

Does Employee Ownership Affect Attitudes and Behaviors? Selection, Status, and Size of Stake

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Past research has found employee ownership to be linked to better attitudes and behavior

--e.g., Blasi et al. (2010): lower turnover, higher loyalty, suggestion frequency

But is this a causal effect? Maybe not—it may reflect:

1. Selection: Employees with pre-existing good attitudes are more likely to buy or be given company stock

If it is a causal effect, it may reflect:

2. Status: Simply being an employee-owner creates better attitudes and behaviors, or
3. Size of stake: Having more stock creates better attitudes and behaviors. Also, size of stake may be linked to lower turnover due to vesting provisions (as with other pension plans)

How to test for causality vs. selection effect?

- A. Clearly selection effect when people buy stock with their own funds, so can compare relation of EO to attitudes for those who bought stock vs. those who were granted stock
- B. Also, selection effect should not depend on whether there are high-performance policies (EI, training, job security), while causal effect of EO is more likely when there are high-performance policies

How to test for status vs. size of stake?

Compare effects of having any EO and having higher EO stake, measuring in 4 ways to test non-linear relationships:

- a. Dummy for any stock owned, and % of pay
- b. Dummy for any stock owned, plus % of pay and % of pay squared
- c. Dummies for quintiles of % of pay (with equal numbers of employee-owners in each quintile, testing for jumps between quintiles)
- d. Splines for quintiles of % of pay (i.e., testing whether linear relationship varies by quintile)

Data

NBER shared capitalism dataset:

25,000 employees who reported how much of their employee ownership was bought from their personal funds or wages, versus granted to them by the company

Outcome variables: Turnover intention, job satisfaction, company loyalty, perceived company fairness, willingness to work hard, suggestion frequency, anti-shirking activity

Moderating variables:

Stock bought vs. stock granted

High-performance policies: employee involvement team, training, job security

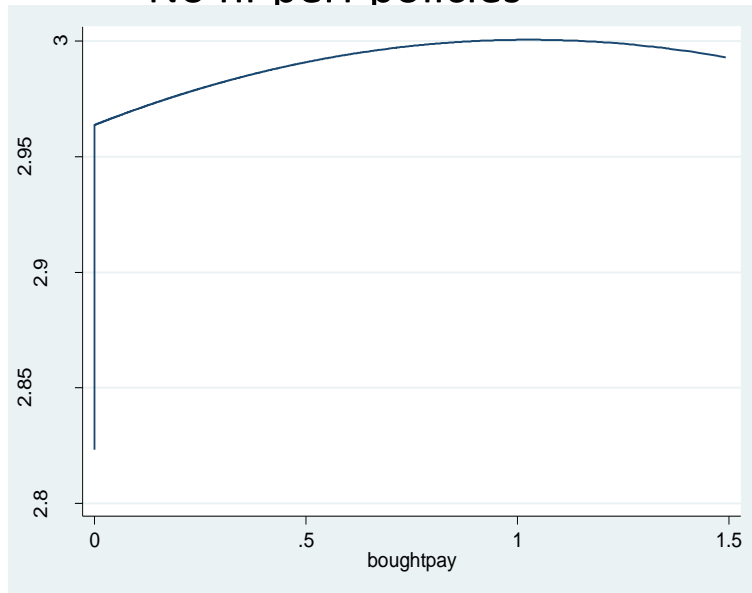
Control variables:

Demographics (age, gender, race, disability), job tenure, occupation, closeness of supervision, fixed pay level, as well as the values of stock options, profit sharing, gain sharing, and individual bonuses

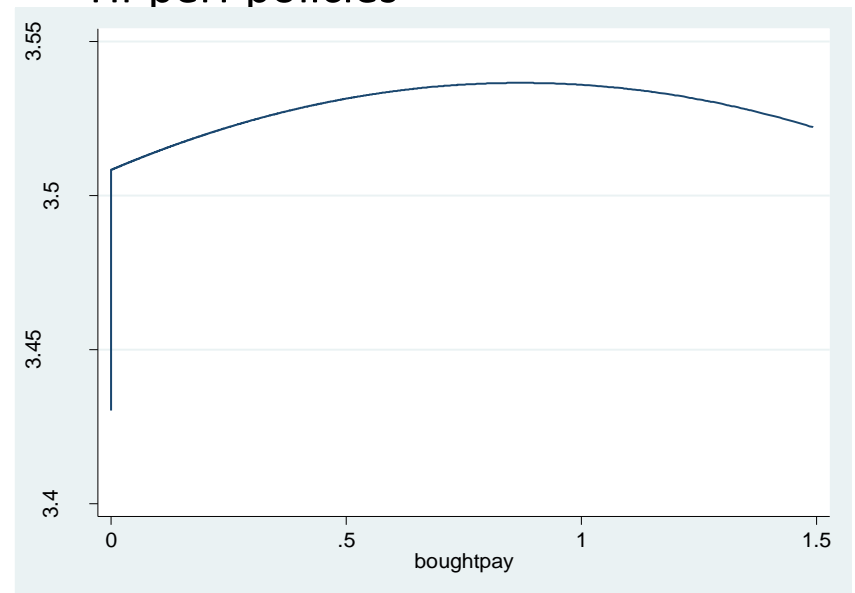
Results supporting selection effect

Some evidence supporting selection effect: employees who bought stock have higher loyalty, with or without hi-performance policies

No hi-perf policies



Hi-perf policies

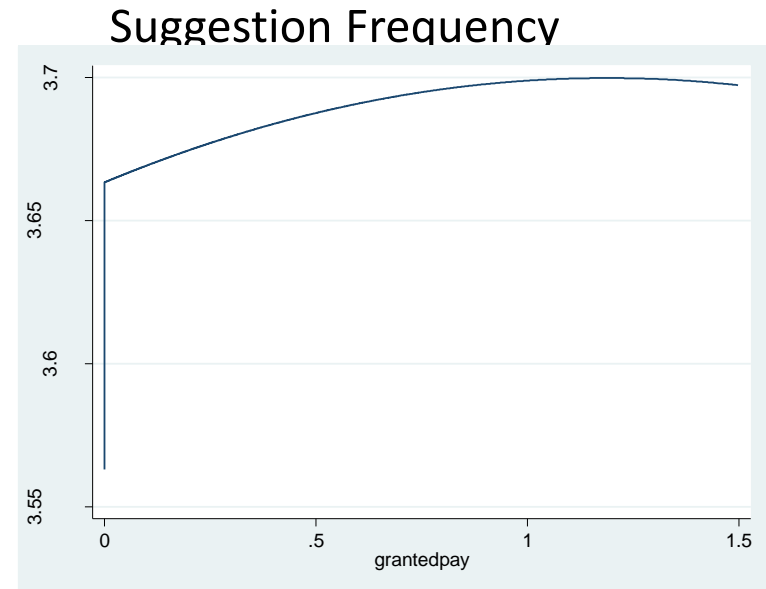
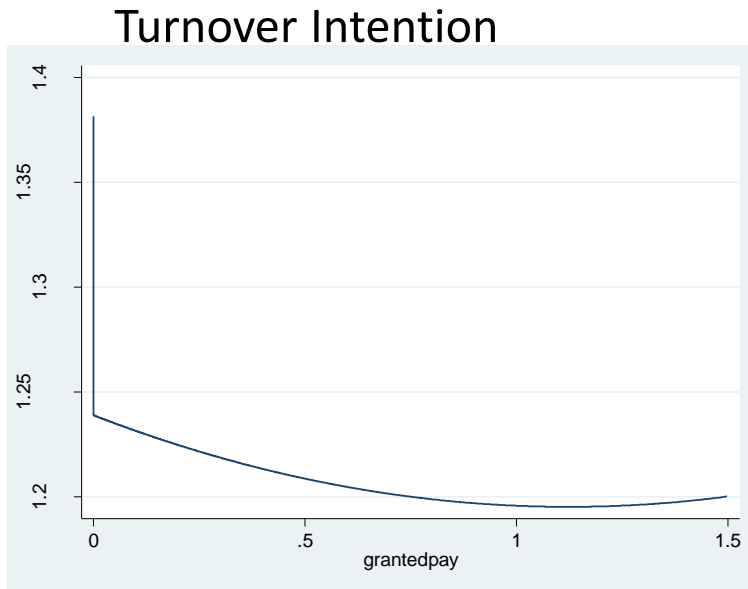


Similar patterns for: perceived company fairness, willingness to work hard, job satisfaction

But no significant relations between bought stock and EO for: suggestion frequency, turnover intention, mixed results for anti-shirking

Results supporting status effect

Some evidence supporting status effect: employees who are granted stock have lower turnover intention and higher suggestion frequency, but only with hi-performance policies.

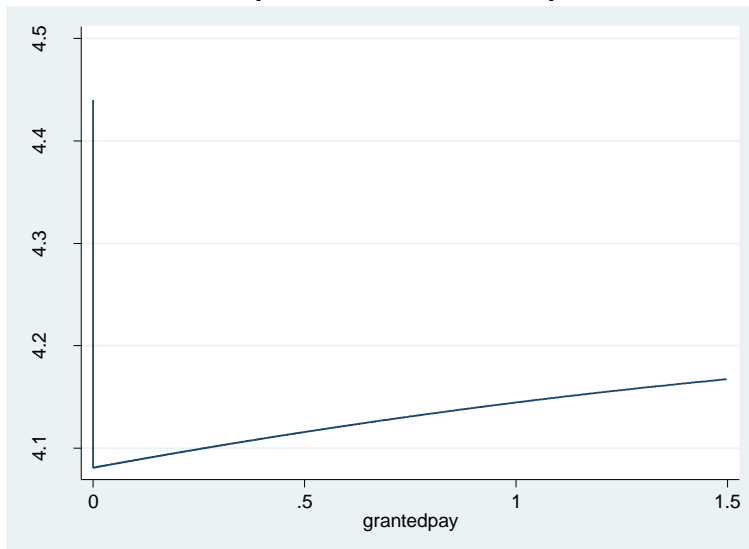


These effects exist with hi-performance policies, but not with low performance policies, suggesting complementarity of employee ownership and hi-performance policies.

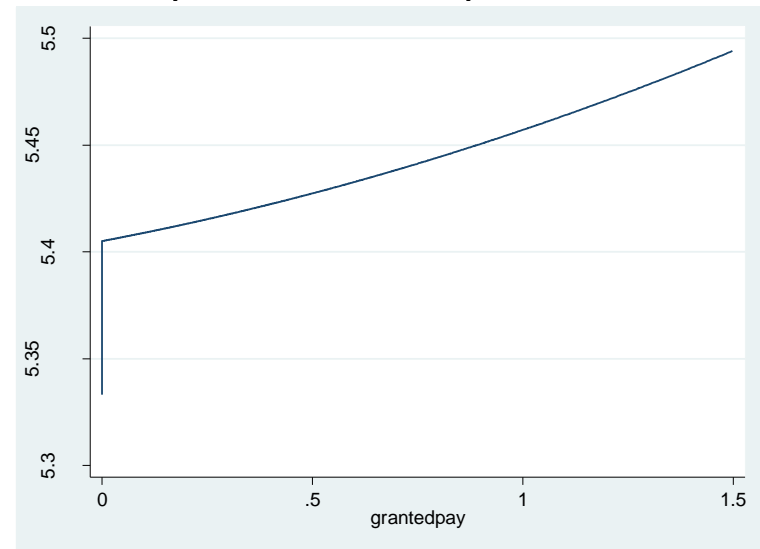
Further results on status effect

Employees who are granted stock have higher job satisfaction if there are hi-performance policies, but satisfaction goes down when they're granted stock in the absence of hi-performance policies.

Low performance policies



Hi-performance policies

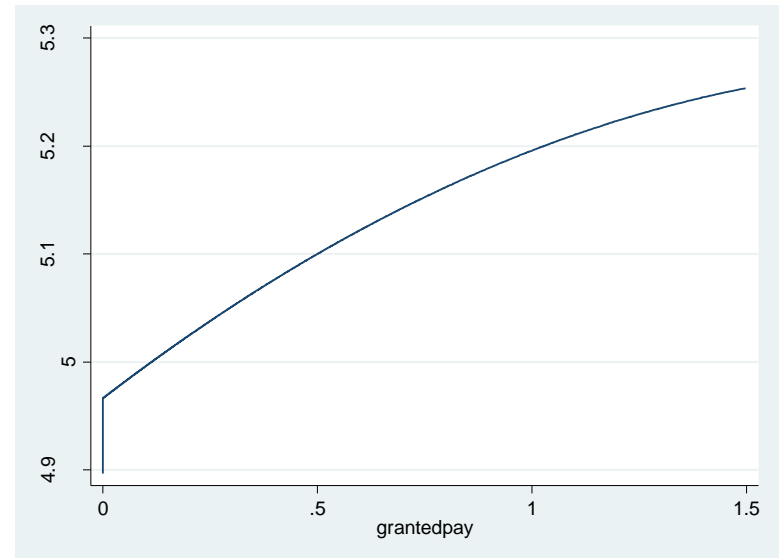
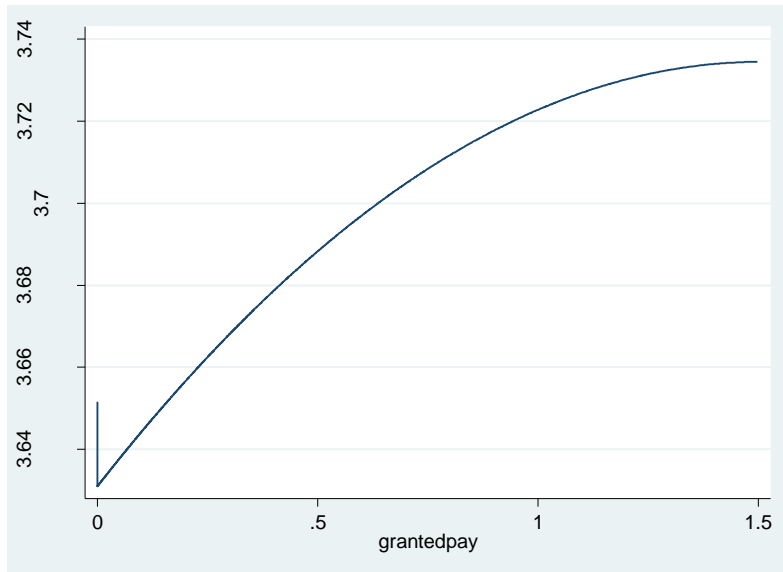


Hi-performance policies help create the feeling of being an owner.

Size of stake does not matter for turnover intention, suggestion frequency, and job satisfaction.

Evidence on size-of-stake effect

Limited evidence supporting size-of-stake effect: perceptions of company fairness improve as employees are granted more stock, whether or not there are hi-performance policies.



However, size of stake is not significantly related to other attitudes and behaviors.

Summary of key results

- Therefore, some evidence for all three effects: selection, status, and size of stake.
- But results not consistent across outcomes. Neither status nor size-of-stake were linked to anti-shirking activity or willingness to work hard for employees who were granted stock. These may be more related to having immediate coworkers who are also owners.
- Where employee ownership has an effect on attitudes and behavior, appears mostly to operate through status of being an employee owner, not through how much stock one owns.
- Similar results from different ways of measuring possible nonlinearities for size-of-stake effects.

Implications

- Is there a threshold amount required to change attitudes? Apparently, the threshold is very low for most attitudes—being granted even a small amount of stock is linked to better attitudes when there are hi-performance policies.
- Distinction between bought and granted stock is very important: bought stock reflects employee self-selection, while granted stock is more likely to reflect the effects of employee ownership.

Future research

- Investigate possible thresholds and nonlinearities for other forms of shared capitalism: profit sharing, gain sharing, and stock options.
- Use multilevel analysis, seeing whether group variables (such as % who are owners) are important predictors