

How Many Firms Are Good Candidates for Employee Ownership?

Estimates from US Census Data on American Businesses

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Questions

What fraction of privately-held firms in the US are “good candidates” for conversion to employee ownership through an employee stock ownership plan (ESOP) or worker cooperative, as judged by workforce size, annual revenues, and the likelihood of undergoing an ownership transition in the near future? How many workers could become employee-owners if such conversions were to actually take place?

Summary

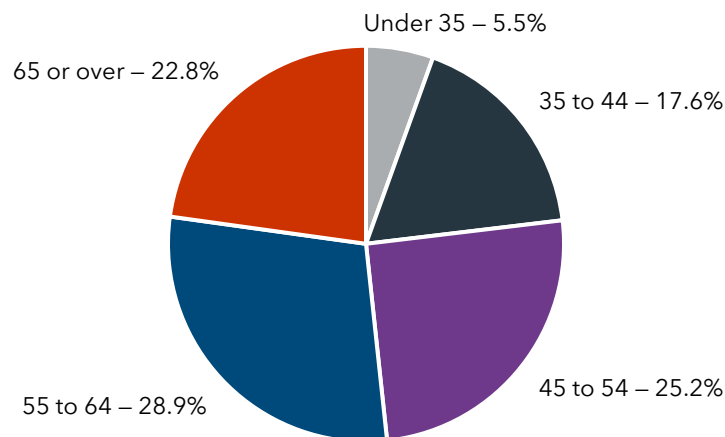
In this research brief, we provide back-of-the-envelope calculations showing that, **as of 2022, about 140,000 firms employing around 33 million workers would have been suitable candidates for ESOP employee buyouts, and nearly 1.1 million firms employing over 25 million workers suitable candidates for cooperative employee buyouts.** Collectively, these firms accounted for roughly \$25 trillion in total revenues (in 2024 dollars). The data used in this exercise were drawn from several different sources, including the US Census Bureau’s Annual Business Survey, County Business Patterns, and Economic Census.

Notably, we find that even under alternative modeling assumptions the resulting estimates would still point to substantial scope for expansion of employee ownership in the US today.

Defining “Good Candidates” for Employee Ownership

- In order to ascertain the extent to which employee ownership (EO) could be expanded in the US today, we need to begin by identifying **which privately-held firms would be “good candidates” for EO conversions.**¹
- EO can take different forms, including **ESOPs**, which allow employees to own equity through a qualified defined contribution retirement plan, as well as **worker cooperatives (or “coops”)** that are democratically managed on a one-worker-one-vote basis.
- **Size is an important factor in determining suitability for EO:** experts tend to agree that ESOPs are most workable in companies with at least 40-50 employees.²
- Coops, however, can be much smaller: according to the Democracy at Work Institute and U.S. Federation of Worker Cooperatives, **the median coop as of 2023 had six worker owners,**³ although worker cooperatives are possible at much larger-sized enterprises.
- Moreover, not all businesses are equally likely to become employee-owned. Those that have **an owner at or near retirement age are among the most likely to consider EO transitions** given their need for succession planning.⁴
- According to the US Census Bureau’s 2022 **Annual Business Survey,**⁵ **just over half (51.7%) of individuals who owned at least a 10% stake in a private business were age 55 or older** (see chart). This suggests that a sizable number of owners could be exploring a sale or transition in the near term.

Percentages of Privately-Held Business Owners by Age Group (2022)



Source: US Census Bureau 2022 Annual Business Survey, Characteristics of Business Owners

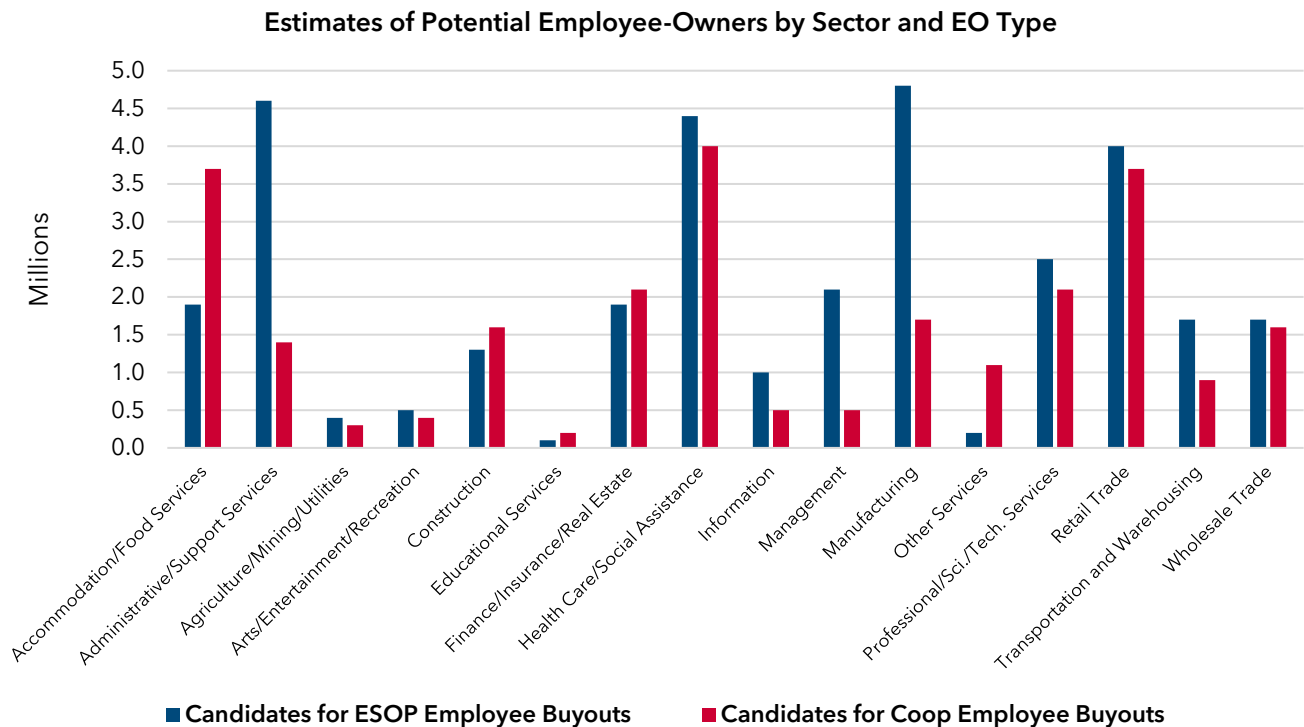
ESOP and Cooperative Candidate Firms: Topline Estimates

- For our purposes, we therefore define **candidates for ESOP employee buyouts** to be those privately-held firms with (a) 50 or more employees, and (b) an owner aged 55 or older who is not likely to hand on the business to a relative (we assume that 10% of retiring owners will ultimately have a family member take over for them).⁶
- Likewise, we define **candidates for coop employee buyouts** to be those privately-held firms with (a) *at least five but fewer than 50 employees*, and (b) an owner who meets the same other criteria as above.
- Drawing on additional data from the Census and elsewhere, **we can estimate how many firms fall into each of these categories, as well as the corresponding number of workers, total revenues, and total payroll** (see table).
- We make use of the 2022 releases of the **County Business Patterns**,⁷ which reports numbers of US firms and their associated employment by industry, workforce size, and legal form of organization, and the **Economic Census**,⁸ which similarly reports total annual revenues and payroll for different types of businesses.
- We then compute the shares of firms meeting our size criteria that are likely to be owned by individuals nearing retirement who could conceivably be open to exploring EO transitions.
- Importantly, **we also account for the fact that some fraction of privately-held firms are already employee-owned** and adjust our figures accordingly.⁹

	Candidates for ESOP Employee Buyouts	Candidates for Coop Employee Buyouts
Number of Firms	137,000	1,080,000
Employment	33.0 million	25.6 million
Revenues (in 2024 dollars)	\$14.7 trillion	\$9.8 trillion
Payroll (in 2024 dollars)	\$2.4 trillion	\$1.5 trillion

Estimates of Employment in ESOP and Cooperative Candidate Firms by Industry

- We can also estimate how the potential for expansion of employee ownership differs by industry. The chart below presents **estimates of total employment in ESOP and cooperative candidate firms by sector**.¹⁰
- The **largest concentration of would-be ESOP participants is in manufacturing**, where **around 4.8 million workers** are employed in firms that are good candidates for employee buyouts.
- Other industries that seem particularly ripe for EO conversions, whether through ESOPs or cooperatives, **include accommodation/food services, administrative/support services, health care/social assistance, and retail trade**.
- Together, **the top five sectors by number of potential employee-owners account for around 34 million workers**, or over half of the total employed by candidate firms.



Conclusions

- Analysis of recent data from the US Census Bureau and other sources clearly indicates that there is **significant scope for expansion of employee ownership in the US**, even when positing that firms must meet certain key criteria to be considered “good” candidates for EO transitions.
- In particular, we find that, **as of 2022, about 140,000 firms employing around 33 million workers would have been suitable candidates for ESOP employee buyouts, and nearly 1.1 million firms employing over 25 million workers suitable candidates for cooperative employee buyouts.**
- In 2024 dollars, **ESOP candidate firms accounted for approximately \$14.7 trillion in revenues and \$2.4 trillion in payroll**; while the same figures for **cooperative candidate firms were \$9.8 trillion and \$1.5 trillion, respectively.**
- Importantly, **even changing some of our key assumptions would still result in similarly large estimates.** For example, supposing that as many as 30% of business owners near retirement age would not consider an EO transition because they intend to hand over control of their business to family members, we would still find that nearly one million firms employing around 46 million workers in total would be good candidates for EO adoption.
- Breaking down our estimates by sector, we see that **industries such as accommodation/food services, administrative/support services, health care and social assistance, manufacturing, and retail trade are among those that have the greatest potential for expansion of EO.**
- **Additional research is needed to identify other characteristics of privately-held firms and/or their owners that make them most suitable for EO and/or most likely to consider conversion to a cooperative or ESOP model.** Such work could have important policy implications insofar as it provides greater insight into how targeted interventions or incentives could be more efficiently designed to boost uptake of EO.

Endnotes

¹ While ESOPs can and do exist in publicly-traded firms, these plans tend to own a small percentage of outstanding equity. Given the inherent limit on how much of a public company can be owned by employees through an ESOP, we choose to focus on privately-held firms where there is a greater potential for workers to own a significant fraction of the business.

² See, for example, Jessica Elliott, “4 Ways to Give Employees Part Ownership in Your Company,” CO by U.S. Chamber of Commerce. Available at <https://www.uschamber.com/co/run/human-resources/how-to-give-employees-part-ownership>. Accessed 29 March 2025.

³ Democracy at Work Institute and U.S. Federation of Worker Cooperatives, “State of the Sector 2023: Worker Cooperatives & Democratic Workplaces in the U.S.” Available at <https://www.usworker.coop/census/>. Accessed 29 March 2025.

⁴ National Center for Employee Ownership (NCEO), “What Is Employee Ownership? An Introduction.” Available at <https://www.nceo.org/what-is-employee-ownership>. Accessed 29 March 2025.

⁵ U.S. Census Bureau. "ABS - Characteristics of Business Owners: 2022 Tables (Employer Businesses)." Available at <https://www.census.gov/data/tables/2022/econ/abs/2022-abs-characteristics-of-owners.html>. Accessed 29 March 2025. As of the time of writing, this was the most recent version of the data available.

⁶ This assumption is based on conversations between Institute researchers and professional ESOP advisors, who have indicated that 10% is a reasonable estimate for the fraction of closely-held businesses that will be handed on to family members.

⁷ U.S. Census Bureau. "County Business Patterns: 2022." Available at <https://www.census.gov/data/datasets/2022/econ/cbp/2022-cbp.html>. Accessed 29 March 2025. As of the time of writing, this was the most recent version of the data available.

⁸ U.S. Census Bureau. "Economic Census Data." Available at <https://www.census.gov/programs-surveys/economic-census/data.html>. Accessed 29 March 2025. As of the time of writing, this was the most recent version of the data available.

⁹ Data on privately-held ESOPs were taken from an analysis of Department of Labor Form 5500 filings for 2021 by Rutgers' Douglas L. Kruse. Data on cooperatives were taken from the above-cited State of the Sector 2023 report from the Democracy at Work Institute and U.S. Federation of Worker Cooperatives.

¹⁰ Sector definitions are based on two-digit North American Industry Classification System (NAICS) codes, with select sectors combined for ease of presentation.

About the Author

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Learn More

We are pleased to present this brief as part of the Employee Ownership Ideas Forum, a two-day convening bringing together leading policymakers, practitioners, experts, and the media for a robust discussion on how we can grow employee ownership for the shared benefit of American workers and businesses. The Forum is co-hosted by the Aspen Institute Economic Opportunities Program and the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University. Learn more at as.pn/eoforum25.

The Institute for the Study of Employee Ownership and Profit Sharing is at: <https://smlr.rutgers.edu/EmployeeOwnershipInstitute>

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