to apply to that job. This translates into roughly 75 million – 90 million American adults interested in becoming employee-owners. Positive reactions outweigh negative reactions by roughly 3 to 1. Looking across a number of metrics, Certified EO is found to be more influential than well-known brands such as Great Place to Work and Top Places to Work.

We also find that "employee-owned" is far more influential with job seekers than the related concept of "ESOP". Positive influence is 3x stronger for employee-owned. Critically, when calculating the "net effect" by subtracting the % of negative responses from the % of positive responses, ESOP is found to be a net negative influence on prospective job seekers. In other words, ESOP turns more people off than it attracts.



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On the other hand, Employee-Owned has a strong positive net effect. The implication is clear – companies should frame recruitment appeals around employee ownership, not having an ESOP.

Diving deeper, we do demographic cuts looking for trends along income, gender, age, and population density. Every demographic group we analyze has a net positive reaction to employee ownership. EO always helps more than it hurts. Additionally, the 100% Employee-Owned mark always appears to be at least as influential as the Certified Employee-Owned mark.

Income represented by far the largest demographic swing. While the average net effect for all respondents with income data is 16%, the effect for individuals making $75k - $100k annually is 19% (20 percent above average), 28% for individuals making $100k - $150k annually (70 percent above average), and 42% for individuals making over $150k annually (160 percent above average). Interestingly, there might be a U-shaped effect, as we also see increased support among respondents with incomes from $0 - $25k. Uncertainty due to our sample size makes it difficult to know for sure.

We also find interesting variation in net effect when we cut the data by gender. While the 100% EO mark is more influential overall, we find that women respond more positively to “certified” while men respond more positively to “100%”.

Only a small trend was seen for population density, with a 4 percentage point differential separating rural respondents from suburban and urban respondents. That small gap still represents a 20 percent increase in support among rural respondents.

Finally, no clear trend was seen for age. The lack of a trend is surprising because one of the most common pieces of feedback from companies in a previous study (The Company Perspective on Communicating EO) was the difficulty in messaging EO to millennials. Our findings indicate EO net influence among the 18 – 24 age cohort (19%) and the 24 – 34 age cohort (15%) that is similar to the effects seen with other age groups (average influence 18%). Trend analysis produces no evidence in favor of support changing with age.

Looking at geographical variation in support for EO, we again find strong support. Every state has a positive net influence and in just three states – Delaware, Utah, and Tennessee – can we not rule out the possibility of negative support. This shows strong, nation-wide support for the idea of employee ownership. In some states the support is extraordinarily high. For example, in Maine we find a net influence of 50% - over 3x the US average. The general conclusion of this analysis is that employee ownership has a positive influence on job seekers in nearly every state in the US.

Overview of Methodology

All results in this paper come from nationally-representative surveys run using Google Consumer Surveys (GCS). GCS uses a network of Google products to collect answers to short survey questions. For example, respondents might have answered our question in order to read a news article or play a game on their android phone. GCS allows us to gather respondents from all across the US and also provides demographic information including income, age, gender, and location. These demographic variables are used by GCS to construct weights that allow us to compute nationally-representative answers.

We use a simple, neutral question to test respondent interest in employee ownership, as well as a number of other relevant brands. In each test, we tell respondents: “You are considering applying for a job when

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you see this logo on the job application. How does this affect how likely you are to apply to the job?" then showed them a single logo. Respondents could select from choices ranging from "5 – much more likely to apply" to "1 – much less likely to apply". Asking the same question of the same audience allows us to construct good comparisons across brands. Additionally, because we don't provide any information about employee ownership we avoid biases and measure the true opinions of Americans.

Sample sizes vary by logo, but are always greater than 1,500. In total over 12,800 people were surveyed for this study. Data were collected at varying times between June 2016 and September 2017. Survey weights are used to calculate nationally-representative estimates of logo influence. However, the weights provided do not allow the construction of samples that are representative at the sub-group level. For this reason, they are not used in demographic and geographic calculations. These analyses are not necessarily representative at the sub-group level.

Job seeker interest in employee-owned companies

Overall, survey results show strong interest among Americans in working at employee-owned companies. Roughly one-third of Americans say they are more likely to apply after learning a company is employee-owned. This translates into approximately 75 to 90 million adults who are interested in becoming employee-owners.

Additionally, employee-owned compares favorably with several established brands. To get a sense for how job seekers react to learning that a company is employee-owned, we use the raw response data to calculate a number of metrics. First we look at the percent of respondents who had a positive reaction to the EO mark. 13% of respondents selected the most positive response when seeing the Certified Employee-Owned mark and 16% selected the most positive response to seeing the 100% Employee-Owned mark. Broadening the scope to include any positive response, 31% percent are more likely to apply with Certified

You are considering applying for a job when you see this logo on the application. How does this affect how likely you are to apply?	EMPLOYEE-OWNED EO 100 PERCENT	People love working here Best Places to Work 2016 glassdoor	EMPLOYEE-OWNED EO CERTIFIED	TOP WORK PLACES	GREAT PLACE TO WORK®
5 – Much more likely to apply	16%	15%	13%	10%	9%
4 – More likely to apply	22%	28%	18%	21%	21%
3 – No change	50%	45%	57%	54%	53%
2 – Less likely to apply	4%	4%	5%	5%	8%
1 – Much less likely to apply	7%	8%	7%	10%	10%
Net effect	**26%**	**33%**	**18%**	**15%**	**12%**

Notes: Results gathered from nationally-representative survey of Americans run using Google Consumer Surveys. N > 1,500 for all logos. Respondents were asked the question in the upper left, and presented options ranging from "5 – much more likely to apply" to "1 – much less likely to apply". Net effect is derived from the raw data as the difference between all positive and all negative answers (5 + 4 - 1 - 2).

Employee-Owned and 38% percent with 100% Employee-Owned.

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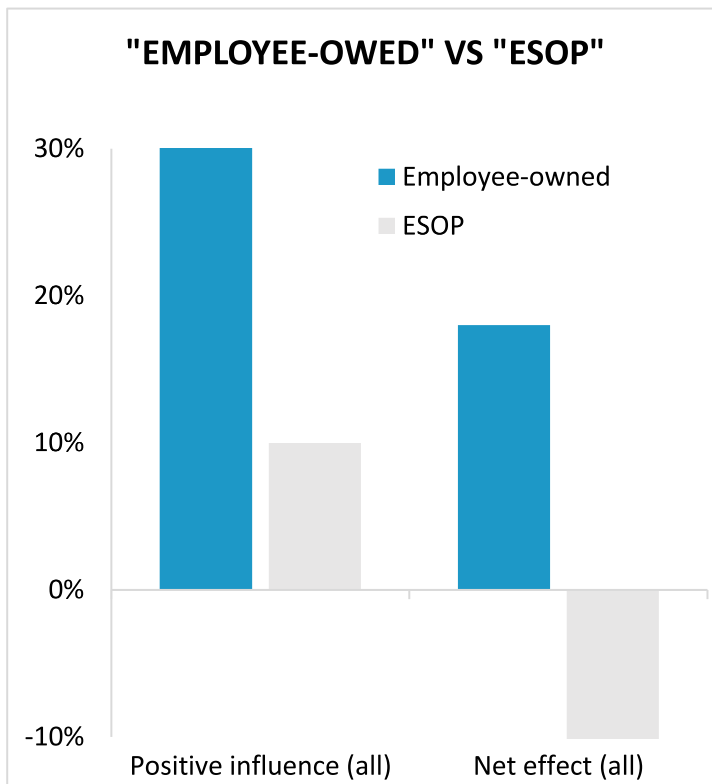
Not everyone feels positively about EO, but positive responses outnumbered negative responses by a factor of three. We include this information by subtracting off the percent of negative responses to calculate the "net effect". We still very positive net effects; Certified Employee-Owned is 18% while 100% Employee-Owned is 26%.

Across all metrics we see the 100% Employee-Owned mark outperforming the Certified Employee-Owned mark. The gap varies from roughly 3 percentages points to 8 percentage points depending on the metric. This means the 100% Employee-Owned has 25 to 70 percent more influence, depending on the metric.

How does EO compare to other common brands? To get a sense for this we test Great Place to Work, Top Work Places, and Glassdoor using the same methodology. We find that, across most metrics, Certified EO outperforms both Great Place to Work and Top Work Places. This difference is driven mainly by employee ownership receiving fewer negative responses. Glassdoor outperforms Certified EO, and outperforms 100% EO on some metrics. But 100% EO outperforms Glassdoor on the extremes. More people are more excited about 100% EO than any logo we tested.

To summarize, at a national level we see strong interest among job seekers in working at employee-owned companies.

"Employee-owned" vs. "ESOP"



A key question faces the 5,000+ ESOP companies that are also employee-owned: which of these ideas should take precedence in recruitment? To understand the importance of this distinction, we use the same methodology as above to test an ESOP logo and compare the results to the Certified Employee-Owned mark (which we use as a stand in for "employee-owned").

The findings are striking. The ESOP logo generates just 10% positive influence and net effect of -11%. Comparing this to a 31% positive influence and 18% net effect for employee-owned means that employee-owned has 3x the positive influence and a net effect advantage of 29%. The gap between EO and ESOP is enormous – much larger than the difference between EO and other common employer-related certifications. For the sake of context, the positive influence gap translates into 50 million adult Americans who are positively influenced by EO but not by ESOP. This gap grows if ESOP is compared to the 100% Employee-Owned mark, which has roughly 4x the positive influence and has a net effect advantage of 37%.

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Demographic analysis

How does interest in working at employee-owned companies vary with demographic factors? We analyze trends for gender, income, age, and population density and we focus on the net effect of employee ownership. The most important finding is that every demographic cut reveals a positive net effect of EO on employment interest. We find no evidence that EO is, on average, negative with any demographic group. Details for each group are presented below.

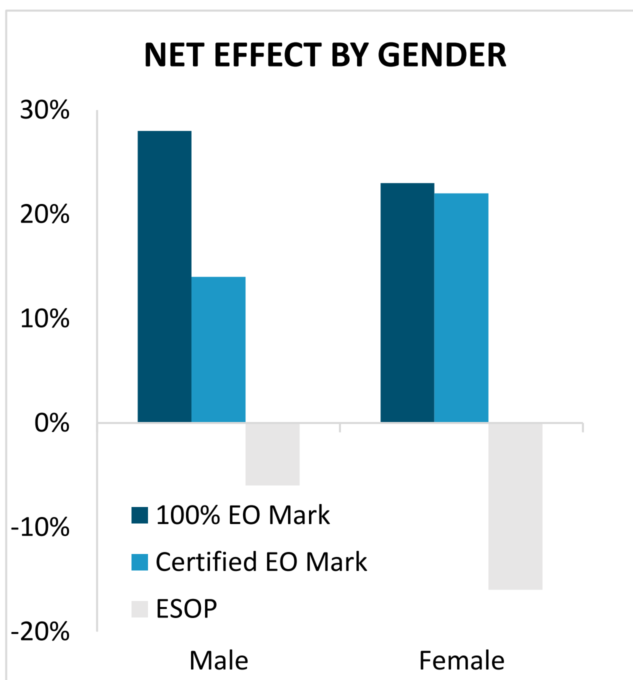
An important point must be made about interpreting these demographic results: correlation does not equal causality. What this means is that we can't say EO support is because of a particular factor, only that on average we would predict varying support as that factor changes. For example, we can't say that higher incomes cause people to be more interested in working for EO companies, just that people who earn higher incomes are more likely to be influenced by the Certified EO mark. The distinction is subtle but important.

Finally, in the income, age, and population density analyses, we pool the results for Certified EO and 100% EO to get a single estimate. We pool the data because we don't see different trends for the two marks, and we want to increase our total sample size to get more precise estimates of the average for each demographic bucket. The values shown correspond to the net effect of the Certified Employee-Owned mark; 100% would have the same shape, but would be 7 to 8 percentage points more influential.

In these analyses we report the average response (shown as a point) and a 95% confidence interval (shown as a line). Generally, the size of the confidence interval indicates our uncertainty about the estimate. The technical interpretation of confidence intervals is complex, just know that they represent random variation due to sampling, and the "true" estimate could be anywhere under the line.

Gender

We find several interesting trends when we group responses by gender. The most striking result is the gap between employee-owned and ESOP. Again we find a negative net effect for ESOP – more respondents indicated they're less likely to apply than indicated they're more likely to apply – and there is a large gap for both men and women. Interestingly, ESOP appears to be much more negative with women.



From a purely strategic point of view, 100% EO outperforms Certified EO – it's always at least as influential. But the cuts reveal interesting information. 100% Employee-Owned has more influence with men (28%) than women (23%). However, for Certified Employee-Owned this trend is reversed. More women are influenced by this mark (22%) as compared to men (14%). Based on this evidence, it seems there is something about

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certification that, again on average, is more appealing to women by 7 percentage points (making it 50 percent more influential). At the same time, 100% appears to be more appealing to men by 5 percentage points (making it 25 percent more influential). The implications are:

1) Message EO rather than ESOP

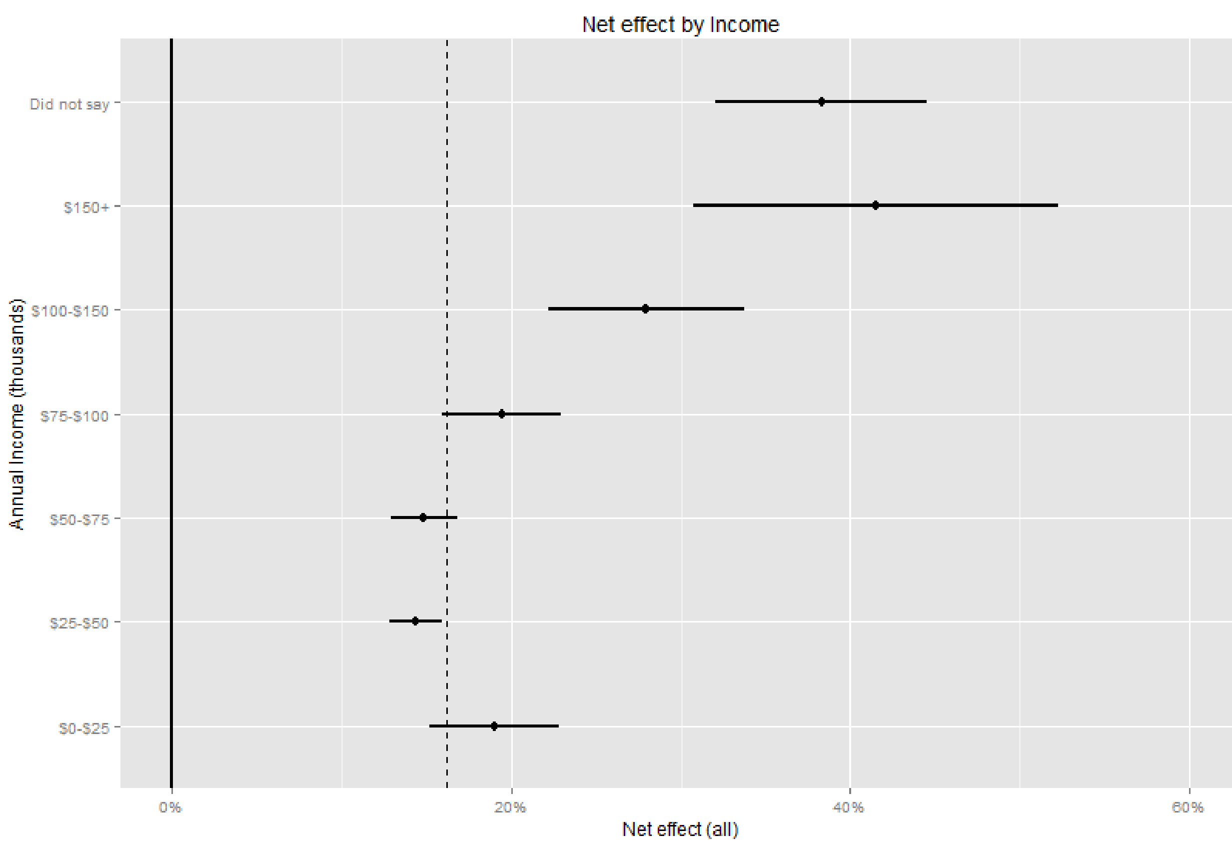
2) Message 100% EO whenever possible

3) If you're directing messages primarily to women, consider highlighting the idea of certification

Income

We see the largest swings in support when we segment responses by income. While EO has a positive net effect across all income levels, people with higher incomes are much more likely to be positively influenced by the EO mark. This effect is clearly visible for individuals making over $100k annually but might start at $75k. The magnitude of the effect is quite large. While the average net effect for all respondents with income data is 16%, the effect for individuals making $75k - $100k is 19% (20 percent above average), 28% for individuals making $100k - $150k (70% above average), and 42% for individuals making over $150k (160% above average).

Additionally, there may be a small uptick among low-income individuals. It's difficult to tell given the uncertainty in our estimates, but we do see a point estimate for the net effect among individuals making $0



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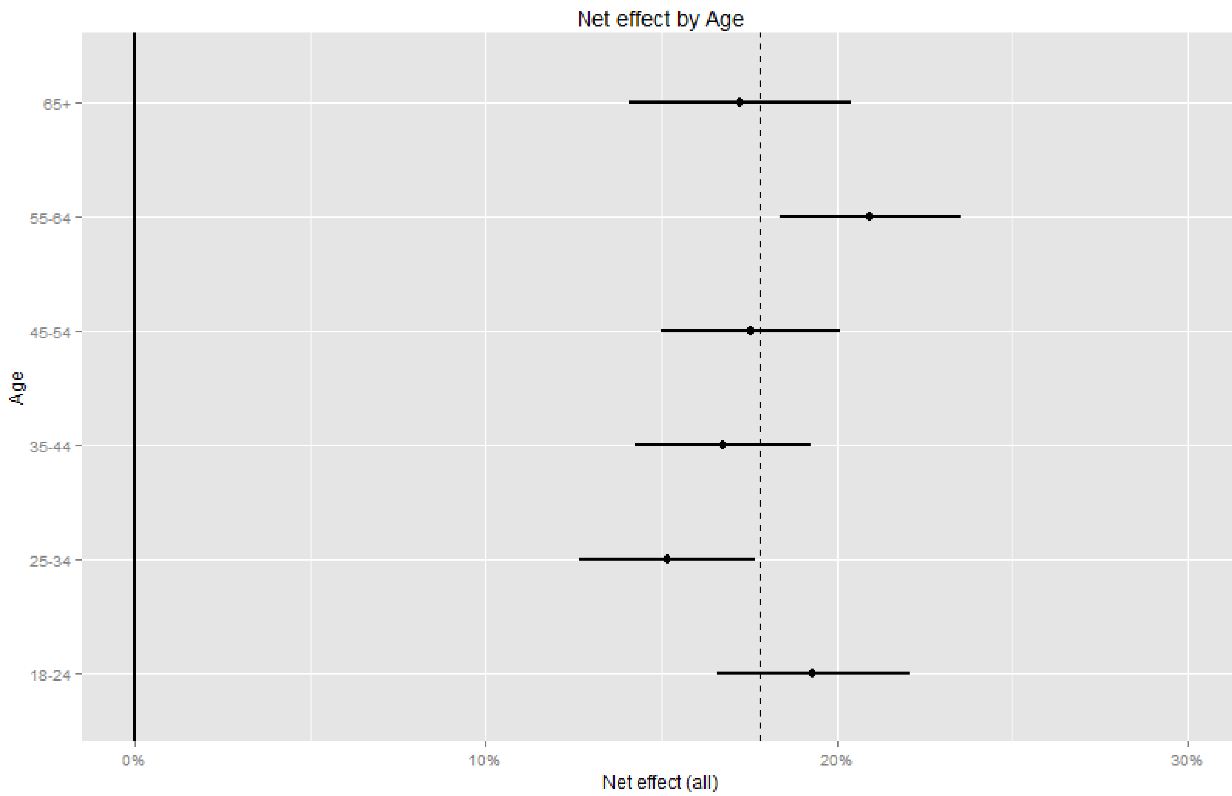
- $25k that is higher than average (19%). Again, it's difficult to say if this a real effect or if it's noise, but the graph does appear to have a U-shape. We can say with confidence that the effect among lower-income individuals is small than the effect among higher-income individuals.



Age

No clear trend is observed when we segment the data by age. This can be seen in the graph of effect sizes, but is also the case when we test for a trend across buckets using a linear regression. Finding no effect with age is, in fact, quite surprising. In a previous study we interviewed 75 employee-owned companies on the effectiveness of EO as a differentiator in marketing and recruitment (for more see [The Company Perspective on Communicating EO]). One of the most common pieces of organic feedback from the companies was the difficulty of getting Millennials excited about employee ownership.

In this survey, Millennials comprise the 18 – 24 and 25 – 34 age buckets. Looking at the chart we see no clear age trend and no clear pattern for these buckets. The average net effect for respondents with age information was 18% while we estimated a net effect of 19% for 18 – 24 and 15% for 25 – 24. It's possible there is a small negative effect for the 25 – 34 bucket, but looking at the rest of this data it does not appear to be a larger trend. No trend is suggested by the results of linear regression either. Thus we find no indication that millennials are less influenced by the prospect of working at employee-owned companies than older generations.

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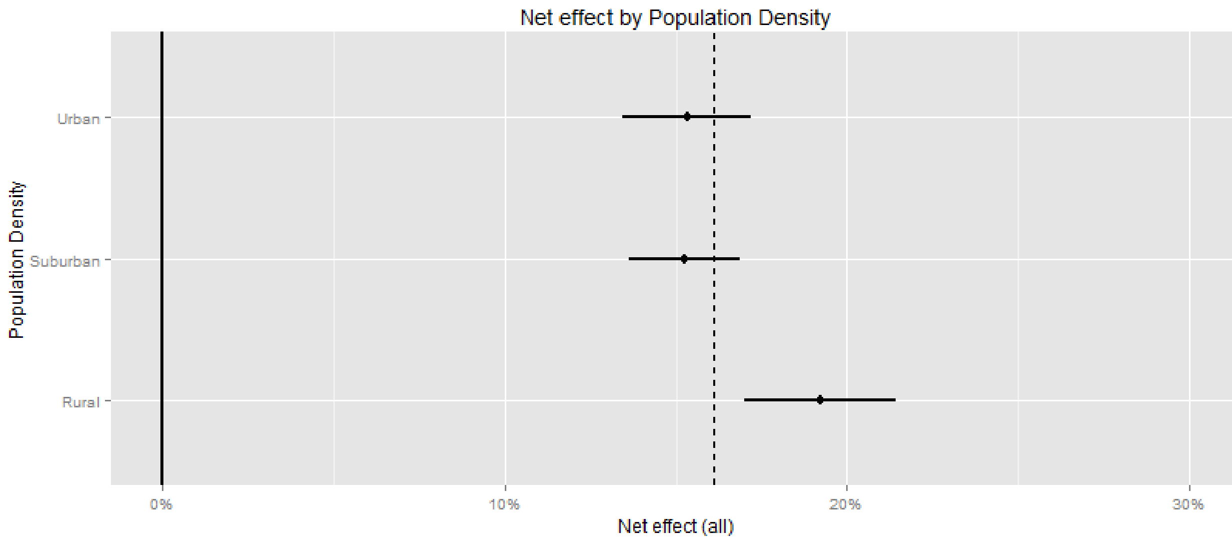
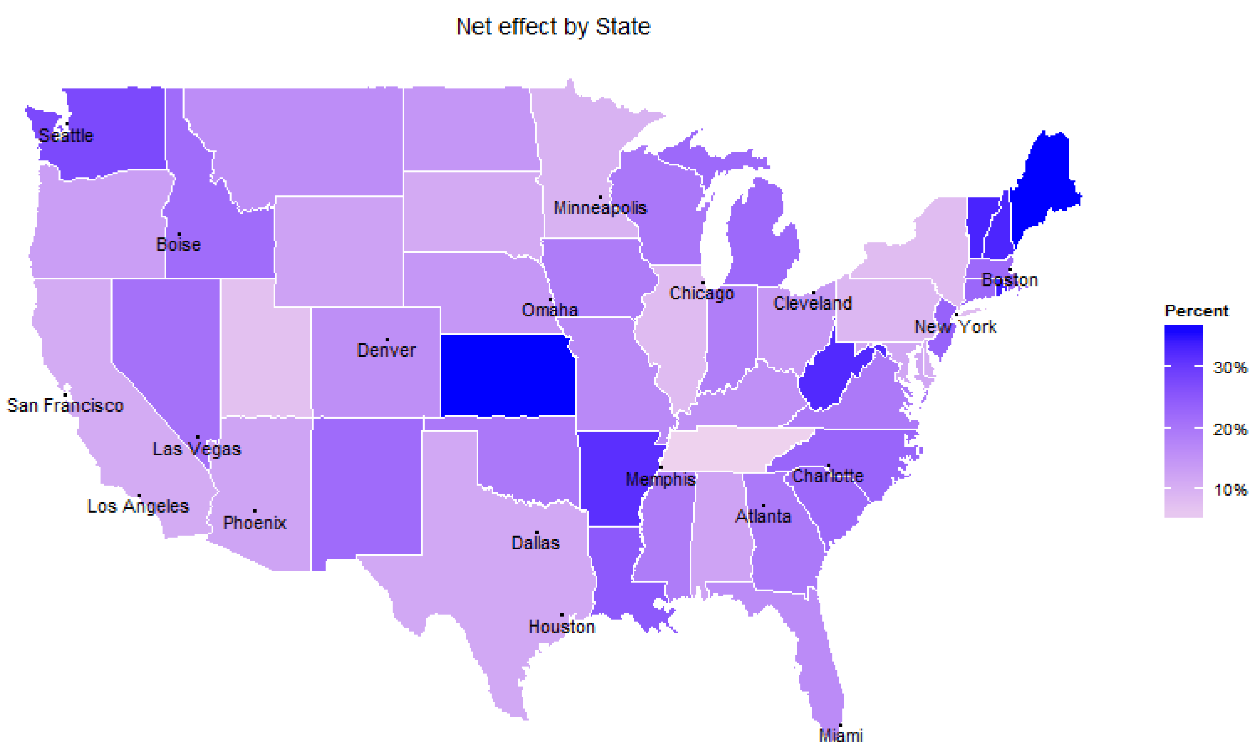


Population Density

Finally we look at trends related to population density. While there may be a small increase in influence among rural respondents, the effect is small – roughly 3 percentage points, or about 20% more than average. This effect is much smaller than those observed for gender and income.

Geographic analysis



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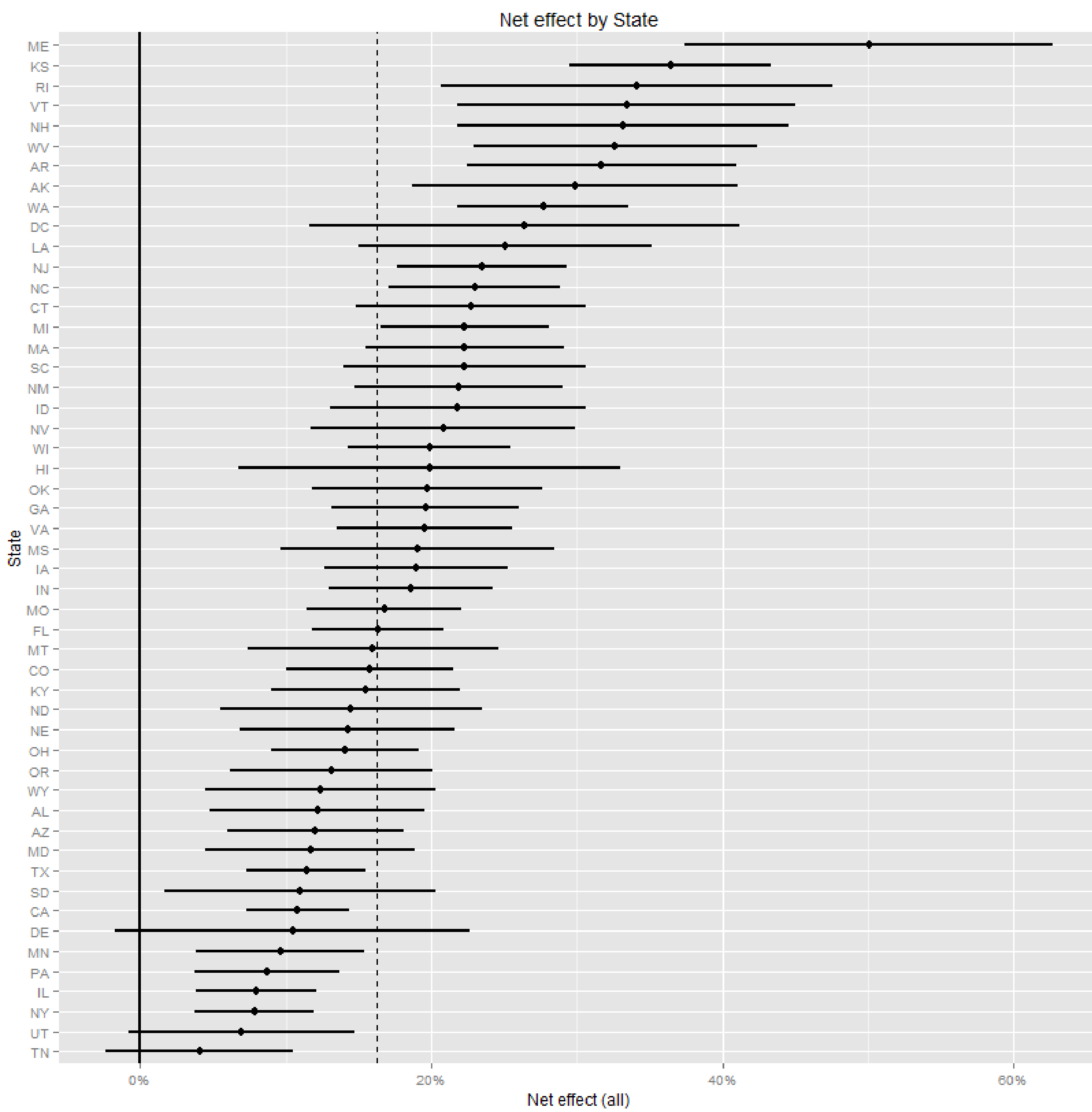
Related to the question of demographic trends is the question of geographic variation in support for employee ownership. Does EO influence vary by state and, if so, where is it strongest? We use the location data provided by Google Consumer Surveys to answer this question.

Once again we find strong support for employee ownership. In all 50 states and Washington DC we estimate a positive net effect. There are just three states where our confidence intervals, a measure of the uncertainty of our estimate, indicate the possibility of negative net influence – Delaware, Utah, and Tennessee. In some states the support is extraordinarily high. For example, in Maine we find a net influence of 50 percentage points. That's over 3x the average. The general conclusion of this analysis is that employee ownership has a positive influence on job seekers in nearly every state in the US.



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There is one extremely important caveat in this analysis. The data provided by Google Consumer Surveys have weights that can be used to calculate nationally-representative figures, but those weights do not yield answers that are representative at the state level. It's possible to use the demographic information and state-level demographics to calculate adjusted state-level influence (for example, by using multilevel regression with post-stratification) but we did not apply those techniques here. That will be the subject of future work.

In our (limited) experience working with survey data, we have yet to see dramatic changes when switching from weighted to unweighted data – usually no more than 10% changes in estimates. However, that's no guarantee that the same applies in this situation. We feel the positives of reporting these figures outweighs the negatives. So we decided to provide the non-representative information for the use of our members with the warning that **the figures presented are NOT representative at the state-level**. Finally, in order to provide maximum contrast, the value for Maine has been attenuated in the map above.

Conclusion

Our nationally-representative survey finds strong interest for EO in the context of the job search. Roughly one in three Americans are more likely to apply to a job when they learn the company is employee-owned. This makes EO more influential than common brands such as Great Place to Work and Top Work Places. Demographic cuts reveal interesting trends. Overall, every demographic group has a net positive attitude towards EO. Income represents the biggest axis of variation. Gender has interaction effects with 100% and Certified. Population density has small, but potentially meaningful effects. Surprisingly, no effects were seen for age. Geographic analysis reveals that support for EO extends across the United States.

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