



# JOHN ZOGBY STRATEGIES

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## COMPARATIVE ANALYSIS OF TWO RECENT SURVEYS ON THE ECONOMY

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### I. METHODOLOGY

1. Employee-Owned S Corporations of America (ESCA) commissioned John Zogby Strategies (JZS) to conduct a nationwide, online survey of 3,415 employees of ESCA member companies. An initial request was made to all ESCA member companies and then the survey was distributed to those member companies that agreed to participate. Participating companies received a link to the online survey, which was then distributed among company employees. JZS conducted this online survey from March 31 – April 14, 2017.

The participating companies are a close approximation of the geographical distribution of ESCA membership. (“Qs” referenced below correspond to the JZS survey and can be matched with accompanying frequency and cross-tabulated tables.)

2. The Marketplace-Edison Research poll was a national survey of Americans ages 18 years and older. A total of 1,036 respondents were interviewed with 501 interviews conducted by telephone and 535 interviews conducted online. Among the telephone interviews, 250 were conducted via a landline phone and 251 interviews conducted via a cell phone to achieve the proper proportion of coverage of households in the United States that do not have a landline phone. These telephone interviews were conducted from October 1 – October 8, 2016.

### II. EXECUTIVE SUMMARY

The central story of the most recent election was economic anxiety. Even with low unemployment and rising wages, many Americans still felt insecure about their futures. The fear of future automation, increased outsourcing, competition from trade, the rising cost of education, and retirement challenges dominated conversation during election season. While official data painted one picture of the economy, the non-quantified anxiety keeping American families up at night was the story of 2016.

Against this backdrop, this report seeks to understand whether employee-owners at S corporation ESOPs are more confident about their futures. Employee stock ownership plans (ESOPs) are a qualified defined contribution plan that provides a company’s workers with retirement savings through their investments in their employer’s stock, at no cost to the worker.

Economic analyses suggest employee-owners maintain greater job stability, earn higher wages, and enjoy greater retirement security. Many economists attribute these economic successes to the psychological benefits that employees get by working for a company they own, and whose returns benefit them directly.

This study finds that this benefit is also clear when employee-owners are asked about economic anxieties. Benchmarked against the broader population, it is clear that employee-owners feel less economically anxious than other workers, and by considerable margins.



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Employee-owners we surveyed across the country say they are more financially secure and less worried about their current financial situation, they have a more optimistic view of their finances and professional prospects, and they are far more confident about their ability to handle unexpected medical bills, make mortgage payments, and pay student loans. They lose less sleep over their finances, and they are much less worried that they will lose their jobs.

Our poll compares responses from 3,415 workers in companies that are privately held, majority or wholly employee-owned businesses to the economic sentiment results from an October 2016 Marketplace-Edison poll of 1,036 U.S. respondents aged 18 or older.

## Key Findings

- **Over the past 12 months, employee-owners are more than twice as likely to believe their personal financial outlook has improved than the overall workforce.** Two-thirds of ESOP employees consider their personal financial situation better than a year ago, compared to only 30 percent for their non-ESOP counterparts surveyed.
- **Currently, employee-owners are more financially secure and less anxious than the overall workforce.** Twenty-six (26) percent of people reported feeling not financially secure compared to just 18 percent of employee-owners. Meanwhile, 81 percent of employee-owners reported feeling either somewhat financially secure or financially secure compared to just 73 percent of the broader workforce.
- **Going forward, employee-owners are likely to feel they have opportunities for financial advancement.** Sixty-nine (69) percent of surveyed ESOP workers report they have opportunities to advance beyond their current financial situation, while 52 percent of Americans older than 18 felt the same way in October 2016. Sixty-eight (68) percent of Millennial/Generation Z (18 – 29 year olds) ESOP employees were optimistic about their financial prospects.
- **All workers report feeling concerned about their retirement, but employee-owners' worries about retirement are less intense than other American workers' anxieties.** Employee-owners are 30 percent less likely to claim they worry "a lot" about their retirement than the broader workforce.
- **Fifty-five (55) percent of employee-owners have no fear of losing their job in the next 12 months compared to only 44 percent of the broader workforce.** Further, 56 percent of the broader workforce had "a lot" or "a little" fear they will lose their jobs, while only 40 percent of ESOP workers feel this way.
- **Employee-owners are more confident than the broader workforce in their ability to pay for college for their children, make car, mortgage, and rent payments, handle an unexpected medical bill, and pay down student debt.** For these categories, employee-owners are far more secure. For example, employee-owners are 14 percentage points more likely to be confident in



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making their mortgage payment and 30 percentage points more likely to be confident in paying for college.

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## III. ANALYSIS

### Introduction

- Do Americans lose sleep over their financial circumstances? What are the economic matters that cause Americans to lie awake at night? Are Americans working at “just a job” or do they feel their job is “part of a career development path”? How much do Americans trust or distrust government economic statistics like the unemployment rate? Are there sharp differences in how Democrat and Republican voters see the economy? Most importantly, for the purposes of our comparative analysis between our own recent survey stacked against the October 2016 Marketplace-Edison Research survey: are there discernible differences in economic/financial outlooks between employees who work at companies with employee-owned S corporations plans (“ESOPs”) vs. those who work at non-ESOP companies?

### Feeling Stuck or Opportunities to Advance – Q1

- Big margin between the October Marketplace-Edison survey and the JZS ESOP survey: while 42% of respondents overall felt stuck in their current financial situation, fewer than a quarter felt similarly in the latter survey (24%). Similar positive direction with respect to respondents who feel there are opportunities to advance beyond their current financial situation: from just over a majority in October (52%) to greater than 2 in 3 among ESOP respondents (69%).
- Overall positive responses in the JZS survey to this question with nearly 7 in 10 respondents feeling they have opportunities to advance beyond their current financial situation (69%), while fewer than a quarter feel stuck in it (24%), and the remainder answered not sure (7%). Optimism carried over among all age groups, including among respondents between 50 – 64 year of age and 65+ years of age, with a surprising level of positive sentiment in this regard (70% and 64%, respectively). Younger employees also maintained their sense that opportunities to advance exist: Millennials and Gen Z (18 to 29 year olds) see chances for financial advancement (68%); as do employees ages 30 to 49 (also 68%). While female respondents certainly feel more opportunity for advancement (61%) than they feel stuck (31%), males are noticeably more upbeat on this issue (73% advancement to 21% feeling stuck).

### Financial Security – Q2

- Greater security overall detected among ESOP respondents vs. employee respondents in the October survey, up 8 percentage points, while a mirror image drop in financial insecurity between the surveys – down 8 points.
- Security was the main sentiment across all subgroups. More than 8 in 10 respondents to the JZS ESOP survey feel some level of financial security (81%). Fewer than 1 in 5 respondents overall



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think they are financially insecure (18%). Female respondents feel this insecurity a full 10 percentage points more frequently than male counterparts (25% to 15%). Meanwhile, minority group ESOP employees are also feeling noticeably greater rates of insecurity, with African American respondents expressing this sentiment at a huge 44% - by far the highest rate of all subgroups; that level is clearly noteworthy for employers. Just about 1 in 6 white employees responded with feelings of insecurity (17%) vs. the same sentiment at greater than 1 in 5 for Hispanics (22%). The upshot is that white males feel more financially secure than other groups: no surprises there. **Employers may be wise to provide more outreach regarding retirement planning/counseling among female and minority employees.**

## Anxiety – Q3

- Anxiety has not waned: ESOP respondents appear as equally anxious as the rest of the nation: 64% of October survey respondents felt some level of anxiety next to the 66% of JZS ESOP respondents who feel similarly.
- Despite the apparent security among respondents gleaned from the first 2 questions, overall numbers in the JZS survey showed 2 out of 3 respondents have some level of anxiety about their financial situation (66%) with differing intensity: 15% frequently feel anxiety, while 51% sometimes feel similarly. As with previous questions, we detected a gender gap in these feelings – females, overall were more likely to feel such anxiety at just under 3 in 4 (74%) vs. male counterparts overall (60%). And while 4 in 10 male respondents rarely or never (39%) feel anxious about their finances, just over a quarter of females overall (26%) responded similarly. Among racial subgroups, African American employees have the highest frequency of feeling financial anxiety at 8 in 10 (80%). That figure is 17 percentage points higher than whites' anxiety (63%). Discernible gaps exist among some age groups as well: younger employees feel anxiety much more than older employees. The 18 – 29 year olds and 30 – 49 year olds shared levels at 69% vs. older counterparts aged 50 – 64 and 65+, who expressed anxiety at lower levels; 60% and 51%, respectively. **The upshot: to assuage this anxiety among younger employees, employers will need to focus in-house and/or outside financial planning resources to guide their more junior workers through turbulent times.**

## Financial Situation Now Vs. 1 Year Ago – Q4

- Nearly 2 out of 3 responding ESOP employees overall describe their financial situation today as better compared to their situation 1 year ago, while only 8% feel it is worse. This perception held across the board but 18 – 29 year olds stood out as greater than 3 in 4 perceived gains over the last year (76%).

## Fears in the Market – QS5-12

- Overall, ESOP employees this year appear to have less financial fear than non-ESOP counterparts from October 2016. There were some whopping margins in comparison! The following categories for fear slid drastically: being unable to make a student loan payment (-55 points); being unable to



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pay your rent (-53 points); and being unable to make a mortgage payment (-32 points). Additional noteworthy downticks included: being unable to make a car payment (-19 points); and losing your job in the next 12 months (-14 points).

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- All workers report feeling concerned about their retirement, but employee-owners' worries about retirement are less intense than other American workers' anxieties. In October 2016, 40% of respondents reported they worry "a lot" about retirement vs. only 28% in the JZS ESOP survey. In other words, Employee-owners are 30 percent less likely to claim they worry "a lot" about their retirement than the broader workforce.

### **ESOP Employees Have Fewer Sleepless Nights – Q13**

- Marketplace-Edison survey respondents in October 2016 were more likely to lose sleep over their financial situation than JZS ESOP respondents (39% vs. 25%).
- In the JZS survey, more females, Hispanics, and African Americans (30%, 31%, and 31%, respectively) say they lose sleep worrying about finances when compared to male and white respondents (22% and 24%, respectively) in the same survey.

### **Confidence in Regaining Employment – Q14**

- No big margins exist between the 2 surveys on the question of confidence in finding a new job in a few months: 87% in last year's survey vs. 89% in the recent JZS survey.
- Across the board confidence among ESOP respondents: 89% overall felt some level of confidence, though obviously the more senior employees (65+) do not feel as sanguine about their chances for regaining employment in the event of losing their current one (21% are not confident at all).

### **Good Job Availability – Q15**

- Uptick between the surveys in the question related to availability of jobs in respondents' locales: Only 39% of October 2016 respondents felt good jobs were available vs. 46% of ESOP respondents. Meanwhile, fewer ESOP employees feel it would be difficult to find good jobs around them (41%) compared to nearly 6 in 10 (57%) of October 2016 nonESOP respondents who felt it would be difficult.
- Among educational background subgroups, not surprisingly those with advanced degrees came in at the highest level for feeling good jobs are available around their locale: 56% vs. 46% overall responding in kind. Noteworthy downticks compared to the overall figure among females and African American ESOP respondents: 35% and 31%, respectively.





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## Trust in the Economics Stats – Q16

- Not much movement in this category between last October’s general employee survey vs. the recently conducted JZS ESOP survey. Overall trust fell some from 54% to 46%. Page | 6
- By and large, subgroups across the JZS survey meshed with the overall figures. Interestingly, the trust/distrust held even among political parties: Democrats were only slightly more trustful than Republicans (51% to 47%). With the “anti-establishment” having ascended to the helm, this sentiment makes sense among those identifying with the GOP.

## Rigged Economy – QS17-18

- Numbers held between last October’s general employee survey and JZS’s ESOP employees survey: 62% said in October the economy is rigged in favor of certain groups vs. the 58% of ESOP employees responding to the JZS survey.
- In the more recent survey, Democrats and independents are far more likely than Republicans to feel the economy is rigged: 72% and 68%, respectively, to 48%.
- Also in the JZS ESOP survey, the rich and politicians were the most frequently identified (72% and 70%) as groups in whose favor the economy is rigged. Down the line in the following order receiving frequent responses were the following: banks and bank executives (59%), corporations (54%), and people who receive government assistance (36%). Interestingly, there was a wide gulf between African American respondents and Hispanics as to their belief that the economy is rigged in favor of “whites”: with the former responding 38% compared to the latter’s 14%. Big differences discernible between the parties as well: Democrats view the economy as rigged in favor of the rich (90%), corporations (67%), and banks and bank executives (66%). Republican views on the same groups were 54%, 40%, and 46%, respectively. They shared views on politicians: Democrats see the economy in politicians’ favor at 70% while Republicans responded with 68%.

## Feelings toward Officials in DC – Q19

- No surprise that there wasn’t much movement in these sentiments. Enthusiasm and satisfaction were down slightly between the October 2016 general employee survey compared to the JZS survey: from 10% to 5% and 19% to 15%, respectively; and a slight uptick in dissatisfaction from 46% to 51% overall. Interestingly, those with advanced degrees in education were the most likely among all subgroups (education and beyond) to be dissatisfied with DC officials (63%). Meanwhile, the most educated were also quite likely to be angry (19%), which was behind only the following subgroups: Democrats (27%), Libertarians (23%), those respondents describing their race as “other or mixed” (21%), and independents (20%).



## ESOP Employees and the New Trump Administration – QS20-21

- While ESOP employees are decidedly more upbeat about the nation's and the economy's future, these issues are not entirely about their pocketbooks. Race and party identification are major players in public perceptions. Thus at a time when Americans as a whole give the new President, Donald Trump, only a 42% job approval rating and they are about evenly split on how he is handling the economy (Real Clear Politics average 45% approve, 43% disapprove), the JZS survey showed that a majority of ESOP employees (51%) expect more growth for the US economy, which includes 55% of whites, but only 25% of Hispanics and 16% of African Americans. Overall, 12% expect the economy to fall back into a recession and 6% a new depression – but these numbers include 24% of Hispanics and 21% of African American ESOP employees who expect a new recession; and 10% and 17% respectively, who expect a depression.
  
- Partisanship fuels ESOP employees' outlook as well. Only 12% of Democrats expect economic growth, in sharp contrast with 78% of Republicans and 39% of independents. More than one in four Democrats (28%) expect a recession and 17% a depression – in sharp contrast with Republicans (2% recession and 1% depression) and independents (16% recession and 8% depression). What one word defines ESOP employees' feelings about the state of the union? Overall, half (49%) describe themselves as “hopeful”, 18% “excited”, and 12% as “proud” – while 29% say they are “afraid”, 16% “angry”, and 36% “embarrassed”. But 53% of whites (vs. 31% of Hispanics and only 19% of African Americans) are “hopeful”; 19% of whites (vs. 6% of Hispanics and 5% of African Americans) are “excited”; 13% of whites are “proud” (vs. 5% of Hispanics and 4% of African Americans). One in four whites (26%) say they are “afraid” (44% of Hispanics and 53% of African Americans). One in three whites (34%) describe themselves as “embarrassed” – but 43% of Hispanics and 54% of African Americans are. And 15% of whites are “angry” – but 25% of Hispanics and 31% of African Americans feel this way. The partisan expressions are even more dramatic.

## IV. A Comparative View of ESCA Survey Data

All corresponding questions were included below for a side-by-side view of any shift in public opinion, per question. **Note:** any questions that were not equivalent were left out. This includes the question regarding feelings about the 2016 election vs feelings about Trump's job in office thus far – as the choices from the questions did not match. Also, we collapsed the age group segments used by Edison to better correspond with ours. However, as they are not equivalent we do not provide a column that reflects any shift.



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## Which better describes your current financial situation?

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	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Feel stuck in current financial situation	42%	24%	-18
Have opportunities to advance beyond	52%	69%	+17
Don't know	6%	7%	+1

## Do you think you are...?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Financially secure	34%	24%	-10
Somewhat financially secure	39%	57%	+18
Not financially secure	26%	18%	-8
Don't know	1%	1%	0

## Which of the following best describes you [regarding current financial situation]?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Frequently anxious	22%	15%	-7
Sometimes anxious	42%	51%	+9
Rarely anxious	20%	29%	+9
Never anxious	15%	5%	-10





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Don't know	1%	1%	0
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**Think about where your personal financial situation is today, compared to a year ago. Do you think your personal financial situation is...?**

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Better than a year ago	30%	66%	+36
Worse than a year ago	37%	8%	-29
The same	31%	25%	-6
Don't know	2%	1%	-1

**How much do you fear...?**

**Losing your job in the next 12 months**

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	30%	9%	-21
A little	26%	31%	+5
Not at all	44%	55%	+11
Don't know	N/A	4%	N/A
Does not apply	N/A	2%	N/A

**Not having enough saved for retirement**

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	40%	28%	-12
A little	34%	51%	+17
Not at all	25%	20%	-5



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Don't know	1%	1%	0
Does not apply	N/A	1%	N/A

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## Not being able to afford college for your children

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	27%	18%	-9
A little	22%	28%	+6
Not at all	50%	20%	-30
Don't know	2%	2%	0
Does not apply	N/A	32%	N/A

## Being unable to make a car payment

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	17%	4%	-13
A little	24%	18%	-6
Not at all	57%	60%	+3
Don't know	2%	1%	-1
Does not apply	N/A	18%	N/A

## Facing an unexpected medical bill

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	35%	15%	-20
A little	37%	48%	+11
Not at all	28%	33%	+5
Don't know	1%	2%	+1



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Does not apply	N/A	2%	N/A
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## Being unable to make a mortgage payment

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	28%	6%	-22
A little	31%	21%	-10
Not at all	40%	54%	+14
Don't know	-	1%	+1
Does not apply	N/A	19%	N/A

## Being unable to pay your rent

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	38%	4%	-34
A little	30%	11%	-19
Not at all	32%	39%	+7
Don't know	N/A	1%	N/A
Does not apply	N/A	45%	N/A

## Being unable to make a student loan payment

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
A lot	32%	4%	-28
A little	36%	9%	-27
Not at all	33%	29%	-4
Don't know	N/A	1%	N/A
Does not apply	N/A	57%	N/A



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## Does concern about your personal financial situation currently ever cause you to lose sleep?

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	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Yes	39%	25%	-14
No	61%	71%	+10
Don't know	-	5%	+5

## If you were to lose your job, how confident would you feel about finding a new job within six months...

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Very confident	53%	48%	-5
Somewhat confident	34%	41%	+7
Not at all confident	12%	9%	-3
Don't know	1%	3%	+2

## Thinking now about job opportunities where you live, would you say...

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
There are enough good jobs available	39%	46%	+7
Good jobs are difficult to find	57%	41%	-16
Don't know	4%	13%	+9

## How much do you trust the data about the economy that is reported by the federal government? Do you...?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
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Completely trust it	15%	2%	-13
Somewhat trust it	40%	44%	+4
Somewhat distrust it	19%	29%	+10
Not trust it at all	25%	17%	-9
Don't know	1%	8%	+7

## Which of the following statements come closer to your views?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
U.S. economic system is rigged in favor of certain groups	62%	58%	-4
U.S. economic system is fair to all Americans	35%	20%	-15
Don't know	3%	22%	+19

## To whose benefit would you say the U.S. economic system is rigged in favor of?

### Please Check All That Apply

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
	Rigged in Favor of	Rigged in Favor of	
Immigrants	36%	16%	-20
People who receive gov. assistance	43%	36%	-7



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The rich	91%	72%	-19
Middle class	20%	4%	-16
The poor	20%	11%	-9
Banks/Bank executives	85%	59%	-26
Politicians	89%	70%	-19
Minority groups	32%	20%	-12
White people	46%	15%	-31
Corporations	86%	54%	-32
Don't know	N/A.	6%	N/A

## Which of the following best describes your feelings towards elected officials in Washington?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Enthusiastic	10%	5%	-5
Satisfied, but not enthusiastic	19%	15%	-4
Dissatisfied, but not angry	46%	51%	+5
Angry	23%	15%	-8
Don't know	2%	14%	+12

## What is your gender?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Male	49%	66%	+17
Female	52%	35%	-17





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## Which of the following best describes your highest level of education?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
< HS	6%	1%	-5
HS graduate	24%	10%	-14
Some college	29%	34%	+5
Bachelor's degree, +	42%	54%	+12
Refuse	-	2%	+2

## Which of the following best represents your race or ethnic group?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
White	63%	80%	+17
African-American	13%	2%	-11
Hispanic/Latino	14%	6%	-8
Other/mixed	8%	6%	-2
Refuse	2%	6%	+4

## What is your political party affiliation?

	<u>October 2016</u>	<u>April 2017</u>	<u>+/-</u>
Democrat	30%	14%	-16
Republican	25%	43%	+18
Independent	21%	18%	-3
Libertarian	N/A	4%	N/A
Green	N/A	-	N/A



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Other	1%	5%	+4
Refuse	2%	15%	+13

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## What is your age?

<b>Edison Age group</b>	<b><u>October 2016</u></b>	<b>JZS Age group</b>	<b><u>April 2017</u></b>
18-34	31%	18-29	12%
35-54	37%	30-49	52%
55-74	25%	50-64	33%
75+	8%	65+	2+