

Employee ownership and attitudes: The role of selection effects

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The problem of selection effects

Widespread evidence of the effects of EO on workers and firms BUT

- Better performing firms more likely to become employee-owned?
- Employees who like EO join EO firms?
- Employees with higher commitment more likely to join voluntary plans (e.g. stock purchase plans)?

Most studies unable to control for selection effects because of lack of longitudinal design, appropriate sample structure, or suitable questioning.

This study attempts to evaluate the importance of selection effects on employee attitudes ('psychological ownership') in an ESOP.

The research

- Questionnaire survey with 565 employee respondents (@10% of total employees) in a US mid-West retail ESOP
- Analysis limited to 456 employees with 5 years employment or less
- 42% are ESOP plan participants
- Questions on previous EO employment and importance of company's EO in joining the firm
- Assess impact of plan membership and importance of EO in joining the firm (selection effect) on psychological ownership

Key consideration: decision to join the firm is employee-level, decision to enrol in plan is firm-level

Results

<i>Category</i>	<i>n</i>	<i>Psychological ownership (1-5 scale)</i>
Not in the ESOP plan	267	2.44
In the ESOP plan	189	3.19
<i>Sub-categories</i>		
Not in plan/EO unimportant for joining company	212	2.25
In the plan/EO important for joining company	113	2.90
Not in the plan/EO important for joining company	54	3.37
In the plan/EO important for joining company	76	3.61

Observations

- How to calculate the selection effect?
- Regression shows that average selection effect slightly larger than plan effect, controlling for age, gender etc. (54 vs. 46%). Selection effects are important.
- Note high levels of PO amongst those not yet in plan but for whom EO was important in joining the plan
- Despite selection effects, plan membership clearly has an effect on PO

Further results: 31 per cent of those with no previous experience of EO would prefer to work in an EO firm if changing jobs